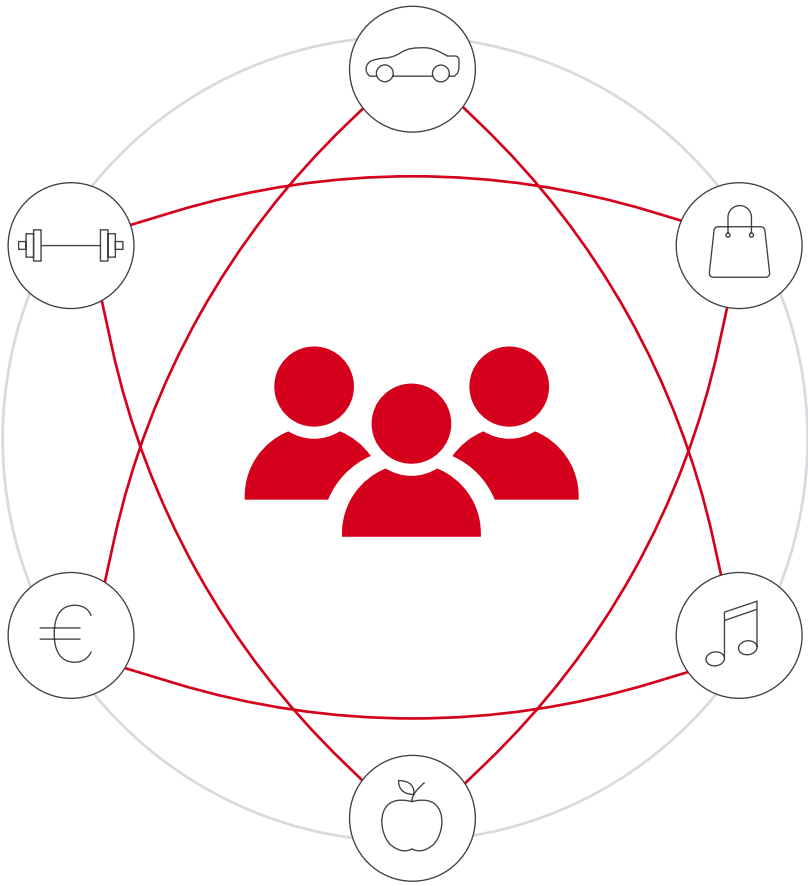
Customer Centricity



The Art of Building Customer Ecosystems

Creating superior value propositions through seamlessly integrated services

Porsche Consulting
Strategic Vision. Smart Implementation.

INSIGHTS

//01

Uncompromising willingness to serve customer needs best is the core value driver of winning customer ecosystems.

//02

Not one stand-alone company runs a customer ecosystem but rather a growing network of savvy partnerships crossing industry boundaries.

//03

Customer ecosystems economically outperform stand-alone companies and provide value to customers and partners alike.

The art of building customer ecosystems

Creating superior value propositions through seamlessly integrated services

Customer ecosystems are on the rise. Being challenged by a rapidly growing technological landscape and customers' increasing demand for highly personalized experiences along their customer journeys, companies have to find new ways to deliver value. To pull together technologies and services needed for offering a seamless and integrated solution that offers a superior customer value proposition, companies need to form collaborative networks and set up strong partnerships. But this is easier said than done—to meet this challenge and to gain a competitive edge, it is critical to understand how to create the foundation for a successful customer ecosystem; how to build, run, and scale it; and how to manage the complex transformation process.

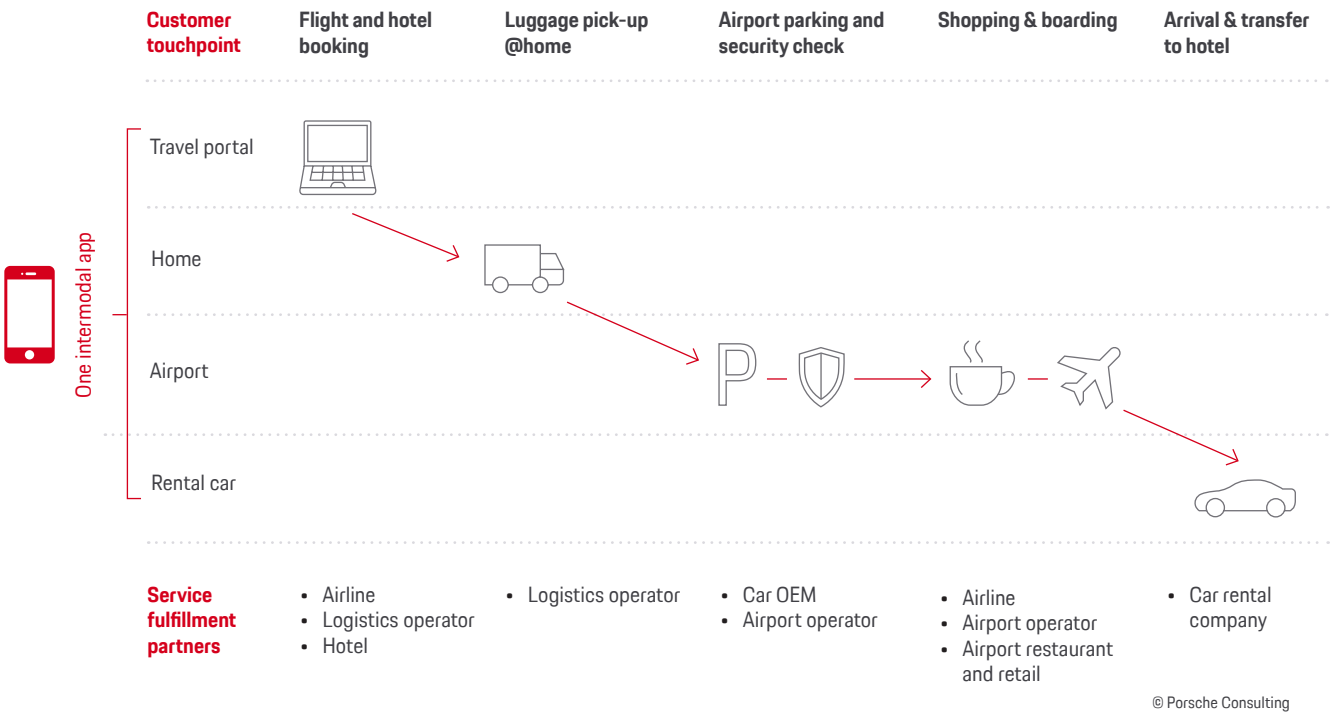


Figure 1. Exemplary intermodal customer journey

Imagine you are planning a family trip in times of Covid-19. While booking your hotel and flight, you select the "safe door-to-door journey" option on your mobility app, which offers you a great choice of integrated mobility and hospitality offers. One day prior to departure, a courteous driver collects your luggage at home. He ensures that your luggage is checked in safely and hassle-free at the airport—you will later receive an in-app notification that your luggage checkin has been confirmed. Later on, as you drive with your family to the airport, you receive a real-time 30% off coupon on your in-car mobility app for parking close to the airport. As you choose the offer, you also receive information on peak times in the security line and recommendations on the best time slots for arrival. You spend the additional time gained in a restaurant that is promoted with a discount on your boarding pass in your mobility app. The restaurant provides a safe and separated family area, and your airline miles program rewards you for having drinks and snacks. After a while, the

mobility app informs you that the plane is ready for boarding. Arriving at your destination airport, you decide to have a safe onward journey in a rental car you already booked up front via your mobility app. You head directly to the airport parking lot, unlock the rental car on your smartphone, and continue your relaxed journey to your hotel.

