



# Volatility breeds innovation

How an ecosystem strategy can help shift cost centres to revenue centres



# In brief

Ecosystems are groups of organisations that collaborate to create and share in the collective value produced for a common set of customers; and provide an opportunity to drive revenue growth with limited capital investment.

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Capital-intensive industries are seeing revenue decline relative to fixed costs, presenting a challenge to achieving profitable growth.

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The ecosystem operating model has multiple archetypes, each providing a spectrum of risk:reward ratios.

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Determining if an ecosystem strategy is right for your business requires a clear understanding of brand purpose and target value pools, as well as an evaluation of customer need, market dynamics and internal capabilities.

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Leaders need to ask themselves four questions to maximise their chances of ecosystem success: What role should we play in the ecosystem? How should the ecosystem be governed? How can the ecosystem be monetised? How can we ensure the sustainable growth of the ecosystem?

## Context

Companies across industries are facing a perfect storm of challenges, including declining customer spending power, increasing input costs, and high fixed costs, as they continue to innovate to meet changing customer behaviour. These challenges are reflected in the 5-year decline in PPE turnover (revenue ÷ net property, plant & equipment costs) amongst midcap capital-intensive organisations, including consumer products, industrials, and telecoms (Figure 1).







### PPE Turnover ratio: FY18-FY22

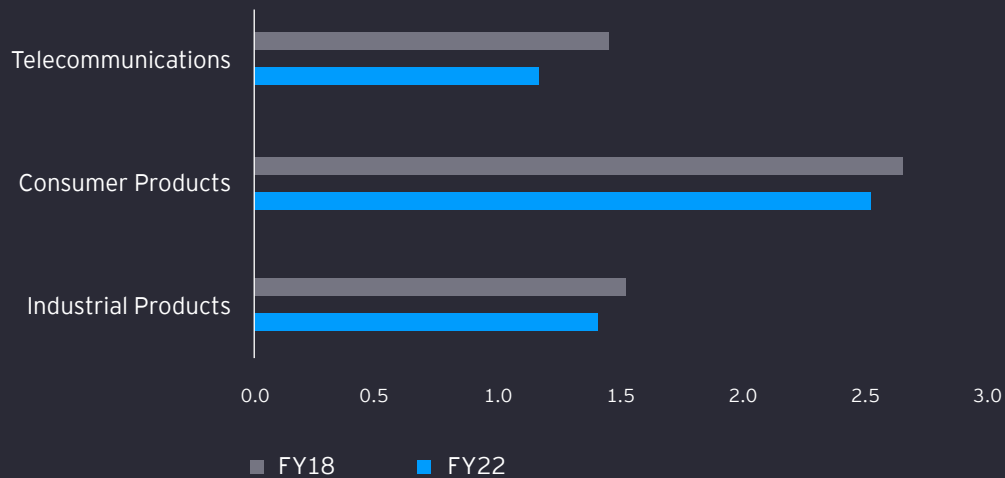


Figure 1: PPE (net) turnover ratio for companies with annual revenues from \$1M – \$100M

These headwinds have led many corporates to constrain their investment in new revenue streams and have discouraged private equity investment, with transaction value across these sectors down >20% YoY based on data collected by EY Strategy Edge (Figure 2).

### PE transaction value (\$B USD)

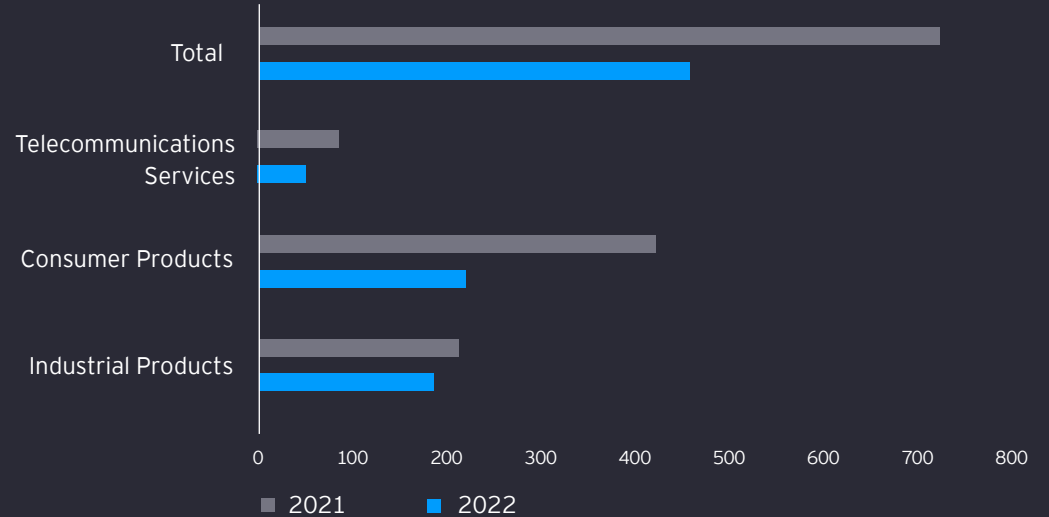


Figure 2: Private equity & venture capital investments based on EY Strategy Edge estimate

