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VIDEO TRANSCRIPT

BOB GHAFOURI: Welcome to our session here at CES on the Platform Economy. My name's Bob Ghafouri. I'm with our Accenture Interactive Group and I'm excited to be here today to facilitate a discussion on the exponential power of platforms and how they can capture new growth opportunities and enable more personalized customer experiences.

Today, we'll be speaking with a pretty impressive panel. So, we have Robin Murdoch, Global Software and Platforms Lead for Accenture and an expert in platform business models. On our panel, we also have, Brendon Lynch, Chief Privacy Officer at Airbnb and Loren Padelford, Vice President at Shopify.

As we're all aware, the top 7 companies by market capitalization are now platform businesses. These platform businesses don't have linear growth models, but they have multiplier growth models. And the multiplier effect created by a platform business model is able to capture share at a greater and greater way.

If you look at Amazon, how they've penetrated retail, they've actually captured more and more share by bringing suppliers and consumers together on a platform and orchestrating an interaction powered by data and personalization.

There's a unique opportunity right now where COVID has accelerated behaviors in this way and the core of many businesses has been disrupted. And we're seeing existing businesses like Disney, with Disney+, make a pivot towards the platform element of their business. This is going to continue to happen in all the industries that we serve at a greater pace and speed.

So, what I wanted to do is just start off with Robin Murdoch, our Global Software and Platform Lead here at Accenture and ask him a couple of questions to ground ourselves in platform businesses and the elements of those businesses.

Robin, welcome to our session.
ROBIN MURDOCH: Good to see you, Bob.

BOB GHAFOURI: Robin, what makes the platform business model unique versus other business models?

ROBIN MURDOCH: I think there are three things and the first one, you already described around the ecosystem. But there's this great quote from Bill Gates where he says a platform is when the economic value of everyone that uses it, exceeds the value of the company that creates it. And I think that ecosystem effect is absolutely critical to a platform business model. So, connecting markets together. So, it could be with Airbnb, it could be connecting hosts and guests. With Shopify, it could be merchants to customers. And, indeed, with companies like

Amazon Web Services , Microsoft Azure, Google Cloud, having an ecosystem of developers that really amplify the business model.

The second thing is really around business model innovation. And often when platforms come to market, what they're trying to do is create that kind of that 10X improvement on what went before. That could be ten times better experience. It could be more economic ten times cheaper. I think Netflix is a great example of that. It's created amazing compelling experience that you could argue is ten times better than what was available before. It's certainly ten times less expensive than many of the pay TV options that we've all signed up for years.

And then, I think the third thing is all about network effects and scale. If you're a platform business, it's about having an awful lot of users, a lot of customers and driving that scale. And so, things like international expansion is absolutely critical to platform businesses. Most platform business are not just national, they're international and they're scaling their user based as significantly to hundreds of millions to, indeed, billions of users when you look in the consumer space.

BOB GHAFOURI: Robin, the fundamental theory behind platforms, platform businesses or two-sided networks, Metcalf's Law has been around for decades. How have platform economies experienced a shift every decade and what do you see happening over the coming decades?

ROBIN MURDOCH: Right. And I think platforms are such a focus now as you pointed out, Bob, the top 7 companies by market cap. There's all this focus. But if we look at some of the broader picture, in the 2000s, we saw the emergence of these first digitally scaled platforms that were hitting huge user bases like Google and Facebook.

In the 2010s, we saw these platforms expand from just the core product, much more into the physical world. You saw the emergence of companies like Airbnb, Uber, which created new ways of interacting with platforms in a much more physical way. We also saw the emergence of new ways to experience platforms like voice assistance, for instance.

Now the next decade's going to be fascinating because the pure digital plays, the move into the physical world. The next decade's going to be about assistance, about really, really hard problems the platforms will take on. And we're certainly seeing the emergence of companies really addressing hard problems.

You're going to hear from Airbnb, we're going to hear from Shopify, I'd call out a few others. We're seeing complete transformation in the world of finance with companies like Stripe and financial or the future of mobility, the emergence of Tesla as the highest market cap automotive company. Is Tesla an automotive company or a platform? The answer is yes to both clearly.

And then, you also see areas like fitness and health, companies like Peloton really reinventing what it means to be a fitness brand, a fitness platform. So, this kind of emergence of platforms addressing systems versus just being pure digital is really what we're going to see over the 2020s and it's going to create significant opportunity for many different players in many different industries.

BOB GHAFOURI: Great, Robin. I think you summarized the foundation well. Let's now jump into another hot topic for platform businesses. Trust is the foundation for bringing producers and consumers together on a platform. And to help us dig into this topic, I'm happy to introduce Brendon Lynch, Chief Privacy Officer at Airbnb. Brendon, thank you so much for being here with us today. Brendon, the Airbnb experience for hosting guests seems to be underpinned by trust in the Airbnb platform. How has Airbnb built that trust?