No hassles with a complex planning and booking process, no exhausting search for a parking lot with high fees, no time-consuming luggage drop-off and security check, no desperate search for a family-friendly restaurant, and no unclear transfer options at your destination. Sounds good? It certainly does. But to make your journey such a seamless experience, a lot has to be done for along the way. It requires the frictionless interaction of many actors—from the airport operator, to the airline, the logistics service operator, the airport restaurant, the car OEM, the car rental company and the hotel: an entire customer ecosystem for an intermodal mobility journey.

I WANT IT ALL, I WANT IT NOW, I WANT IT MY WAY

There are numerous user stories like the one outlined for mobility journeys. But they all have one thing in common: behavior and expectations of customers are changing. Customers increasingly desire a seamless and personalized experience along their journeys—end to end. They expect companies to create a holistic experience while fulfilling their specific needs and wants. These needs and wants often concern not only a specific product or service category of one individual company. Instead, customers are looking for solutions that cover one or even more areas of their life, i.e., they are searching for solutions to conveniently manage their health and well-being, finance issues, or mobility needs.

To meet customers' individual requirements, companies need to perform a paradigm shift (Figure 2). They have to transform from selling a product to serving customer needs. It is about focusing away from monetizing product life cycles towards leveraging customer life cycles. Thus, companies have to nourish customer relationships, but also their relationships with ecosystem business partners to provide customer-focused solutions. Based on a customer-centric mindset, companies have to translate customer needs into required capabilities and resources. An optimal combination of input factors amongst ecosystem actors is key to providing a superior value proposition—at this point, customer ecosystems come into play.

	Product-centric stand-alone company	Customer ecosystem
	From...	**To...**
Business purpose	Run and grow a profitable business and optimize operations continuously	Serve customer and partner needs, reach critical mass of customer/partner base, and scale platform business fast
Experience and lock-in	Convince customers through superior product performance, quality, usability, and longevity	Convince customers and partners through fast and easy access to a wide range of need-based solutions
Value exchange	Transactional relationship based on monetization of product	Relationship and data-driven value exchange based on customer life cycle and joint value proposition
Portfolio scope	Focus on core business (specific industry or market segment/niche)and/or service life cycle	Focus on customer life areas (e.g., health, mobility, etc.) often beyond core business
Offering logic	Offering and combination of internal products and services	Bundling of products, services, and enablers across company portfolios
Partnering	Establishment of traditional supplier-customer relationship along the company's value chain	Establishment of an ecosystem partner network through a virtual organization with blurring boundaries
Capabilities and resources	Leverage of internal capabilities and resources	Optimal combination of capabilities and resources of all partnering companies
Performance metrics	Sales of units, company revenue and profit, market share, risk measures	Customer experience measures, platform revenue and profit, share of users, engagement

Figure 2. Paradigm shift towards customer ecosystems

Customer ecosystems – the key to mutual and continuous value creation

> Customer ecosystems help customers to get things done while fulfilling specific needs with the help of many partners through one integrated experience.

Characteristically, customer ecosystems consist of independent companies, networks, platforms, and communities while differentiating through a joint customer-centric value proposition. They provide product and service bundles as tailored solutions for customers and partners through a seamless experience across all touchpoints. In this way, they create value that is greater than the sum of all individual ecosystem contributions.

In practice, there is not just one customer ecosystem, but an infinite number of them across industries. Take Tencent's leading Chinese ecosystem WeChat, for example (Figure 3). Tencent started in 2011 with a web shop—and now operates Asia's biggest customer ecosystem with more than 1.1 billion monthly active users. Some 98.5% of Chinese Internet users use WeChat regularly. As an all-purpose app in the everyday life of customers, WeChat has become a growth driver for business—from restaurants to insurances. As of 2020, more than 20 million corporate accounts are available on WeChat, enabling customers to use over one billion "mini-programs" that allow you, for instance, to make a doctor's appointment, pay at the supermarket checkout, or order a cab.[1]

Another example in the B2B context is the Industry 4.0 platform MindSphere from Siemens. MindSphere connects systems, plants, machinery, products, and data across industries and has been named a leader in its industry by Forrester[2]. With a global connect based of 30 million systems and more than 500 partners including Microsoft, AWS, and Alibaba, MindSphere provides access to a growing catalogue of third-party applications that industrial companies can apply when digitalizing their operations[3].

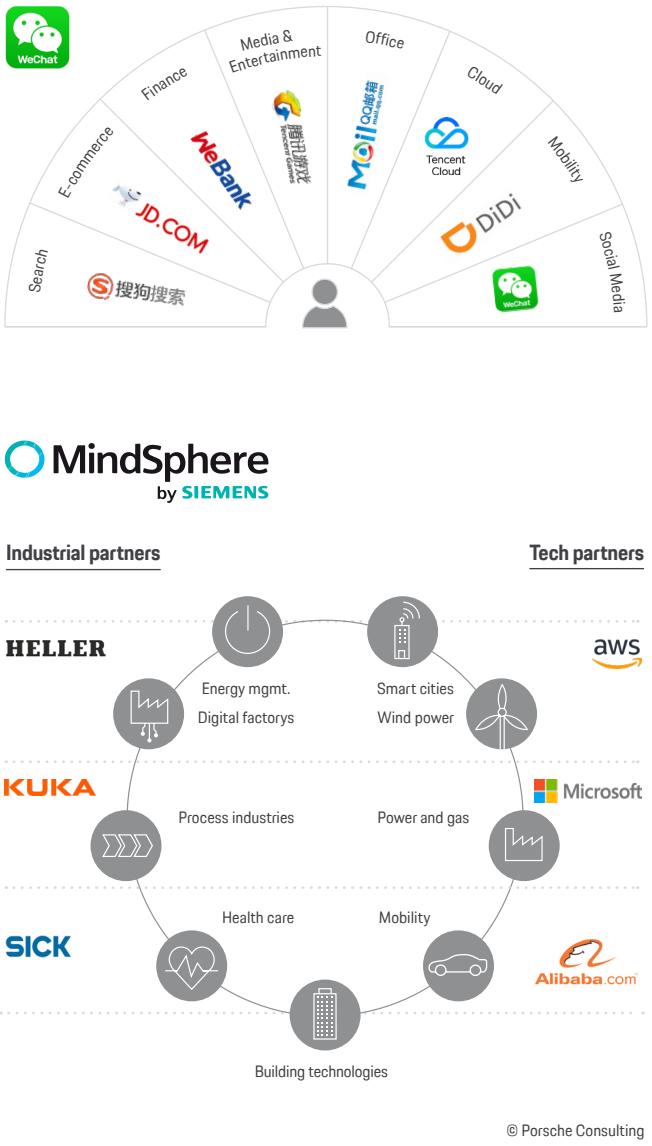


Figure 3. Overview of WeChat (Tencent) and MindSphere (Siemens) customer ecosystems. Source: Tencent, Siemens