Leading organisations in these industries are seeking out opportunities to achieve fixed cost leverage by transforming their biggest cost centres into revenue drivers. In the case of telcos, operators are shifting towards **asset-light strategies**. Across sectors, this is manifesting in an increasing focus on ecosystems, which we define

## Context

as a group of organisations that collaborate to create and share in the collective value created for a common set of customers. Organisations with high-performing ecosystems across these industries achieve 17% incremental revenue growth and 15% cost reduction, according to the [EY Ecosystem Study](#) (Figure 3).

### High performing ecosystem performance

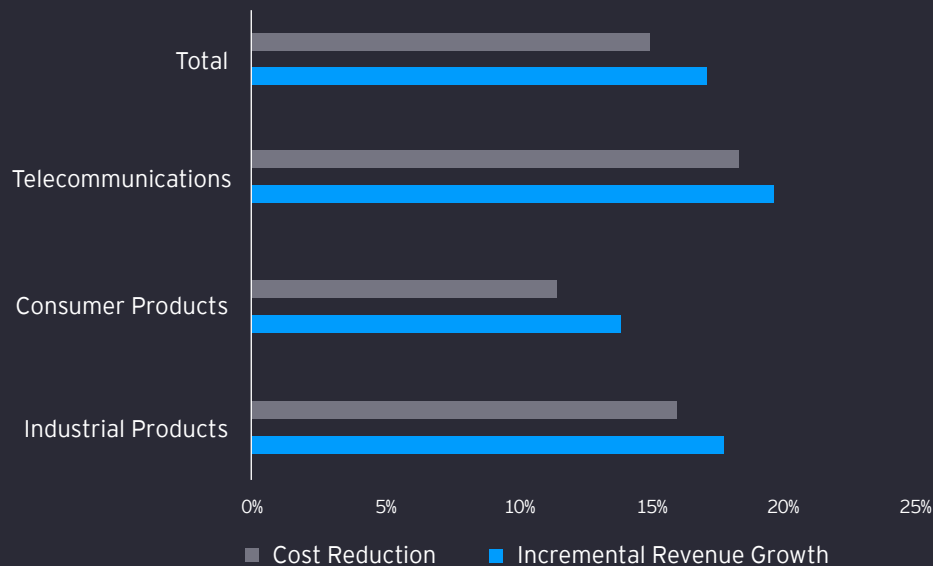


Figure 3: Based on responses to EY Ecosystem Survey 2022

These same organisations are recognising the benefits of an ecosystem strategy over traditional M&A approaches, with 68% reporting higher growth opportunities, 56% experiencing faster execution, 49% benefiting from lower capital costs and 41% enjoying the lower risk profile (Figure 4).

### Advantages over M&A

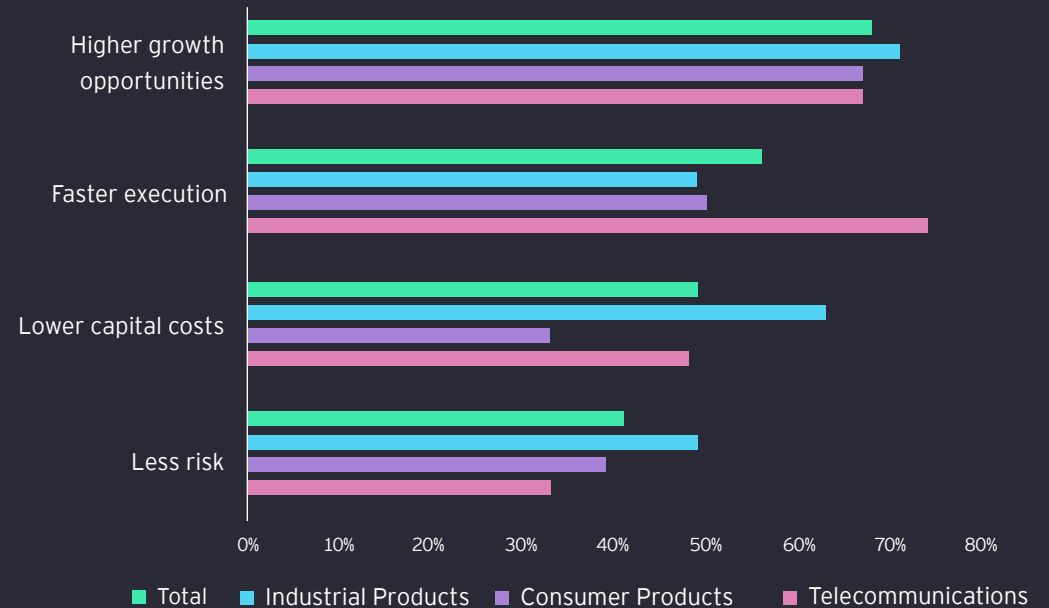


Figure 4: Based on responses to EY Ecosystem Survey 2022

We believe that ecosystem strategies present significant opportunities for value creation for both private equity funds and corporates. In fact, for private equity funds, roll-up acquisitions provide them with the opportunity to leverage ecosystems to capture value at multiple points across the value chain. This article defines the key characteristics of an ecosystem strategy, outlines how leaders can determine whether it meets the needs of their business, and discusses some of the key factors organisations should consider to maximise the value of an ecosystem strategy.



