Strategy

Building Your Own Brand Platform

To sidestep the big online marketplaces, consider these four approaches. by Julian R.K. Wichmann, Nico Wiegand, and Werner J. Reinartz

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Simoul Alva

Spotlight Series / **Choosing the Right Platform for Your Brand**

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Summary. Some branded product companies are sidestepping digital aggregators like Amazon and Google Shopping and instead building their own brand flagship platforms. These platforms

The traditional big retail chain—like Walmart in the United States, Carrefour in France, and Kaufland in Germany—is a brand aggregator. It offers a range of branded products in multiple categories and provides information that allows consumers to make comparisons. Other retailers are more focused on particular categories—say, groceries, clothing, or furniture. Some branded goods manufacturers, such as Hugo Boss and Dyson, have successfully created their own stores to capture the trade of their loyalists. But single-brand stores tend not to be a good way to expand the customer base, at least not in the short term, so for product brands, selling via retail aggregators remains the dominant source of revenue.

Today digital platforms are disrupting retail models. A search for Adidas running shoes on Google Shopping, for example, brings up results from multiple online retailers (including Dick's Sporting Goods, Nordstrom Rack, and DSW) as well as Adidas's own website. Although Google receives ad revenue when shoppers follow those links, the consumer transacts directly with the brand or an online retailer, which means Google does not have to own, store, or ship most of the products it channels. This low-cost/high-customer-value model puts Google and other platforms at a considerable advantage compared with traditional retailers.

The threat posed to branded goods manufacturers appears to be even greater. First, the broad, cross-category scope offered by brand aggregators—including the largest online retailer of all, Amazon—induces consumers to start their purchase journeys on their platforms, where they often search for product classes rather than for specific brands. This enables the platform to put its own brand front and center, effectively reducing product brands to the role of suppliers.

Second, product brands struggle to differentiate themselves from competitors on brand aggregators because the platforms standardize product presentation on their pages, limiting logo placement and the ability to highlight unique selling points. The page design encourages consumers to compare brands on a few key features such as price or customer rating. What's more, product competition occurs not only between brands but also within them, because different retailers on the platform may offer the same product at different prices.

But unlike traditional retailers, product brands may be able to turn this digital threat into an opportunity. By embracing the idea and functionalities of digital platforms, branded product manufacturers as diverse as Bosch, Nike, and Mars Whistle are sidestepping players like Amazon and instead building what we call *brand flagship platforms*. Brands use these platforms to considerably expand on their core value offering and establish a direct connection with consumers. They leverage platform structures to integrate third-party businesses and consumers into the value creation process. By doing so, they can provide a range of complementary products, services, and content within the broader category space surrounding their core offering. What results is an offering that addresses consumer needs more holistically and transcends a pure sales channel or the traditional product-centric perspective.

Let's look at a few examples.

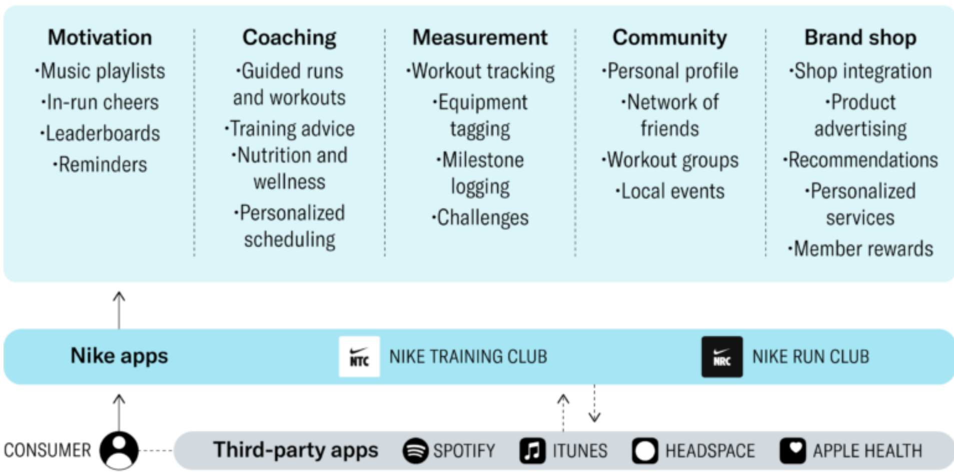
Brand Flagship Platforms

Despite their widespread success, platforms like Google Shopping and Amazon typically lack the reputation and the skills to credibly tailor customer experiences in any single category. This gives branded product manufacturers an opportunity to differentiate.