Nothing worthwhile comes easily

Properly designed customer ecosystems create a sustainable competitive advantage for their participants. The benefits provided to the customer translate into benefits for the company as well in that customer ecosystems economically outperform stand-alone companies. They bring tangible results such as boosted revenue and margins as well as improved customer retention (Figure 4). However, one needs "strategic patience": benchmarks show that it takes at least three years to break even and build sustainable profit streams (Figure 5).

But the crux is that it is less and less likely that a stand-alone company can provide solutions for such a variety of customer needs through its own capabilities and resources. The good news, however, is that the dependence on mobile devices and the impact of online shopping on the buying patterns of customers have also expanded the opportunities for companies to link previously unrelated goods and services. To ride the wave of customers' changing behavior and expectations, companies now have to find new forms of collaboration and adopt new ecosystem business models. Besides working with partners that have obvious ties to the existing core business model, also working with atypical partners is crucial to identify new or nascent opportunities and to develop innovative solutions that maximize the value for customers.

Customer ecosystems are the new battlefield

The critical challenge is thereby a careful strategic planning with regard to building the intricate, strategically calculated web of relationships that make a customer ecosystem work. Flexible partnership arrangements are necessary to quickly respond to changing customer preferences, new technologies, emerging competitive threats, and regulatory changes.

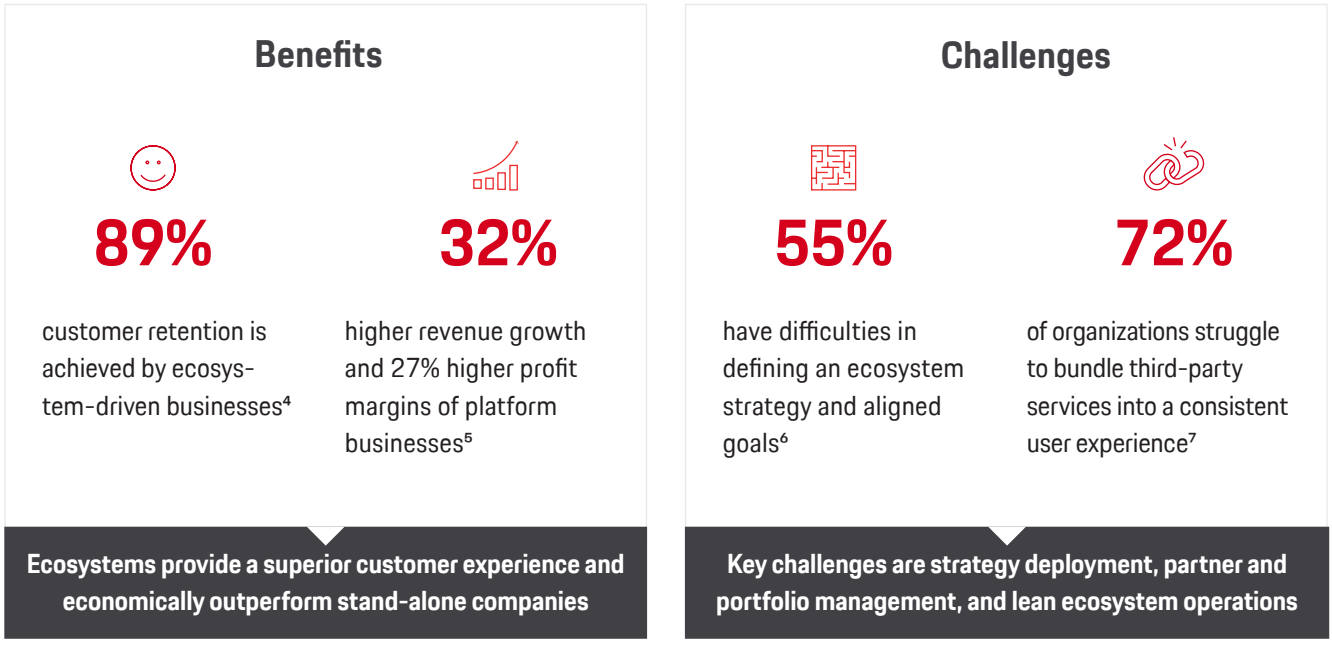


Figure 4. Benefits and challenges of customer ecosystems. Source: FinTech Magazine; MIT; HBR; Springer

PLATFORM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
	Benchmark for operating margin platform buisness (in %)[8]						
facebook (est. 2004*)	- 81%	- 20%	35%	52%	47%	25%	-
Google (est. 1998**)	- 2764%	- 77%	12%	42%	24%	30%	28%
amazon (est. 1994)	- 59%	- 39%	- 21%	- 20%	- 43%	8.5%	3.7%
Uber (est. 2009***)	- 250%	- 57%	- 113%	- 81%	- 54%	- 12%	-

Figure 5. * Reported profit and loss statement 3 years after company inception; **Reported profit and loss statement 1 year after company inception; ***Reported profit and loss statement 3 years after company inception

How to put customer ecosystems into practice

Companies frequently struggle with the broad scope of the concept and the lack of practical advice. To help companies to find their way through the customer ecosystem transformation process, this white paper addresses the following questions:

- **How to create the foundation for a successful customer ecosystem**
- **How to build, run, and scale a customer ecosystem**
- **How to manage the customer ecosystem transformation**

Creating the foundation for a successful customer ecosystem

Traditional strategy frameworks are of little help when designing and participating in a customer ecosystem. The focus on a single company is not enough. In a network of partners, it is crucial to ensure that all services and operations serve a defined purpose and create value for customers and the company alike. Overarching design principles help to set the frame and to guide the setup and execution of a customer ecosystem.