# What is an ecosystem strategy?

We define an ecosystem as a group of organisations (orchestrators, partners and enablers) that collaborate to create and share in the collective value created for a common set of customers. In this way, an ecosystem is a specific organisational model used to realise a distinct value proposition. It differs from more traditional organisational models in three key ways:

**Synergistic:** In contrast to vertically integrated organisational models or hierarchical supply chains, components of the value proposition are designed independently by participants (orchestrators, partners and enablers), but only address a customer need when combined with at least one other component.


**Interoperable:** In contrast to an open-market model, partners need to adapt their product/service to conform to the requirements of the system. The offerings are interdependent such that the failure of any one component will result in the failure (or at least substantial devaluation) of the overall value proposition.

**Rule adherence:** In contrast to vertically integrated models or hierarchical supply chains, membership in an ecosystem requires participants to conform to a set of standards, often regulated in digital ecosystems through a set of application programming interfaces (APIs).

Within the organisational model characterised by these traits, there are three distinct archetypes: partnership-led, solution-led, and transaction-led ecosystems.







## What is an ecosystem strategy?

**Partnership-led ecosystems** are the product of a strategic alliance between two organisations that agree to pool resources in the pursuit of a common goal. The manifestation of the partnership depends on the nature of the resources that are shared. *Collaboration between brand teams*, can drive mutual benefit by encouraging cross-pollination of brand equity through association. For example, as travel restrictions loosened following the COVID-19 pandemic, Dettol, the disinfectant brand, launched partnerships with British Airways and Hilton hotels. These partnerships served to both re-assure travellers on the hygiene protocols followed by BA and Hilton, whilst keeping the Dettol brand front-of-mind amongst a key customer segment. *Collaboration between R&D teams*, typically results in co-branded products and services – as with Clorox and P&G who collaborated to combine the former’s expertise in producing binbags (Glad), with the latter’s anti-odour products (Febreze) to create a binbag with Febreze embedded. *Collaboration between demand generation teams* typically results in co-marketing activities, most often seen in the form of joint events, webinars and whitepapers to drive B2B lead generation.

**Solution-led ecosystems**, by contrast, create value by coordinating contributions from a network of several providers. Smart home solutions (Hive, Google Home etc.) are an increasingly prevalent example of this, bringing together climate, lighting, entertainment and security-related products and services into a single

offering. Such innovations are not limited to B2C: in the B2B domain, Amex Business Link makes payment acceptance easier for businesses by creating an ecosystem of partner solutions. These partners integrate with Amex’s payment platform to enable easy reporting and reconciliation through seamless connectivity with users’ customer relationship management (CRM) and enterprise resource planning (ERP) systems.

**Transaction-led ecosystems** facilitate transactions between independent suppliers and customers – just as Uber does between riders and drivers, and Etsy does with artisan crafters and gift-seeking shoppers. These forms of ecosystem benefit from direct and indirect network effects, or what Jeff Bezos of Amazon fame dubbed the “flywheel” phenomenon. This positive feedback loop occurs when the value of the ecosystem increases for customers on the demand-side as the number of participants on the supply-side grows, and vice-versa. For example, as the number of sellers on Amazon Marketplace increases (and by extension, the breadth of product range), the convenience for customers grows too.

*We cover examples of these archetypes in another [article](#), including symbiotic, scaling, value chain, and integrator business models (solution-led archetype); marketplace business model (transaction-led archetype); and accretive and cooperative business models (partnership-led archetype).*

# Is an ecosystem strategy right for my business?



Ecosystems offer an innovative set of operating models, but are they right for your business? Before pursuing an ecosystem strategy, businesses must consider whether doing so would align with their brand purpose. However, the threat of disruption posed by the customer and technological trends mentioned at the beginning of this article, may in fact create the impetus for organisations to redefine the role of their brand in the digital age. History is littered with examples of businesses neglecting the threats posed by disruptive phenomena, with companies focussing too myopically on what they *did*, rather than what their customers *needed*. This includes the railroad industry being overtaken by cars and planes because it didn't acknowledge these as more convenient alternatives within a transport ecosystem; and the cinema industry being overshadowed by streaming services because it wasn't able to adapt to changing consumer habits within the wider entertainment ecosystem. We have observed heightened awareness of this risk of myopia amongst corporate boards, with an increasing focus on 'scenario planning' to evaluate the risks posed by emerging customer and technological trends, and deep introspection as to whether today's brand is future-fit and resilient to developing geopolitical pressures.