BRENDON LYNCH: Great question. Well, Airbnb was actually founded on trust. A lot of people thought this was a crazy idea to start a business that was based on inviting strangers into your home. So, the first challenge was how to enable trust between hosts and guests. And this was treated as very much a critical and central design problem and it was a realization that it wasn't going to take just one thing to unlock trust. It was going to be a system of things.

And so, Airbnb was built and trust at Airbnb was built around a number of things and that includes the host and guest profile, integrated messaging, secure payments and also, the two-way reviews. And so, it was this combination of things that really enabled the Airbnb community to grow to what it is today.

That, of course, needs to be kept up-to-date for changing circumstances. And so, for example, a recent thing we've been doing is trying to detect when an Airbnb booking may be being used for an unauthorized party because that's against our policies.

BOB GHAFOURI: I'm a big fan of the Airbnb experience and every one of those experiences I've had with hosts in different cities has been absolutely marvelous. My question is, how do you balance the demands of hosts, guests and regulators in building a safe and secure platform and experience?

BRENDON LYNCH: Yeah, well, like all platforms, we have a number of stakeholders. For Airbnb, that includes hosts and guests in the communities that we operate in. Hosts are our partners and we've helped create millions of entrepreneurs. For guests, it's about creating all these connections and belonging, hundreds of millions of connections. And for communities, we're increasingly partnering with cities and supporting their local economies.

Safety and security, thankfully, is actually something that all stakeholders are aligned on. So, it then just becomes a question of how we do that and how we do that in a responsible way.

The good news, I guess, from a privacy and data protection, legislation and regulation standpoint is that there is the ability to get that balance right. There's this concept of using data, personal data, for legitimate business purposes. And so, there is the ability to, for example, keep data for longer than you need it for your core business, for some of these uses, as long as you really ringfence that data and make sure it's only used for safety and security. So that's how these things get balanced.

BOB GHAFOURI: Global privacy regulation as we've seen in both Washington and Brussels around the platform economy is evolving quickly. How does Airbnb ensure compliance in staying ahead of these complete regulatory environments?

BRENDON LYNCH: Yeah, that's a great question. And really, it's not just platforms, it's all organizations are really subject to this wave of privacy and data protection regulation that's occurring all around the world. And it's not new. Certainly, there are countries that are getting their first ever privacy law, but there's many that have had it for decades and are going through a refresh cycle. And the reason that's happening is that there's just so much more personal data being created in a digital form and there's this real belief and concern among individuals that they have lost control of their data online. So that's why we're seeing it.

When you think about how to design for it and build for it and future proof yourself, what we're doing is looking at what are the trends? What are the core trends in these laws that you can really build for and that will help you when the next one comes along? And these things include and in the current modern privacy laws is what we're seeing is three things really. The first is transparency and that's not just about adding to an already long privacy statement. It's actually getting more innovative about how can you, at the right moment, just in time, deliver the key messages about how data will be collected, how it will be used, how it will be shared? So that's one key driver.

Another one is relating to empowerment. So, the concern that individuals have lost control, a lot of the rule making in this area is to give people back some of that control. In Europe, it's called Data Subject Rights, but it's the things like the right to be forgotten or the right to access your data. And so, that's a key trend is how do we enable people to have more access, more control over their data.

The third one is really about organizational responsibility. It's having a privacy or a data protection officer. It's doing risk assessments. It's doing privacy impact assessments on a new feature or a product or a business operation. And really, there's actually those three things come together that you can design for. There's really a fourth which makes it all a bit more of a reason why you need to do all this, which is regulators are getting more power, they're getting more fining authority, they're getting more resources. They're actually getting more technical resources as well, to be able to really understand what's happening in modern data flows.

So, it's really that combination of things. But one further thing I'd say is that if you really design privacy strategy and approach around some other objectives like building trust, like mitigating risk, like using data responsibly to deliver value to your users, you get a lot of this compliance requirements dealt with for free because they really are aligned with building trust and managing risk as well.

BOB GHAFOURI: Homes are increasingly connected by always on speakers, video doorbells, lights, how do you ensure the Airbnb platform experience and policies are future proof in an evolving digital world?

BRENDON LYNCH: Yeah, well, we have a lot of policies and standards for our community to adhere to. For example, the use of security cameras is something we have strict rules around for hosts, including being very transparent to guests about how they're being used. And then, of course, prohibiting the use within places like bedrooms and bathrooms. And when you look around CES, you understand that there's a really wide range of new smart home technologies coming forward. Some of those are going to have really, many of them, I think, really positive uses for Airbnb hosts, for example. But many of them may have privacy implications for guests.

So, it's going to be a matter of being able to really understand and assess what those privacy risks are and make sure that these devices are being deployed in a way that's fit for purpose. It's likely going to create some more rule making for us and guidance to help the Airbnb community embrace these new technologies in a way that just works for our platform.