For a service provider, this means developing six design principles that are consistently applied as a benchmark in the development of new services and, thus, create the basis for an integrated customer experience (Figure 6). For instance, one principle is the maximum scalability of its services. This implies an exclusive focus during developing new features for a service on those that satisfy the needs of many customers and have the potential to attract new customers. Features that might be technically possible but without a direct customer benefit are not desirable. Another principle is the premise that the user experience comes first. Customers should experience a great usability design with superior functionality (e.g., easy navigation of an app). Usability should therefore be the most important service development criterion. A further critical principle is the development of an overarching platform for the ecosystem. A platform actually orchestrates an ecosystem; no ecosystem can exist without it. A platform enables interactions and thus needs to combine and integrate customer front-ends, IT systems, and interfaces as well as ease the integration of ecosystem actors (third parties).

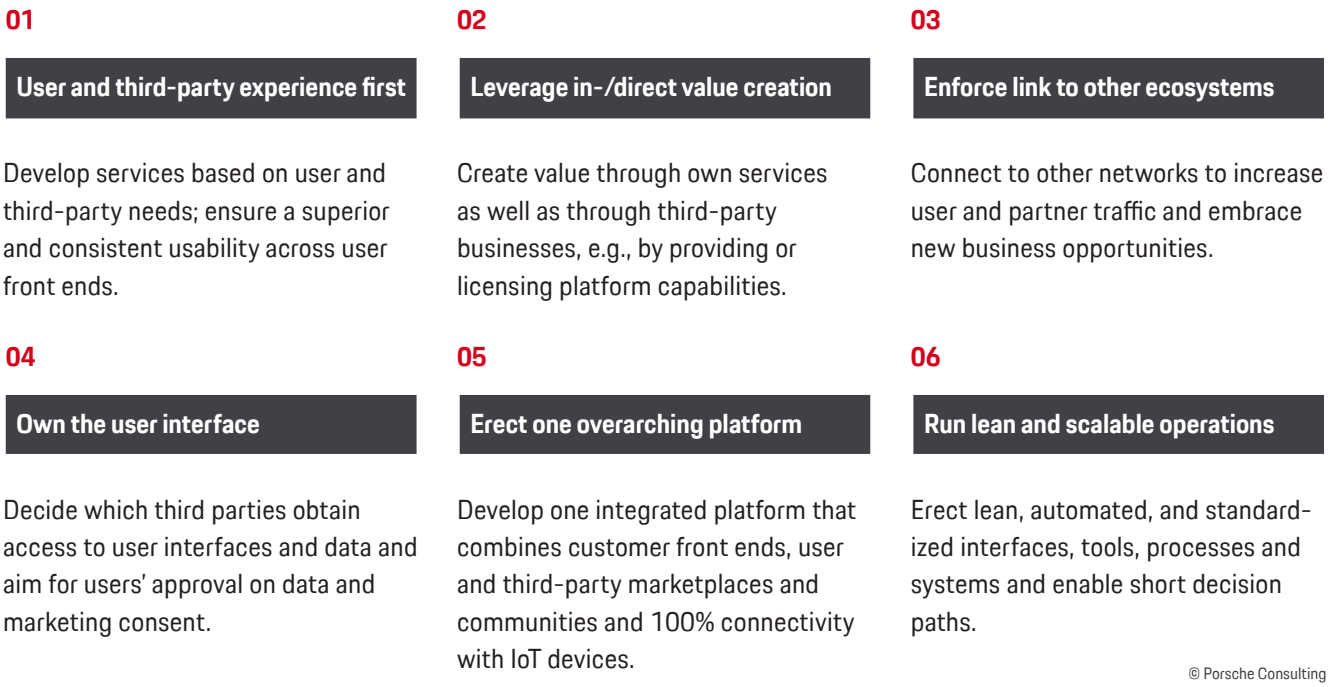


Figure 6. Exemplary design principles for a customer ecosystem

In addition to the design principles setting the frame for the ecosystem, Porsche Consulting has identified five success dimensions for a customer ecosystem: customer centricity, size, value, engagement, and integration have been found to embody the success formula for a winning customer ecosystem (Figure 7).

Customer centricity is at the heart of each ecosystem. Without fully understanding the needs, wants, or expectations of customers, companies will fail to provide a superior benefit and experience. Moreover, the size of the ecosystem is a critical determinant. Increasing the number of users, partners,

and devices connected to the ecosystem is a prerequisite for success. However, the size of the ecosystem alone is of no use if companies cannot create a tangible value. Value needs to be generated through providing the company's own services and through capturing value through the business of the partners on the company platform. However, the nature of an ecosystem implies that value is split among all participants in a way that the ecosystem is economically attractive to all partners. Especially when starting to build an ecosystem, capturing value will mostly go into scaling and growing quickly. Nevertheless, with growing maturity, it is essential that all ecosystem actors derive a tangible value; otherwise, the ecosystem will become a dead end. A further success factor is to drive permanent engagement of both partners and customers. Providing business opportunities for already on-boarded ecosystem partners while also attracting additional platform partners should be one key focus of the engagement strategy. In addition, fostering user interaction across an expanding array of touchpoints is critical to build up a meaningful relationship with customers. Finally, the success of customer ecosystems depends on their integration ability. Services need to be linked in a way that creates a seamless journey for customers and an integrated experience. Portfolios and operations need to be streamlined and IT systems need to integrate components and applications of all partners on a single platform.

The success dimensions thereby lay the foundation for measuring and tracking the success of the ecosystem through KPIs. For instance, size can be measured by the number of registered and unique active users, value by the generated digital sales turnover, engagement by the daily user interaction rate, and integration by assessing how many services are used per customer.

Success dimensions	**CUSTOMER CENTRICITY**	**SIZE**	**VALUE**	**ENGAGEMENT**	**INTEGRATION**
Successful ecosystems...	... address users' and third parties' gains/pains and provide superior benefit and experience	... scale business across industries by increase of users, third parties, and connected IoT devices	... generate value through own services, third-party businesses on the platform	... have user interaction and provide business opportunities for third parties	... link services, create frictionless journeys, streamline portfolios, and operations
Example[9] WeChat	Meta-app serving any purpose 24/7, app store rating >4.3	>1 billion global monthly active users and >20 million corporate accounts	€40 billion (2018) revenue and €45 billion third-party platform transactions	Users spend more than ~85 minutes on WeChat daily	580,000 App in Apps and 45% of users mainly use WeChat Pay

Figure 7. Success dimension of a customer ecosystem

Building and running a customer ecosystem

Having established the foundations for a customer ecosystem in the form of design principles, success dimensions, and its measurement, companies typically face four questions when setting up and managing customer ecosystems. These central questions give rise to four building blocks that are essential for establishing and running a customer ecosystem. They have been identified as crucial determinants that need to be carefully planned and executed to allow an ecosystem to prosper and create value for all participants and beneficiaries (Figure 8).