Take the case of Nike, which has created a brand flagship platform featuring its Nike Run Club and Nike Training Club apps. The platform goes beyond selling customized sports apparel to offer social events, challenges, and leaderboards provided by the community; expert guidance, motivational music playlists, and personal training provided by third parties; and inspirational content and exclusive products provided by Nike.

Nike's Flagship Platform

Nike Run Club and Nike Training Club offer a variety of products, services, and content from multiple platform participants within the health and fitness category space.



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The platform has become a hub serving a variety of needs for athletes. It has also doubled as a springboard, launching Nike into adjacent categories, including mental health when it partnered with third-party meditation brand Headspace. In addition, Nike has entered the nutrition category by offering recipes. In the future, the company may advance even further into these fitness-adjacent categories.

Consumers benefit from Nike's expansion by being able to mix and match different components of its offerings to create the product-service-content combinations that best fit their needs. Nike benefits as well: By drawing its most engaged customers directly to its own sales channels, it can eliminate intermediaries, sell products at higher margins, and display its wares without clutter and comparison from competing brands. In 2021, sales of products from Nike's website and apps totaled $9.1 billion, up from $5.5 billion a year earlier. That's 21% of the company's total revenues, and about half of its sales from all digital channels (including other online retailers), making it increasingly independent from aggregators.

Another example is German toolmaker Bosch's DIY & Garden platform, which allows consumers to view inspirational home projects, discuss tools and techniques in forums, register and organize their tools, receive expert advice, participate in DIY challenges, and collect points and badges, among other activities. The platform provides a rich array of products, services, and content around consumers' idiosyncratic DIY needs, offering them a more specialized yet more comprehensive online experience than brand aggregation platforms can. The associated app is highly regarded by users, garnering a greater than 4-star rating on Apple's and Google's app stores.

Leveraging Platform Communities

Brand flagship platforms don't just provide a direct sales channel—they create an ecosystem around the brand. These platforms provide their mix of specialized products, services, and content by involving other participants—regular consumers, professionals, and third-party businesses—in the value creation process, both as receivers and providers of value.

Crowdsourcing. As we define it, crowdsourcing means that participants draw value from other platform participants. That could be by purchasing new products or services from third-party vendors or used products from other consumers, if the site supports that. Participants also crowdsource when they go to forums for advice from other consumers about what products to buy or how to maintain them, or when they tap the expertise of third parties on the site.

Crowdsending. This term, which is our own coinage, refers to participants providing value to the platform and other participants by contributing products, services, and content. On a fitness platform like Adidas Runtastic, for example, participants can offer training schedules they have designed, share favorite running routes annotated with performance stats and photos, or provide instructional videos on how to use the products and services available on the site.

The intensity of crowdsourcing and crowdsending can vary considerably by platform, which has implications for the platform-consumer relationships that emerge. Some platforms may foster extensive and intimate crowdsourcing and crowdsending activities, such as engaging in discussions, sharing photos or personal information, or following behavioral guidance, for example, when consumers adopt dietary recommendations provided by the crowd.

These intense interactions can yield a deep and lasting relationship in which consumers embed the platform into their daily lives.

Other brand flagship platforms may enforce tighter limits on crowdsourcing and crowdsending in favor of retaining greater control over the interactions taking place. This results in less frequent, less varied, and less intimate interactions. For example, instead of allowing free communication among participants, some platforms restrict interactions to mere ratings, likes, and upvotes. Naturally, by limiting participants to superficial interactions, only superficial relationships are likely to emerge.