With a clear brand role or purpose defined, the desired objective of an ecosystem strategy within the organisation will be much clearer and should inform (and be informed by) the target value proposition. Where analysis suggests that there is opportunity to fulfil this purpose by improving the brand's penetration within a particular customer sub-segment, a strategic partnership with another brand with high resonance within this sub-segment can provide a relatively low-cost opportunity to gain market share. For example, Apple's partnership with Nike has enabled it to establish credibility for its Apple Watch amongst a customer segment previously dominated by specialist fitness brands like Garmin. In other cases, a strategic review may infer the need to target additional value pools amongst existing customers

## Is an ecosystem strategy right for my business?

to increase the Target Addressable Market (TAM) value, particularly if existing product penetration is high. For example, given Amazon's desire to be "Earth's most customer-centric company", recognising its high penetration of many consumer discretionary spending categories, it identified an opportunity to expand its offering from B2C to B2B to ease business purchasing processes through

Amazon Business. However, realising that this would require significant adaptation of its consumer offering, it fast-tracked its go-to-market by creating a partnership ecosystem, including integrations with leading e-Procurement systems to reduce switching costs for prospective business customers.

### Ecosystem strategy operating models

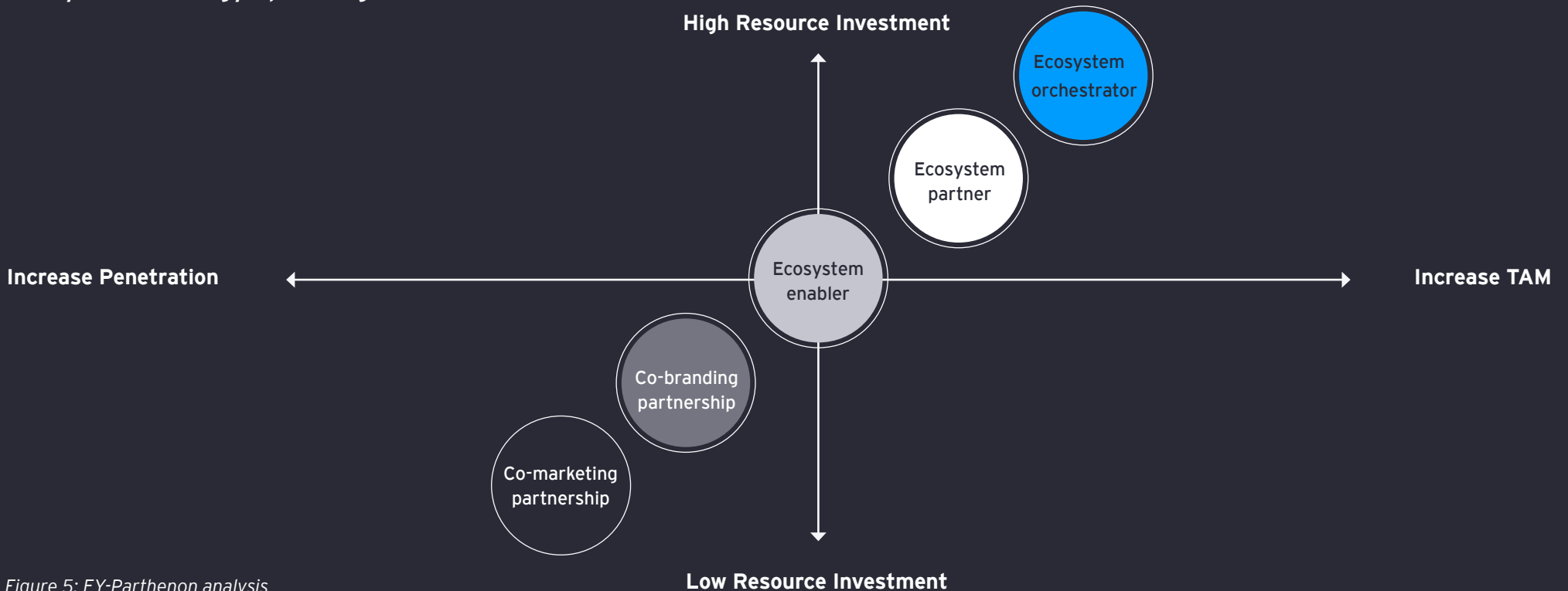


Figure 5: EY-Parthenon analysis



## Is an ecosystem strategy right for my business?

Once the parameters of the growth strategy are defined, businesses should evaluate the merits of an ecosystem strategy relative to alternative approaches by reviewing three dimensions: customer need, market dynamics and internal capabilities.