01 How do we define our customer ecosystem strategy and how do we deploy it?
02 What is our ecosystem portfolio and offering logic?
03 Who plays what role in a customer ecosystem and how to integrate partners with one another?
04 How do we set up a lean service development and a scalable platform business?

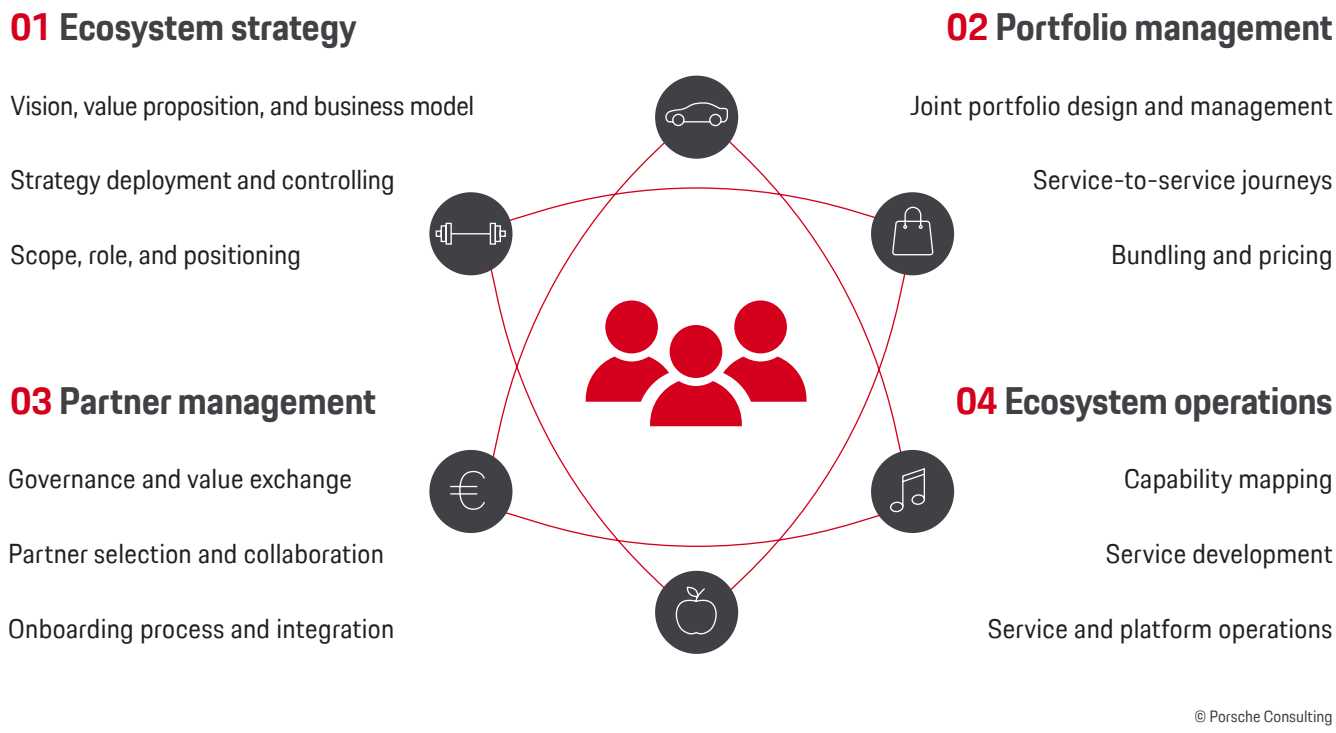


Figure 8. Customer ecosystem building blocks

BUILDING BLOCK 1

How do we define our customer ecosystem strategy and how do we deploy it?

Describe vision, value proposition, and business model. Define a compelling vision and mission and fundamentals of the customer ecosystem such as value exchange, sales model, or targeted customer experience. It is of great importance to develop a joint value proposition to ensure high attractiveness and gravitation towards customers and partners.

Set scope, role, and positioning. Determine a target positioning to set the scope of the ecosystem. A precise positioning communicates why customers should join and why partners should collaborate with the ecosystem. While companies can focus on fulfilling a certain role in an ecosystem (e.g., PayPal as payment enabler across industries), they can also decide to become an orchestrator of an ecosystem that covers several life areas of customers[10]. An example of this is Nike[11]: in its role as an orchestrator, Nike operates the Nike+ platform and owns the customer interface (Nike Training Club/Nike

Running app). Nike's ecosystem spans life areas from sport performance tracking to entertainment and meditation. Nike+ users can link fitness hardware (e.g., smart wearables from Garmin or TomTom), fitness tracking and community apps (e.g., Runkeeper or Strava) on the Nike+ platform, and access more than 30,000 local gyms through Nike's partnership with ClassPass. At this stage, companies need to consider whether they truly possess the ability to set up and orchestrate a powerful ecosystem, whether it would be better to join one or more as a partner—or whether they should pursue both scenarios.

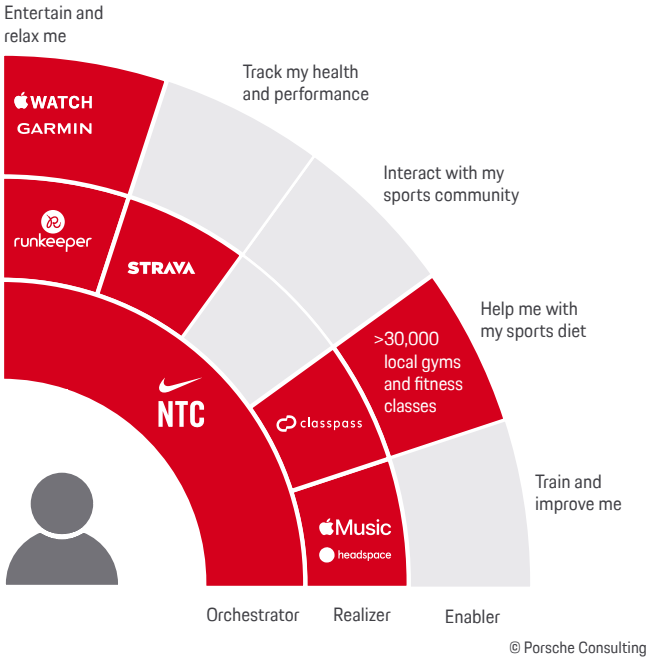


Figure 9. Excerpt Nike customer ecosystem. Source: Nike, Adapted from www.ecosystemizer.com

Deploy and control ecosystem strategy. Break down the defined success dimensions into core objectives (e.g., increase the number of unique active users to 80 million by 2025). Constantly challenge these objectives with cross-industry benchmarks to assess how realistic they are. To make the objectives actionable, pare them down to annual and quarterly objectives on an entity, team, and individual level. Using the defined KPIs that operationalize the success dimensions, continuously measure and track the achievement of the objectives.