We distinguish between brand flagship platforms by classifying them into four different relationship styles, each of which comes with its own set of characteristics, opportunities, and risks. Managers should carefully design their brand flagship platform in order to foster the desired relationship style.

1. The platform as an instrument. Platforms in this category are characterized by low degrees of both crowdsourcing and crowdsending. Interactions tend to be superficial, and value creation centers on a core product or service. Functionalities commonly focus on enabling transactions (rating and reviewing products or answering product-related questions, for example) or providing feature extensions to a core offering (such as smart features that track wear and tear on a running shoe).

Consumers adopt a utilitarian attitude to these platforms, treating them as instruments to satisfy immediate consumption-related needs, and their loyalty will be contingent on a platform's ability to provide functional benefits such as convenient transactions and low prices.

They will quickly abandon the platform if a competitor offers greater benefits.

Aside from the narrow product focus, in many ways this approach to consumers is most similar to that of brand aggregation platforms. It can be a useful approach for brands that want a high level of control over interactions. For example, Philips extends many of its personal-care products with smart functionalities. With its Sonicare electric toothbrushes, for instance, consumers can track their dental care and order replacement heads. Because consumers are likely to want their health information to remain private, a controlled and tightly governed approach to the platform is sensible.

2. The platform as a guide. These platforms are characterized by high degrees of crowdsourcing but low degrees of crowdsending. In other words, consumers buy or reap value from the brand and third-party businesses but generally do not provide much value themselves. Platform owners in this category often invite companies and professionals in adjacent spaces to join in order to broaden the platform's scope. The platform serves as a guide for consumers in their pursuit of various but related needs, which engenders a genuine attachment to the platform's brand.

The platform-as-guide model is well suited for brands operating in or expanding into categories where value—be it related to expertise or product—comes largely from companies and professionals rather than consumers. This is characteristic of complex categories in which safety and reliability are important and where performance improvements are achieved through careful research.

A good example is the Mars-owned pet-care brand Whistle. Its smart collars not only track a dog's location and behavior but also provide health advice. Animal health is a complex category that is best left to professionals, so when consumers seek health advice for their pet, Whistle connects them with third-party veterinarians. In this way, the platform can ensure a high-quality, safe, and reliable service.

Brands that try to build category-wide platforms do face risks. They may experience brand dilution as more third-party providers interact with consumers. In addition, they miss out on the value that could be created by more intense crowdsending. Because consumers are not deeply integrated into the value creation process, the platform always remains somewhat generic and lacks the personalized experiences that consumer crowdsending can generate. And as needs evolve over time, the platform risks becoming out of touch without input from consumers.