### Customer Need

As with all new business ideas, ensuring product-market fit is key to success. For an ecosystem strategy to be effective, the benefit of multiple participants collaborating must be greater than the sum of its parts. The value proposition must be derived from either removing an existing friction from a set of offerings not currently being coordinated (e.g., high cost, delay, poor quality, constrained functionality, limited lifespan); or from addressing an unmet or as yet unknown customer need. The benefit received by the customer must be sufficiently material for the value capture opportunity to still be sizeable even after being shared between the ecosystem orchestrator and other participants.

Identifying a customer need can be approached top-down and bottom-up. Opportunities to remove friction typically emanate top-down from a specific hypothesis based on customer trends and feedback. Opportunities to address an unmet need typically come from a bottom-up review of the business' current capabilities and imagining the art of the possible. A grocery chain, for example, may have amassed significant data on consumer food habits that health insurance companies could then use to offer lower premiums to those with healthier eating habits. The fashion brand, Old Navy, and mobility provider, Lyft, took this approach when they teamed up to help Old Navy's customers manage traffic and parking hassles during the holiday season. They offered free rides to customers who opted for in-store pickups of online purchases.

Whether top-down or bottom-up, businesses should address the following questions when considering if/how they can best address the needs of their customers:

- ▶ What is the unique role we want our brand to play in the lives of our customers?
- ▶ What are the associations customers currently make with our brand across four dimensions:
  - ▶ Attributes: The characteristics and features associated with products and services e.g., quality, value for money, innovative design
  - ▶ Benefits: The benefits customers believe they can gain from using the brand's products and services e.g., cost/time-saving, durability
  - ▶ Attitude: The lifestyle customers associate with the brand e.g., luxury
  - ▶ Interest: The context in which customers imagine using the product e.g., playing sport
- ▶ Where are there opportunities to leverage these brand associations to address customer needs where these associations would be of value?
- ▶ Which of our brand associations are constraining our ability to address adjacent value pools for our target customer segment; and what are the brand associations of the leading players in those value pools?



# Is an ecosystem strategy right for my business?



## Market Dynamics

Partnership-led ecosystems emerge in a wide variety of market contexts as they tend to address a very specific customer problem or opportunity by combining the strengths of two organisations - most often brand equity or customer reach. Transaction and solution-led ecosystems by contrast, tend to appear in highly fragmented markets as they drive value through coordination. High fragmentation is often the product (and cause) of a significant degree of unpredictability and malleability in the market, both of which are strong indicators of the presence of a coordination dividend. The unpredictability is often caused by rapid technological advances, where progress is hindered by inconsistent adoption of new technology. Malleability is most often seen when multiple components can be integrated together with relatively low transaction cost, provided there is some overarching coordination. High coordination benefits typically arise when (i) it is not easy for customers to identify/match required providers (as in the case of small sellers offering niche products); (ii) the providers' products/services are not easily integrated (as in the case of competing charging technology for electric vehicles); and (iii) the specifications of individual components must remain in sync to function properly (as in the case of computer operating systems).

The European banking sector of 2015 was a case-in-point. The success of Revolut, the mobile banking app, was the product of three market trends coalescing: the increasing frequency of international travel; the proliferation of non-banking intermediaries; and the fast growth of mobile banking. The app radically simplified the process of spending and saving in multiple currencies, removing the need for

customers to have multiple accounts, reducing transaction fees, and creating a treasure trove of customer data that could then be monetised through various commercial partnerships.

## Internal Capabilities

As organisations look to keep their resources focussed to help weather the macro-economic climate, an ecosystem strategy creates opportunities to maintain that focus by leveraging other organisations' capabilities alongside their own to unlock revenue opportunities that would otherwise require significant diversion of attention or additional investment.

## Data & Technology:

Partnership-led ecosystems, particularly those involving co-marketing activities, are dependent on the ability for at least one party to have an effective MarTech solution able to identify and target marketing at relevant customer segments, capture relevant information, pass it through to a CRM system and maintain a contact preference centre to manage those that have provided permission to be contacted by a partner organisation. In more advanced co-marketing campaigns, particularly those where a particular activity with one partner entitles you to a benefit with another, i.e., signing up for Amazon Prime gets you access to Deliveroo Plus, organisations typically require an API technology-based solution to allow others to validate the qualifying activity to avoid misuse.



## Is an ecosystem strategy right for my business?



In transaction and solution-led ecosystems, the customer value is based on the creation of an integrated end-to-end experience; the participant value is based on the provision of access to those customers by establishing a 'single customer view' across touchpoints. Customer segmentation has historically focussed on demographic data to predict future actions, but increasingly organisations are recognising that past behaviour is the best predictor of the future. Making healthy choices in the shopping aisle for example, correlates to a higher consumption of health and fitness products and services. As such, the ability of an organisation to generate, store, analyse and drive insights from customer data, is a key factor in determining if and how to deploy an ecosystem strategy. Whilst those at the more advanced end of the spectrum may be able to capitalise on these strengths by taking on an orchestrator role, those who are less mature in this space may be able to partner with others to leverage their strengths in data & technology, whilst bringing ancillary capabilities to the table themselves.