BOB GHAFOURI: Thanks, Brendon, for your time today. Let's now pivot from the trust elements of the platform to the ecommerce and marketplace elements of platform. There's not a better example of a multi-sided network or marketplace than Shopify. What I want to do now is introduce Loren Padelford, VP of Shopify, for him to talk a little bit of his perspectives on this topic. Loren, welcome to the panel here at CES.

Loren, during the pandemic, we've seen platforms play a foundational role in many aspects of our lives. Shopify has underpinned the pivot to online commerce for many businesses as they've adapted to the new realities of COVID. Can you talk a little bit about how Shopify and your platform have enabled a lot of the pivot that these businesses need to make to ecommerce?

LOREN PADELFORD: Shopify absolutely had to adapt during this pandemic, along with all of our customers. We like to say that COVID is a time machine that brought 2030 to 2020 and rapidly accelerated both the digital transformation, but also the retail transformation was happening prior to the pandemic. This created a moment in time where retailers around the world had to change how they behaved with their customers. Customers were now longer shopping just online or offline, they were shopping in a truly omnichannel way, online, offline, mobile, social. This gave an opportunity for retailers to engage those customers in a direct one-to-one relationship which we think is highly valuable.

At Shopify, at the beginning of 2020, we decided to throw out all of our previous plans and refocus the organization on delivering core technology to these merchants, so they could not only adapt, but also thrive in a rapidly changing environment. We issued things like gift cards for everybody, so that you could put a gift card online that could be used by a consumer at a later time. Buy online and pickup in store and local delivery. We saw a huge influx of demand for local retailers, your neighborhood S&B independent shops, wanted to keep engaging with folks, being able to buy those products and pick them up at a store or get local delivery was a huge game changer for our merchants and for retail around the world.

We added online tipping. And our Shopify capital program expanded by over $200 million to fill the void of traditional lending options that dried up during the pandemic and were no longer available to small businesses.

Finally, we provided a huge amount of community resources, with blogs, webinars, ask us anything and talks with our merchants to share how they were adapting, so others could learn and adapt along with that.

An example of how organizations rapidly changed is a U.S. brand called Rep Club. Rep Club provides books and household goods by Black authors and artists. They had a retail location, but during the pandemic, had to close that. They rapidly iterated, opened an online store and I'm happy to report that Rep Club has grown over 850% during the pandemic. This is an example of how organizations can transform and thrive in rapid change.

BOB GHAFOURI: Loren, a critical element of a number of Shopify's customers is international growth. How has the pandemic affected that?

LOREN PADELFORD: Shopify is a global company and as such, we recognize the importance of helping merchants and their consumers anywhere in the world, from established markets like Canada, the UK, Australia and Germany, to new entrants into ecommerce, like Italy and Spain, where ecommerce and shopping is growing very, very quickly. We want to help our merchants around the world thrive and engage their customers in cross-border trade.

In Q2 of 2020, our fastest growing segment for gross merchandise value was from international merchants. And during Black Friday, Cyber Monday, which is traditionally a North American shopping holiday, we saw triple digit growth in sales from companies like Japan, who saw 347% growth. Italy with 211%, Germany with 189 and even in an established market like the UK, grew over 120%.

During the year in November, we also released a number of features that helped make this easier for our merchants and I'll highlight one. We released Alipay in November. We announced our partnership with Alipay opening cross-border commerce throughout the United States. This partnership allows access for merchants in the U.S. to over a billion annual active users in China. This gives our customers a huge payment option that opens up more and more consumers for their growth. Ultimately, we see international as a huge driver of our own business, but also, we see commerce expanding and online commerce expanding around the world and we're doing our best to support it.

BOB GHAFOURI: Small and medium sized businesses have been especially hard hit by COVID, what trends have you seen with your small and medium sized customers?

LOREN PADELFORD: Small and medium businesses were hit hard during the pandemic. Those local independent retailers are the life blood of all economies. They're the foundation of choice and the foundation of opportunity around the world.

During the pandemic, we saw two types of behaviors and two types of opportunities. We saw those that were resistant to change because they were in the right industry at the right time and we saw those that were resilient to change because they could adapt quickly.

Entrepreneurs are nothing if they're not resilient. And so, resilient retailers had to think about pivoting rapidly, changing their business. I'll give you a great example. Gillian Welch, the famous American singer-songwriter. For 20 years, Gillian and her team had run their merch business independently. During the pandemic, they recorded, self-printed, packed and shipped their latest record from their house, which sold-out in 48 hours and now, they're nominated for a Grammy. This is a great example of rapidly changing and being resilient in the face of change.