BUILDING BLOCK 2

What is our ecosystem portfolio and offering logic?

Define a joint ecosystem portfolio design and management. Identify pain and gain points reflecting customers' and third-party needs. Knowing what customers and partners want, derive initial hypotheses for initiatives and solutions to match these gain and pain points. Design an inspirational but practical portfolio target picture describing the future state of the portfolio. Consider core products, add-on services, and offerings beyond the core business. Enable an agile lean portfolio management logic to align portfolio strategy and execution. For example, evaluate and prioritize product and service initiatives according to their strategic fit, business impact, customer value, time criticality, and opportunity enablement potential.

The renowned grill manufacturer Weber aimed at building a customer ecosystem to develop its portfolio further from purely hardware-driven grills to IoT-grills. The Weber IoT grill serves as a digital customer interface and enables a personalized grilling experience and an intensified dialogue between Weber and its customers. New ecosystem opportunities emerge through the IoT grill, e.g., such as ordering food or booking a grill-chef. Amongst this use case Porsche Consulting identified several use cases with a business model hack. User cases were prioritized according to their attractiveness and feasibility. For an incremental development of the Weber ecosystem a roadmap was outlined with the IoT grill as a starting point (Figure 10).

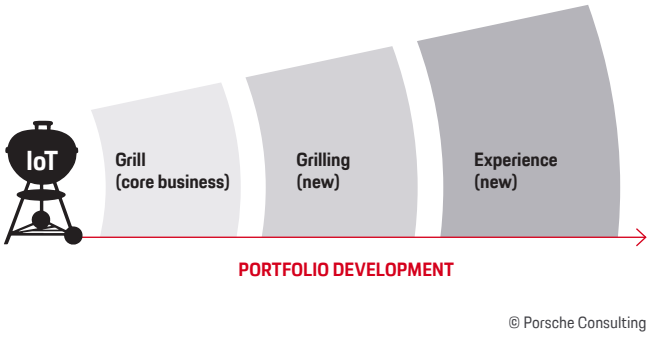


Figure 10. Weber Grill customer ecosystem portfolio. Source: Weber Grill

Create seamless service-to-service journeys within the portfolio. Achieve transparency on all ecosystem interfaces via a holistic touchpoint map. Based on this map, identify customer journeys across all services including frictions and dead ends. Understanding the journeys, pinpoint the most relevant touchpoints that shape the overall ecosystem experience. Design the experience for these touchpoints strategically and consistently (for details, see the "Customer Experience Excellence" white paper[12]). Use, for example, a standardized UX guideline to ensure that all ecosystem touchpoints are consistently designed and contribute to a seamless experience across services.

Design mechanisms to lock in customers as well as partners based on the identified critical touchpoints. Erect switching barriers to increase time, engagement, and value spent in the ecosystem. For an automotive OEM, for example, we analyzed existing services in the Porsche Consulting Innovation Lab and identified mechanisms to lock in customers and partners in its mobility ecosystem on the basis of emotions, financial and legal reasons, data, technology, value proposition, and portfolio offerings.

Bundle products/services and determine pricing. Bundle products and services of different partners in a way that increases the perceived value for customers. Using bundles for up-selling to customers, companies can increase the average order value when customers buy more products or services at once. Partners can then profit from an increased revenue share. However, for this to happen, determine an appropriate pricing model (e.g., subscription, license, etc.) and metrics (e.g., pay per use, flat fee, etc.) for each offer. Uber[13], for example, uses a subscription model through its Uber Ride Pass with a monthly fee but also offers services with route-based pricing where customers are charged per mile. In addition, they use dynamic pricing and charge higher fares during the usual peak hours such as rush hour.

BUILDING BLOCK 3

Who plays what role in a customer ecosystem and how to integrate partners with one another?

Select partner and collaboration model. Define parameters for selecting appropriate ecosystem partners and run evaluation. Focus on strategic considerations such as impact of potential partners on the overall market opportunity, product cannibalization, and customer lock-in. Depending on an ecosystem's target scope, consider collaboration with partners beyond traditional industry boundaries. For example, an automotive OEM is extending its ecosystem scope from mobility to entertainment: since autonomous cars will allow media streaming in the future, third-party media content providers are increasingly becoming partners. Specify the company's own and partners' roles and responsibilities by determining who orchestrates the ecosystem, who realizes it, and who enables it. For example, Payback[14] as an orchestrator operates the ecosystem platform and maintains the customer interface. It coordinates business and sets technology standards and rules. The ecosystem partners—e.g., Rewe, dm, Aral, Thalia, or Burger King—act as realizers and deliver actual products and services to customers. Paypal acts as an enabler and supplies supplemental technological, i.e., payment functions and infrastructure (Figure 11).

	RESPONSIBILITY	TASK	
ORCHESTRATOR	Main ecosystem platform and customer interface	Coordinate business and technology standards and rules	PAYBACK
REALIZER	Innovation generator in cooperation with other actors	Deliver actual products and services for customers	Thalia, REWE, real,-, Burger King, Aral, dm
ENABLER	Supplemental product; function and technology supplier	Develop and innovate delivery microservices and infrastructure	PayPal

Figure 11. Partner roles in the Payback ecosystem. Source: Payback, Adapted from www.ecosystemizer.com

Observe and update roles of partners continuously, as they might move from cooperation to coopetition to competition. Maintain flexibility through contractual relationships or minority shares in venture capital investments instead of entering into fixed alliances or joint ventures. As opportunities arise, new partners might be needed to complement an ecosystem, whereas existing ones could become obsolete.

Specify governance and value exchange. Define governance parameters, policies, and standards as well as steering mechanisms. Be cautious about the level of openness of the ecosystem. Besides formulating requirements for accessing the ecosystem as a partner, think specifically about the degree of participation of partners (e.g., scope and rigor of rules) and the required commitment (e.g., investments, specializations, exclusivity). The governance model must be just open enough to foster growth and diversity, but sufficiently closed to ensure quality and control. The level of control is especially decisive. Choose one of three possible governance archetypes determining the level of control: a centralized governance with full control of the orchestrator over the entire ecosystem (e.g., Apple); a facilitated governance where an orchestrator exerts a medium level of control (e.g., Android); or a self-organized governance style without an orchestrator and no control over the self-organizing participants (e.g., Publica).

Design a value exchange model that is beneficial for all participants. Effectively balance increasing the overall size of the ecosystem, enabling all partners to earn a decent revenue, and capturing an appropriate share of the value for your own company. Promote value exchange beyond direct monetization (e.g., revenue shares, access fees, licensing fees, etc.)

through gaining access to specific data, sharing of technologies, or leveraging scarce capabilities.