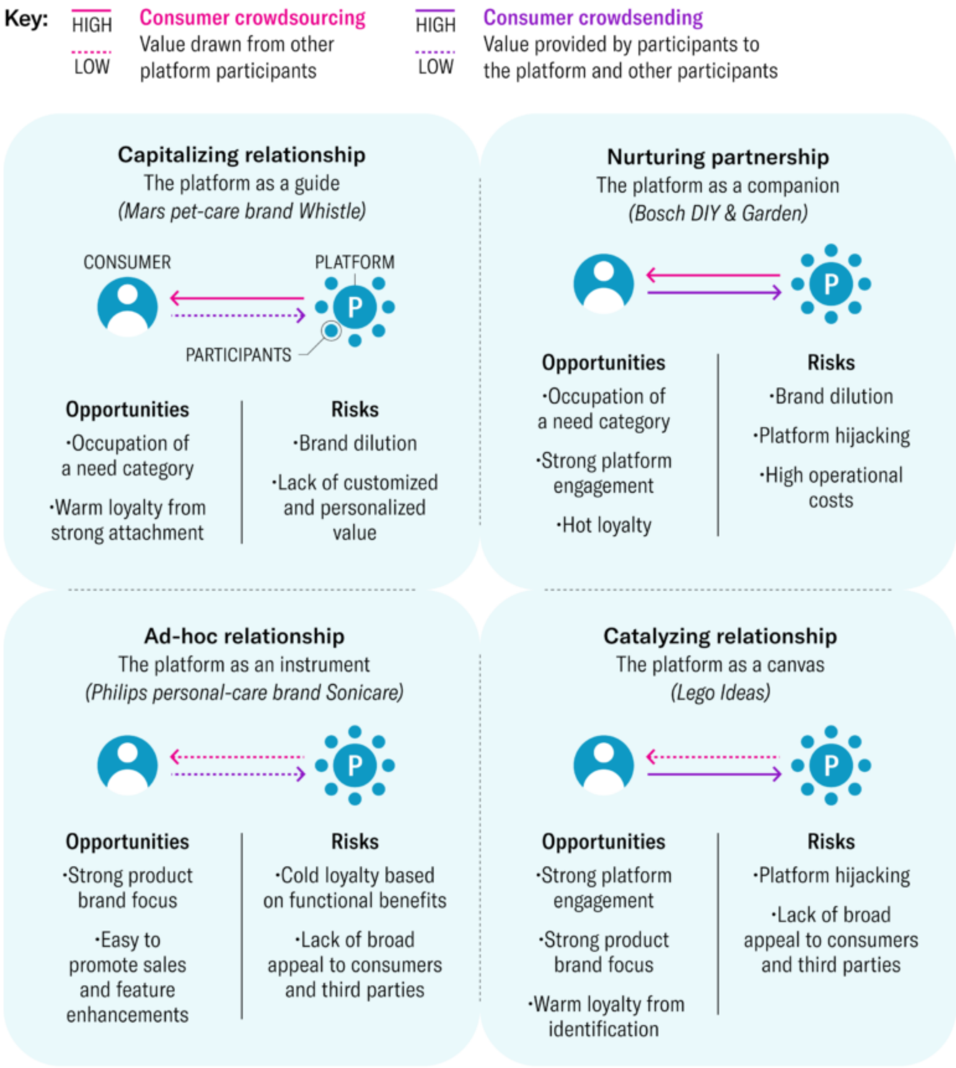
3. The platform as a canvas. On these platforms, consumers engage in intense crowdsending, but the amount of crowdsourcing is limited. Value creation typically centers around the core brand and requires a relaxed governance style in order to allow for free-flowing consumer interaction. The resulting engagement with the brand and its core offering leads to a strong attachment, what marketers call warm loyalty. (Cold loyalty refers to mere repeat buying whereas hot loyalty means consumers identify strongly with a brand.)

Branded products that serve as core materials for work done by consumers and around which user communities can form are best suited for this type of platform. Lego is a case in point. The value of Lego bricks lies in the fact that almost anyone can use them to create complex and imaginative projects. This means that consumers can provide a lot of value to other Lego enthusiasts—they don't have to be professionals to offer advice or inspiration.

On Lego's Ideas platform, consumers can upload their own builds and comment on and rate the original creations of other participants. Lego encourages this crowdsending by running contests, awarding prizes, and even manufacturing popular builds and paying royalties to their creators. Brands with platforms in this category can derive considerable benefits from the strong communities that result. Interactions among participants can stimulate sales, and R&D managers can identify opportunities for product extensions by analyzing consumer activity and other site data. Lego's platform has provided the company with new and well-tested product ideas.

Platforms and Consumers: Four Relationship Styles

The four types of platforms give rise to different consumer relationship styles, each with its own opportunities and risks. Platforms with a high degree of crowdsourcing, for instance, tend to foster customer loyalty but risk brand dilution, as third parties play a larger role. And while platforms with a high degree of crowdsending also tend to foster loyalty, they are at risk of platform hijacking as consumers participate in the platform's value creation and may, for example, recommend a competitor's product.



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This model presents some risks, many of them shared with social media platforms such as Facebook, YouTube, and LinkedIn. Consumer-to-consumer interactions can be difficult to control, and the site may suffer when abuse occurs among participants. On a platform like Lego, people may, for example, publish offensive designs or verbally assault creators—some of whom may be children. Companies managing these sites need to monitor and moderate the conversations carefully, preserving the positive benefits of an open community while protecting their users.