### **Talent:**

When considering if and how to pursue an ecosystem strategy, organisations should consider what differentiated talent they have within the organisation relative to others. Businesses with expertise in front-office are typically best suited to leading ecosystems given their existing customer relationships and ability to leverage sales, marketing and support staff. By contrast, those with strong back-office capabilities are generally better suited to partner or enabler roles within a network ecosystem; or a subordinate role within a bilateral partnership. Given the speed at which ecosystems need to evolve and the first-mover advantage benefits, businesses should critically evaluate their current talent. They should focus on their differentiating capabilities, and seek out leading partners who can step-change their capacity in other domains to maximise resilience against competing ecosystems that may emerge. For example, in developing its marketplace offering, Walmart recognised that its differentiator against Amazon would be in front-office capabilities. It partnered with Microsoft to provide the back-office cloud services, data platform and analytical firepower needed to compete; helping it to grow to >150,000 sellers by 2022<sup>1</sup>.

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1. Statista




A hand is shown holding a small, clear glass sphere between the thumb and index finger. The sphere contains a liquid with a yellow and orange gradient. In the background, a tray holds many other similar glass spheres, some of which are out of focus. The lighting is soft and focused on the sphere being held.

## What are the key factors to consider when pursuing an ecosystem strategy?

Once an organisation has determined that an ecosystem strategy may be a viable approach for pursuing a particular objective, it should consider the strategy holistically before jumping into any individual partnerships, to ensure those short-term or tactical decisions don't preclude its longer-term ecosystem opportunities. There are four key questions organisations should ask themselves to maximise their chances of long-term ecosystem success. What role should we play in the ecosystem? How should the ecosystem be governed? How can the ecosystem be monetised? How can we ensure the sustainable growth of the ecosystem?





## What are the key factors to consider when pursuing an ecosystem strategy?

### What role should we play in the ecosystem?

There can only be one orchestrator in a transaction/solution-led ecosystem, but a theoretically unlimited number of participants and enablers. The traditional business textbook approach to maximising the control of resources leads many organisations to default to wanting the orchestrator role. However, for most businesses this is not the role that will maximise their value capture, and will likely doom the ecosystem to failure and incur significant cost along the way.

#### **Orchestrator role:**

Oftentimes, the business that should play the role of orchestrator in an ecosystem is self-evident. In transaction ecosystems, this is generally the provider of the platform that matches suppliers and customers; in solution ecosystems built on a technical platform (e.g., operating system), the platform provider is the natural orchestrator.

In general, orchestrators are the players that stand to gain the most from the ecosystem and therefore will be willing to shoulder a significant proportion of the upfront investment. Orchestrators must also contribute asset(s) to the ecosystem that are central to its value: this may include a strong brand, access to customers, and key technology. Importantly, the orchestrator also needs the ability to provide sufficient incentive to other participants to commit to – and continuously invest in – the ecosystem. The orchestrator can do so by selecting partners with high natural incentive to participate, e.g., material profit growth opportunity, significant competitive risk from non-participation, low upfront investment cost, or limited


risk from participation. Alternatively, it can provide incentives to overcome participation costs incurred by partners, which may be monetary but could also include access to the orchestrator's customers and associated data. Taking the role of orchestrator then, is a high-risk and high-reward strategy: they shoulder the greatest risk and are the last to be paid, but can capture all residual value, providing a significant recurring revenue stream once the ecosystem becomes self-sustaining.

The telecoms company, NTT DOCOMO, for example, built a digital ecosystem by creating a platform that enabled customers to access discounted products and services from third-parties across healthcare, digital services and financial services. Income generated through these non-connectivity related ecosystem offerings drove 23% of their total revenue in FY21.

#### **Partner role:**

Organisations with strong brand equity amongst a relatively small customer cohort and/or a narrow product range may not be well-suited to the role of orchestrator given their limited reach. These constraints, together with limited access to capital, make them better suited to the role of 'partner'. The key benefits of this role vs orchestrator are the lower upfront and ongoing costs, and the opportunity to de-risk through participating in multiple competing ecosystems (just as major restaurant chains are often found on multiple food delivery platforms). Amra Medical for example, is a medical technology company that converts MRIs into precise 3-D models to perform body composition analysis. It was invited to join Siemens' Healthineers ecosystem as a partner. In doing so, it enabled Siemens (as





## What are the key factors to consider when pursuing an ecosystem strategy?

the orchestrator) and other partners to leverage its advanced analytics capabilities, whilst giving Amra access to Siemens' distribution channels with >2000 medical institutions worldwide.