Onboard and integrate partners. Automate self-enrollment and onboarding process for ecosystem partners by standardizing partner interfaces to the ecosystem infrastructure (e.g., via APIs, SDKs, OPCs). A leading Asian social media ecosystem, for example, requires an average of three days to ensure technical and business integration of ecosystem partners after an agreement on collaboration is settled. Set up screening and assessment capabilities for scouting, certification, and quality management of ecosystem partners. Exploit partner lock-in levers by sharing data, promoting brand attractiveness of the ecosystem, or building a partner developer community to facilitate collaboration among business partners in the ecosystem.

BUILDING BLOCK 4

How do we set up a lean service development and a scalable platform business?

Develop services[15]. Start by understanding needs and identifying pain points of customers along their journey. Detect value opportunities and generate ideas for new products and services as well as incremental optimizations. Porsche Consulting did this for a leading manufacturer of coffee machines and capsules and used the results to draft a service/solution concept exactly matching customers' needs.

Next, develop ideas into rudimentary prototypes and MVPs (Minimum Viable Product) and turn prioritized products into scalable products. Evaluate ideas/services continuously against consistent measures. Ensure in-time requirement definition and perform user-based testing of ideas/services regularly.

Map capabilities. Identify the operational value stream, derive the required capabilities, and allocate them into a capability map. Cluster capabilities—for example, in management, data and analytics, payment, CRM, support, and open platform capabilities. The map helps to detect redundancies, and to understand interconnectedness and synergies between ecosystem partners. Match the needed capabilities with required personal competencies, systems, and tools, and specify the corresponding business value.

Imagine a mobility ecosystem that offers services from car sharing and bike rentals to taxis and public transportation. If this ecosystem didn't have a joint consent management capability, customers would need to determine for each and every service what information they were willing to permit the partners to access. Negative effects on the customer experience would be inevitable.

Manage service and platform operations. Implement a new digital operating model to connect strategy to execution. Have one standardized service operations process model and streamline enablers across services to leverage synergies, e.g., log-in, payment, ID management, data privacy/marketing consent, etc. Ensure cross-device availability and updatability of services (Figure 12).

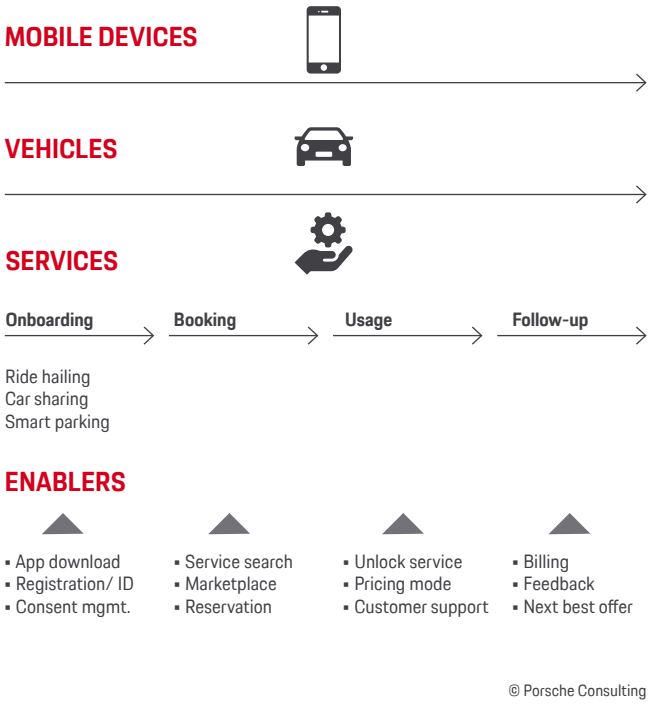


Figure 12. Customer ecosystem service and platform operating model

Finally, redesign core processes to capture competitive advantages for growth, customer experience, and efficiency. For instance, Volkswagen established one consistent user/partner ID to be used across services[16]. The ID enables partners to show a unified face to customers by identifying them and their preferences and behaviors across services, channels (e.g., at the dealer, web shop, core app), and touchpoints. In addition to a very personalized experience, customers thereby benefit from a seamless and convenient ecosystem journey.

Managing the customer ecosystem transformation

Building up an ecosystem is a multi-step approach that takes time. It is not possible to build a filled ecosystem. Instead, companies need to start growing their core business and establishing a small ecosystem on an MVP ecosystem centering on the customer problem they want to solve. The scope can be successively broadened by expanding the network and portfolio on the platform. Additional products and services from partners can be integrated into the ecosystem in order to capture new value sources. In a last step, companies can build end-to-end solutions—for business customers as well—in order to improve their technology and infrastructure and achieve economies of scale (Figure 13). To manage this transformation successfully, it is crucial to have a clear direction for the ecosystem transformation, to lay the right operational foundations for the transformation, and to scale the transformation fast.