4. The platform as a companion. These platforms feature both intense crowdsourcing and crowdsending. Consumers may, for example, follow a step-by-step guide to building a children's bed from shipping pallets on Bosch's DIY & Garden platform and share their progress with the crowd. Other consumers can react by applauding a completed project or offering advice on ones in progress. The platform owner and third-party suppliers can also offer advice and services such as expert consultation, maintenance services, and tools, depending on consumers' needs and goals at a given time.

With this intense integration in both directions, the platform can grow with the consumer. Someone with two left hands might join Bosch's DIY platform and over time evolve into an experienced handyperson. The platform can evolve as well, providing access to relevant information, products, and services as needs change.

This model creates feelings of attachment and identification, resulting in what we call hot loyalty—a dynamic in which consumers integrate the platform ever more deeply into their daily lives. The platform becomes more like a companion than a guide—helping users tackle projects, suggesting which tools and materials to buy, and offering maintenance services for equipment. DIYers, in turn, share their experiences with other consumers, create build guides, educate novices, and take on increasingly challenging projects.

If the rewards are increased, though, so are the risks. The platform's owner may dilute its brand identity (and sales) by giving third parties too much access to its community, as we saw with the platform-as-guide model. At the same time, it faces the risks associated with the platform-as-canvas approach that encourages direct interactions among consumers. For instance, on brand platforms that allow consumers to engage in freewheeling conversation, it's not uncommon for someone to ask for opinions on other products—which sometimes results in glowing testimonials for a competitor.

Making a Smart Transition

Because brands have legacy structures and a core business to protect, going for an "all or nothing" transition to a flagship platform is risky. Brands are better off easing into a platform, starting by offering complementary services and products that are close to its core business and positioning, and adding on layers gradually. For example, when Douglas, Europe's largest perfume retailer, started its platform, it was already running a flourishing online shop. The company added 20 select partners from adjacent categories such as natural cosmetics and accessories. It gradually expanded the network by adding another 70 partners, carefully curating the platform to match its intended positioning and quality standards, tripling its product assortment in the process. This approach allowed Douglas to build up experience and expertise and maintain a consistent and strong brand positioning.

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Moving slowly also gives consumers the time to join and begin contributing organically. Brands are often trapped in a mindset that encourages them to make new offerings themselves, instead of “buying” them (from third-party businesses) or “earning” them (from consumers). But on a flagship platform, the best offerings are the result of careful and purposeful orchestration of value-creating interactions among platform participants.

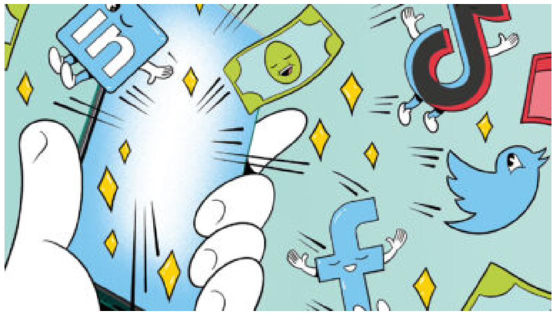
Take the case of Thingiverse, the platform of 3D-printer manufacturer MakerBot. The site allows consumers to buy and customize designs, share and sell their own 3D designs, order printed parts, access a variety of apps, and engage with a community of makers—all while being agnostic to which 3D printer a participant uses. As such, MakerBot has moved beyond solely producing 3D printers to orchestrating a lively community and marketplace for tinkerers.

Optimizing all interactions is more complex than optimizing the brand's own sales. There are many trade-offs to consider. A brand that integrates an open social community to gain value through crowdsending risks unrestrained and harmful consumer interactions. A brand that fosters competition between complementary providers increases its crowdsourcing value to consumers but reduces the attractiveness of its platform to suppliers. Brands need to take an inventory of their various constituents, weighing the benefits the platform provides for them and the conflicts that may arise, and establish appropriate governance mechanisms.

