

Three ways SMEs can win with platform business models

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Réseau Citizen Entrepreneurs

Association Citizen Entrepreneurs

Google, Amazon, Facebook, Apple, and now Baidu, Alibaba, Tencent. Some fear the dominance of US and Chinese digital platform companies whose ability to scale and enter new markets has disrupted many industry sectors. But the reverse could be true as small and medium sized enterprises (SMEs) actively participate in the platform market that is growing rapidly in markets throughout the world.

Platforms bring together vast numbers of customers and suppliers, creating enormous markets. Thanks to the power of digital technologies, platforms benefit from a self-propelled momentum as more customers attract more providers and vice versa. This enables them to scale rapidly and at low cost. And the intelligent use of shared data enables the creation of new and tailored customer experiences that shift the economy from products and services to outcomes.

Entrepreneurs can benefit in three ways from platforms.

- As platform owners, establishing their own businesses in the footsteps of Airbnb or Uber, companies that did not exist five years ago. Where it used to take Fortune 500 companies 20 years to reach 1\$ billion market capital value, start-ups are achieving that in four years today. The financial services sector has seen the greatest proliferation of platforms. In China, where the G20 Young Global Entrepreneurs Alliance (G20 YEA) gathered this year, in excess of 1500 online lending platforms are in business.
- As digital partners to platforms: Digital platforms cannot succeed without the support of specialist partners, such as those providing data analytics, marketing software, payment solutions or other fulfilment services that enrich the customer experience. There is a major opportunity for SMEs to provide such services that allow platforms to deliver on their promise.
- As platform suppliers: The merchant opportunity to sell products and services can be multiplied many times thanks to the scale of these new markets. And as global phenomena, platforms can help SMEs break through into international markets.

In China, where we are presenting [joint research on the opportunity of platforms for entrepreneurs](#), we have found that two thirds of SMEs generate at least 10 percent of their revenue from platforms and nearly all expect to generate higher levels in the future.

Establishing platforms is fraught with challenges. Our analysis shows that the environmental conditions that support the flourishing of platform businesses are lacking in many countries. While the US, China, Germany, India

and the UK all top our rankings, countries such as France and Italy have some catching up to do.

What is required of governments? Regulations that support innovation and customer interests in the emerging platform economy. Greater effort to encourage companies to share data to support more open forms of collaboration between industry sectors that platforms are ideally suited to support. And of course the broader improvement to the business culture and infrastructure that SMEs require action on: investment in digital infrastructure, digital education and support to build SMEs' capacity to participate in digital platforms.

There's also more to do at an intergovernmental level. Digital platforms can only do so much to facilitate cross-border e-commerce. The standardization of taxes, customs and other variables also needs to be accelerated. This is why both the G20 YEA and Accenture are involved in meetings in the shadow of the B20 G20 meetings, which culminate in China this year. As part of this policy making collaboration, we are calling on the G20 to endorse the creation of an electronic World Trade Platform (eWTP) to fast track that standardization by bringing together the disparate work of existing trade organizations. The good news is that the G20 is actively pursuing initiatives to support SME growth.

For more information on our respective contributions to the debate, visit: www.accenture.com/g20-yea-digitalplatforms

Francis Hintermann, global managing director, Accenture Research

Jean-Louis Grégoire, Managing Director/Directeur General, Citizen Entrepreneurs and Sherpa of the French delegation G20YEA.

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