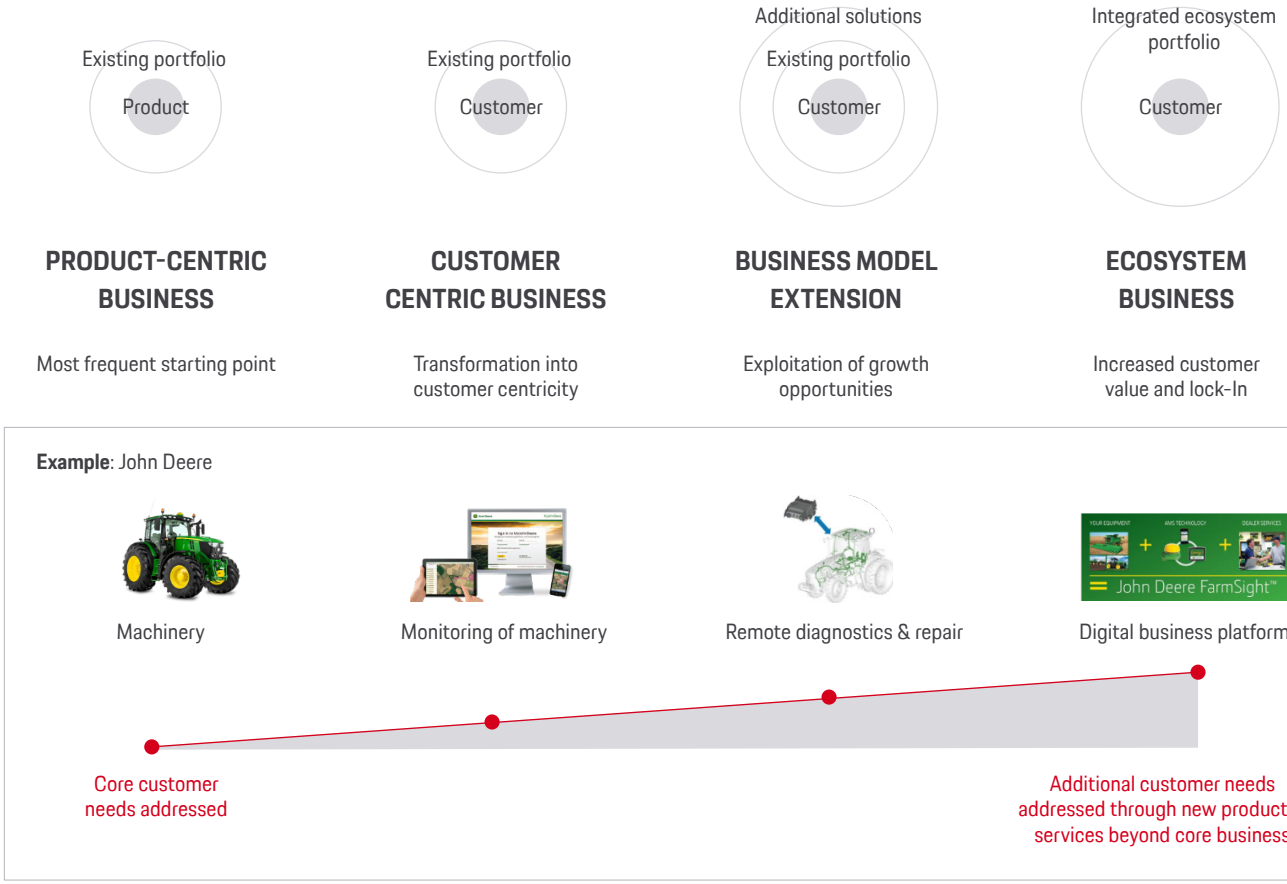


Figure 13. The path from a product-centric business to an ecosystem business. Source: John Deere

Clear strategic direction. Define an overall vision that guides the ecosystem transformation while serving as a north star. Consider the ecosystem's positioning over the short and long term and start small by determining an initial MVP ecosystem setup.

Maturity check for ecosystem readiness. Run a fit-gap analysis to quickly outline what capabilities and resources for an initial MVP ecosystem are required. Decide to what extent input factors have to be sourced through external partnerships. Screen for partners having an optimal fit of complementary capabilities and resources.

Ecosystem steering and coordination. Involve the top management right from the start, as their commitment is imperative for a move from product centricity towards a customer ecosystem. Implement an ecosystem transformation office

to coordinate and to continuously measure and track progress. Keep all stakeholders informed and motivated through regular events for synchronizing initiatives and celebrating achievements.

Customer and partner insights-driven ideation. Identify as-is customer and partner needs and pain points. Design new products and services addressing customer and partner requirements. Build product and service MVPs for early user-based testing of the expected business outcome and to stop the development in case of deviations. Iteratively extend the existing portfolio.

Strategically design the customer experience across channels and touchpoints to wow customers[11] and gain competitive advantage.

Strategy deployment and action plan. Pare down concrete and measurable objectives and key results (OKRs) for initial in-scope product and service ideas. Consider cross-industry benchmarks to set ambitious but realistic targets. Develop a transformation plan that encompasses incremental moves based on the release level of services or products as well as revolutionary steps.

Fast scaling though a suitable operational foundation. To scale the ecosystem transformation fast, implement the initiatives within the ecosystem at high speed. Start building a new digital operating model that is customer-centric and scalable. Leverage agile-development principles and especially focus on a lean portfolio management. Invest in a future-ready IT and infrastructure to enable effective customer ecosystem operations and a smooth onboarding of third parties.

The sum is more than its parts

Building a broader ecosystem around customers and their needs by collaborating with partners across industries can sustainably boost competitive strength. Successful customer ecosystems thereby deliver a differentiated and disruptive value proposition while providing a superior customer experience. They continuously create value that is beneficial to all participants of the ecosystem and thus lock in customers and partners alike. Mastering the transformation towards a customer ecosystem is challenging: companies need to rethink their value creation mechanism and operating model. At the same time, the ecosystem cannot be entirely planned in advance. Maintaining flexibility and adaptability to embrace shifts in customer behavior, technology, markets, and regulations is essential. Nevertheless, it is worthwhile. Porsche Consulting's framework is a practical blueprint to establish a winning customer ecosystem strategy, create a lean portfolio management, build a savvy network of partners, and establish efficient ecosystem operations.

IN BRIEF

01 Customer ecosystems are on the rise as stand-alone companies are finding it more and more difficult to provide solutions for the variety of customer needs and the increasingly demanding expectations through its own capabilities.

02 Five dimensions determine the success of a customer ecosystem: customer centricity, size, value, engagement, and integration.

03 Building a strong network of partners with complementing capabilities that share a joint customer-centric value proposition enables companies to outperform competitors.

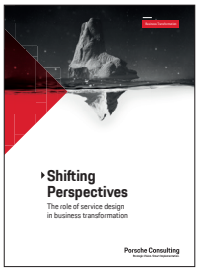
04 Four building blocks need to be considered for a successful ecosystem transformation: ecosystem strategy, portfolio management, partner management, and ecosystem operations.

05 Successful customer ecosystems initially start with a small scope (one service to many) but successfully scale and extend their business faster than others while maintaining flexibility.

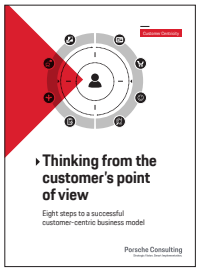
06 Porsche Consulting helps to set up a superior customer ecosystem by laying the right strategic foundation, building a scalable ecosystem that captures value for all participants, managing the transformation, and designing customer-centric services that truly resonate with customers' needs.

Further reading

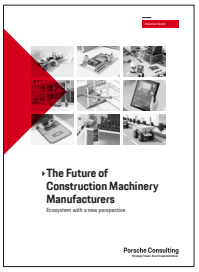
Customer Experience Excellence



Shifting Perspectives



Thinking from the Customers Point of View



The Future of Construction Machinery Perspectives

Porsche Consulting INSIGHTS

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Porsche Consulting

Porsche Consulting GmbH is a leading German strategy and operations consultancy and employs 670 people worldwide. The company is a subsidiary of the sports car manufacturer Dr. Ing. h.c. F. Porsche AG, Stuttgart. Porsche Consulting has offices in Stuttgart, Hamburg, Munich, Berlin, Frankfurt am Main, Milan, Paris, São Paulo, Shanghai, Beijing, Atlanta, and Palo Alto. Following the principle of "Strategic vision. Smart implementation", its consultants advise industry leaders on strategy, innovation, performance improvement, and sustainability. Porsche Consulting's network of 12 offices worldwide serves clients in the mobility, industrial goods, consumer goods, and financial services sectors.

Appendix

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(15) Details can be found in the white paper "Shifting Perspectives | The Role of Service Design in Business Transformation"

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