Sometimes being an ecosystem partner fits with an organisation's core activities, but conflicts with its brand purpose or risks diluting its equity with its primary customer segment. In these cases, businesses have the option of developing a distinct but related brand that enables them to 'have their cake and eat it'. Carter's, for example, owns several mid-market children's apparel brands which it distributes through its own channels. Conscious of not diluting its margin through these channels, but still keen to drive volume by expanding its addressable market, it launched 'Simple Joys by Carters' on Amazon. This value-oriented brand targeted at the lower-end of the market, expands Carter's target addressable market by leveraging many of its core capabilities (manufacturing, design etc.), whilst protecting its core brand and business model.

### **Enabler role:**


The role of 'enabler' is typically fulfilled by B2B companies which underpin the relationships between ecosystem partners and facilitate their interactions with customers. The most common example of this is payment providers such as Stripe, which enable digital ecosystem orchestrators like Salesforce to collect payments, share proceeds with partners, and maintain efficient revenue operations.

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2. Statista

### **How should the ecosystem be governed?**

Unlike traditional organisational models, the governance model of an ecosystem can be a source of competitive advantage as it defines how value is created, how it is shared across participants, and ensures (or not) adherence with applicable laws and regulations. The most fundamental governance question is the degree of openness an ecosystem will have to achieve these three objectives. More open ecosystems typically benefit from faster growth (particularly at launch) on account of the lower barriers to entry and ability to pivot based on customer feedback. However, this governance model is less able to enforce quality control and therefore tends to be less well-suited to ecosystems with a high cost of failure. Android for example, was able to capture significant market share from Apple through its open governance model. In particular, this enabled developers to build apps at no cost, driving supply-side innovation at such a pace that Android now has an estimated 70%+ of global app downloads<sup>2</sup>. Philips Healthcare by contrast, operates a closed governance model. Its healthcare-as-a-service offering enables partners to lease healthcare equipment, but lessees' usage must conform to strict usage guidelines (controlled through real time asset management data) to allow Philips to manage the end-of-lifecycle and refurbishment process.



## What are the key factors to consider when pursuing an ecosystem strategy?

**Figure 6: Characteristics of open and closed governance models**

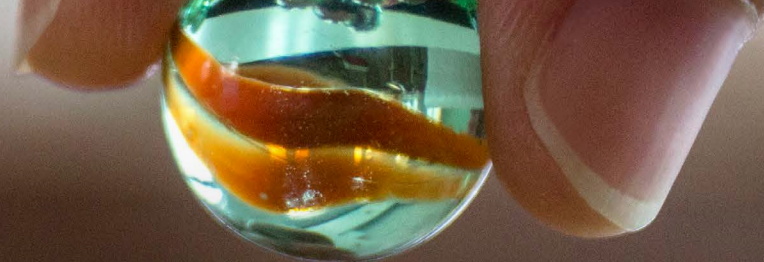
	Open	Closed
Strategic priorities	Customer engagement, lower cost	Product quality, customer satisfaction
Access rights	No restrictions on partners or customers	Orchestrator selects partners and may limit customer access to maintain focus
Decision rights	Product development roadmap and other key decisions are decided collaboratively across all partners	Decision-making is the sole responsibility of orchestrator
Data rights	Customer data remains the property of the original owner; all partners have access (as regulations permit)	Customer data is held centrally and ownership is transferred to orchestrator

### How can the ecosystem be monetised?

Establishing a sustainable revenue model is often a critical point of failure for ecosystems. This is because such a model must balance three competing objectives: maximising overall value creation; ensuring all partners capture sufficient value to maintain their ongoing participation; and capturing enough of the value for the orchestrator to justify its investment. In solution-led ecosystems, orchestrators can charge customers for the product/service provided, in addition to generating revenue from complementary products or services provided to participants through access fees, licensing charges, and revenue share models. In a transaction-led ecosystem, there are more options for capturing value. Orchestrators can generate revenue by (i) charging a flat fee for access; (ii) levying premium fees for value-added products or services; (iii) charging for consumption through per-transaction or revenue share models; (iv) selling supplementary services; or (v) generating advertising revenues. In addition to deciding how to charge, deciding who to charge is also a critical decision. The orchestrator may

opt to charge all participants, only one side (supply or demand) whilst subsidising the other, or charge only a subset of participants on one side. Given the breadth of decisions, a sub-optimal pricing strategy is one of the most common reasons for ecosystem failure. Getting it right depends on ensuring the model fosters network effects, typically by incentivising engagement from the side of the market least naturally inclined to participate; and understanding competitor charging models. Waze, the community-driven traffic and navigation app, recognised that despite the significant value provided to users, charging them would impede user growth and thereby limit the network effects of the app. It instead resolved to monetise the data generated by selling it to relevant parties like city planners, and once it achieved sufficient scale, pivoted to generating advertising revenue from retailers. Table 8, by contrast, failed to similarly pivot its pricing strategy. Despite strong product market fit, the platform for restaurant reservations failed because it charged diners, whilst competitors like OpenTable succeeded by charging restaurants.