Next In
Choosing the Right Platform for Your Brand

Selling on TikTok and Taobao

The growing power of online video platforms



Most important, brands must be willing to share. When Goldman Sachs launched its investment platform Simon, for example, it found that buyer-side brokers were eager to join but the rival banks that were supposed to create and sell the investment products on the platform remained hesitant. Goldman Sachs slowly opened its traditionally well-guarded proprietary research and analytical tools to entice participants. Later, it opened up ownership of the platform by spinning it off and offering rival banks a stake. Although Goldman Sachs took a risk in sharing its assets with competitors, it was rewarded with a thriving platform.

Clearly, brand flagship platforms require substantial investments in infrastructure and organizational change. Brands previously focused on manufacturing must build up expertise in market research and analytics, allocate significant budgets to partner-management teams for third-party integration, and shift their focus to managing user experience and engagement instead of just product sales. This doesn't come cheap: For example, Adidas's acquisition of Runtastic cost $240 million, and the business unit employs 280 people.

Adjusting Metrics

Brands may be tempted to measure the success of a platform by revenues alone. That's a mistake. If the brand's own product sales make up an ever-smaller part of its platform business, its reporting metrics need to reflect that change. In brand flagship platforms, value stems from a variety of sources: value to the brand from its products and from intermediation, value to third parties from access to new customers, and value to consumers from crowdsourcing and crowdsending activities. A revised tracking and analysis system should define performance indicators from each of those value sources, akin to a balanced scorecard approach, to manage the new business model more accurately.

> **Brand flagship platforms don't just provide a direct sales channel; they create an ecosystem around the brand.**

Very often sales and market share can take a backseat: The brand can now reap new monetary benefits from intermediation, such as commissions, subscription fees, and ad revenues, and nonmonetary benefits from consumer insights and direct feedback. Amazon has used such insights for years to identify potential business opportunities and optimize the customer experience on its site. Brands should also incorporate individual or segment-level indicators to measure value to third parties, such as number of customers and their usage and ratings of third-party offerings.

Companies will need metrics that capture the value of crowdsourcing and crowdsending to consumers in order to identify gaps and restrictions on the demand side. High-level metrics like overall growth, user satisfaction, and users' willingness to recommend the platform could be augmented with analyses of search results or micro-conversions (for particular platform features), to name just two examples. Netflix, for instance, focuses not only on subscriber numbers but also on viewing time. In the B2B context, firms like Rolls-Royce and GE are shifting to outcome-focused measures of value creation such as actual usage and uptime of their equipment. Similarly, Adidas's loyalty program rewards customers for purchases as well as for engagement with the platform and its community through sharing workouts, participating in events, and reviewing products.

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Traditional product brands have a great advantage over their digital rivals: history. They are well positioned to challenge the brand aggregators that dominate the market today—not by beating them at their own game but by differentiating themselves on the basis of a strong brand, a unique value proposition, and deep consumer relationships. By leveraging platform structures, they can integrate consumers and third-party businesses into the creation of personalized value propositions, going well beyond the aggregators' formula of offering a broad product range and low prices. This shift may usher in a new phase of branding, where the goal is to orchestrate value-creating interactions and meet the whole of your customers' needs rather than just promoting individual products. While this move comes with its own set of risks, it offers product brands a way to fend off competition from brand aggregators, capitalize on the weaknesses of their platforms, and establish a direct interface with consumers.

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econometric methods on large datasets to study the implications of digital technologies and innovations for companies, consumers, and society.

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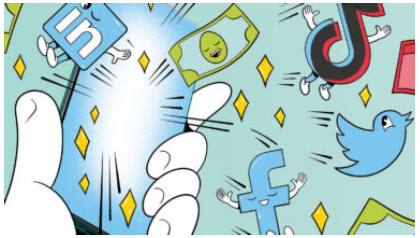

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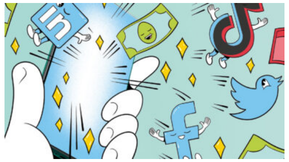

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