We also saw, as I mentioned in a previous answer, drying up of capital access. Small businesses are at an increased deficit when it comes to finding capital, finding ways to finance their business. As the pandemic hit, traditional things like banks and the loan companies dried up. And so, we stepped in and provided more capital, $200 million of our own money to help support small businesses and independent retailers around the world, so they could transform their business.

An example of this is Jim's Direct. Jim's Direct got a little bit of the PPP, but it wasn't enough to really sustain their business. So, we worked with them, set up a capital program and they were able to not only survive, but also, increase their orders from 10 orders a day to 25 with this new capital. Thus, giving them a massive opportunity to grow in such a challenging environment.

We also see S&Bs and independent retailers embracing new ways of engaging their customers, things like social commerce. We all spend a huge amount of time on social media platforms and Shopify over the last year has engaged in partnerships with Facebook, Instagram, Google, TikTok, all to provide merchants access to huge numbers of consumers who spend a huge amount of time on those platforms.

And finally, we all know how hard it is that in this season and during COVID to get things shipped. We see the most resilient of our retailers adapting their shipping and fulfillment options with over 75% of merchants starting to provide free shipping which is an interesting aspect when you think about people trying to conserve money, but they also saw that free shipping became a huge driver of their business. And we increased a number of the enrollment in our own Shopify fulfillment network by 2.5 times to help support those merchants.

So, while the pandemic has been challenging, especially for small, independent local retailers, we have found that they have been the most resilient. They have fought back. They have used technology. They have used the platforms and availability that Shopify is trying to provide them and started to reinvent themselves and that's a really exciting development.

BOB GHAFOURI: Shopify has a powerful ecosystem of partners that have enabled the shift to online commerce. What role does the Shopify ecosystem play in your success?

LOREN PADELFORD: Shopify's ecosystem has been a huge part of Shopify's success. It's a growing community of developers and experts who build apps, design themes and offer services to enable the merchants on our platform to grow and scale.

We have more than 5,300 publicly available apps in our app store and over 80% of our customers have used at least one app to run their day-to-day operations. In aggregate, the Shopify ecosystem generated $6.9 billion dollars in revenue in 2019, while Shopify itself only produced 1.6 billion. Thus, showing you how big and how extended our ecosystem can be for S&Bs and entrepreneurs around the world. Shops with more than five apps, and there's a lot of them, generated $3.6 billion worth of G&V and over 38 million orders in the last year alone. These are massive numbers for the ecosystem and for our partners. And we see apps like Clevo raising huge financing rounds, growing very, very quickly, all on the back of the Shopify customer base and all in the support of our merchants.

This provides another way to grow on Shopify. Yes, you can be a merchant and you can start a store and you can start selling your own products or you can be an app developer or a theme developer or you can be an agency that's helping our customers and that's another way you can grow within the Shopify ecosystem. And we think all of these brought together creates a powerful network effect that helps spur entrepreneurism, helps S&Bs grow and thrive and helps our local independent retailers provide choice to consumers all around the world.

BOB GHAFOURI: How does Shopify create a virtuous cycle for its members?

LOREN PADELFORD: Yeah, that's a great question. I think our job is to support our customers. We want our customers to be front and center to own those relationships with their customers. So, we want merchants to own one-to-one relationships with their consumers. We think that's the engine of growth because consumers want stories. They want to know where their things come from. So, we want provide – we try and lower the barrier of entry. So, it used to be that it took millions of dollars and lots of developers to start an online store. Now you can do it in an hour. You can start an online store. And hour number two, you could be selling globally. This is a huge advantage for entrepreneurs. It's a huge advantage for local retailers who are thinking how can I adapt my business?

So, us bringing that barrier to entry down, providing the building blocks of what it takes, payment gateways, shipping capacity, inventory management, allows them to rapidly get up, start selling and use the ecosystem to expand and grow around the world.

We think this enabler of entrepreneurism creates more entrepreneurs. So, the more entrepreneurs see how easy it can be and how successful you can be, spurs more people to try and we think fundamentally that we need more entrepreneurs. We need more voices, more choices out there and, ultimately, we think that's what we're trying to do is just create that jumping off point where you can start something today, start growing it, other people see it, they decide to start something, and the world gets better because we have more entrepreneurs.

BOB GHAFOURI: Thanks, Loren, for your perspectives. What I wanted to do now was quickly wrap-up. We heard from three experts in the platform space today about what you need to do to harness the platform and launch a platform business. So, what I wanted to do just summarize what those were. The first, we heard from Robin about understanding the business model and key success factors for platform businesses. Then we heard from Brendon about trust and the key to trust as the foundation for a platform business and the kind of interaction between sellers and consumers. And then finally, we heard from Loren about the importance of ecommerce and creating a marketplace.

So, I think there's a lot of elements that are in play when launching a platform and what I really appreciate is our experts today, talking a little bit about their perspective and the importance of this massive pivot that we're seeing in our economy. Thank you so much for joining us today.