## What are the key factors to consider when pursuing an ecosystem strategy?

### How can we ensure the sustainable growth of the ecosystem?

Scaling an ecosystem requires answering the 'chicken-or-egg' problem; namely which side of the ecosystem to focus on first - supply-side to maximise the breadth of offering and therefore customer value; or demand-side to increase the value proposition for future partners. The answer to this is not straightforward and will differ for each ecosystem. Where ecosystems are supply-constrained, particularly where they can't rely on existing supplier relationships, it often makes sense to focus here first. This may require some form of subsidy to gain early commitment or even investing in developing a low cost/free service for the target segment at inception to build customer relationships. This was the approach Xero took by launching a basic accounting software for businesses, before enabling additional products and services from third-parties. Achieving critical mass often requires focussing on a more narrowly defined version of the value proposition in the first instance to ensure network density. This often involves an initial focus on a particular customer sub-segment or geographic area. For example, Etsy identified that individuals who made handmade goods were highly likely to buy handmade goods from others, so they initially launched their platform to this customer segment before expanding its reach.

Although the network effects and system-level nature of an ecosystem ought to provide inherent defensibility against competition, sustaining this scale once achieved requires continuous effort given the low barriers to entry of digital business models. Builder.AI for instance enables anyone to build a digital platform without any technical knowledge by leveraging AI technology and a library of modular blocks of code. Ecosystems remain vulnerable from challengers on both the supply and demand-side, with specific risks including (i) suppliers participating in multiple ecosystems; (ii) disintermediation when the benefits of using the ecosystem beyond the first interaction do not outweigh the costs, resulting in customers and suppliers connecting directly; and (iii) niche players emerging that

are able to better serve the needs of specific sub-segments. Protecting against these risks requires a high degree of vigilance to ensure the value capture for participants remains fair, and that partners' offerings are sufficiently tailored to the ecosystem to maintain high switching cost (at the inception of the ecosystem, this may include exclusivity requirements). It also requires significant investment in establishing a dominant brand position amongst the target customer segment to help maintain customer acquisition costs at a reasonable level, creating high barriers to entry for challenger brands.

### Ecosystem virtuous cycle

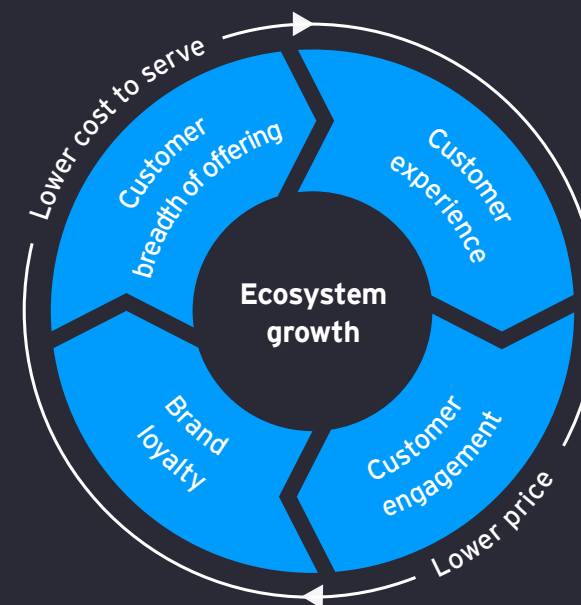


Figure 7: EY-Parthenon analysis

# Conclusion

As businesses find themselves facing increasing margin pressure, they should consider an ecosystem strategy for pursuing additional value pools to drive profitable growth. Business ecosystems, when executed effectively, offer several critical benefits over alternative organisational models. They provide easy access to a broad range of capabilities, reducing up-front investment cost; which in turn enables faster scaling and therefore ability to gain a first-mover advantage. In addition, the opportunity to share the costs and risks of innovation helps increase resilience given ecosystems' ability to diversify and evolve to meet changing customer needs.

Ecosystems are no panacea for the perfect storm of challenges facing businesses, but in a highly volatile environment, they present a significant opportunity for profitable growth to those who afford it due consideration.

## Why EY?

EY is uniquely positioned to support businesses in exploring the opportunities presented by ecosystems. We have extensive insight into what distinguishes high-performing ecosystems through the EY Ecosystem Survey. Alongside this, our cloud-based strategic intelligence platform, EY Strategy Edge, collects data on >20 million companies. When coupled with our extensive strategy work across corporates and private equity clients, we are able to understand competitors' ecosystems, analyse the players across the value chain, and identify potential ecosystem partners. EY combines this deep sector knowledge with functional expertise in commercial strategy to build compelling ecosystem strategies for our clients. Beyond this, EY's considerable capabilities in technology consulting and customer experience design enable us to partner with clients to implement these business cases and together achieve the goal of *Strategy Realised*.



# Contacts



**Nick Feingold**

Partner, EY-Parthenon

[nick.feingold@parthenon.ey.com](mailto:nick.feingold@parthenon.ey.com)



**Karen Crum**

Partner, EY-Parthenon

[karen.crum@parthenon.ey.com](mailto:karen.crum@parthenon.ey.com)



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