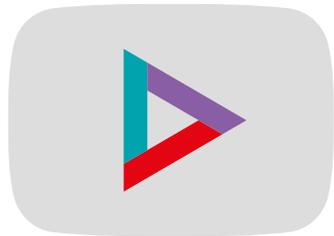


**Futuristic.**

**Trendsetting.**



**Eco-systems.**

# Introduction to and overview of business eco-systems.

**Eco-systems will change the business world. New business models and modes of customer access are developing, from major corporations to SMEs. Where are the opportunities? What changes do companies have to adjust to and what do we even mean by an eco-system? We have examined the new buzz word in management theory in a joint opinion paper by Helvetia Insurance and the Helvetia Innovation Lab at the University of St. Gallen.**

The concept of the business eco-system arose from observation of other eco-systems (see box). It is already practised by especially innovative pioneers as well as by several major corporations, but is far from having become a central part of the business world. The reason why this new concept is so revolutionary is explained in this opinion paper on the basis of the following main points.

- Introduction to the subject of business eco-systems
- Importance for investors
- Importance for customers
- Importance for employees
- Importance for partners

## 1+1=3 - The idea of the business eco-system

Basically, the idea of a business eco-system (BES) is very simple. A group of companies, at least three, typically up to about ten, jointly provide a service to customers, which only one of these companies would be unable to fulfil. Such a service, the so-called value proposition, could be a new product, a service or also a business model. However, it is important to understand that this service to customers is not just the sum total of the individual contributions of all parties involved, but far more than this: one and one should not make two, but as far as possible three.

## Intensive networking

However, this is only possible if all partners are oriented towards the joint value proposition. If they cooperate with each other and create multiple mutual networks - the so-called alignment. This is accomplished by a central company, the orchestrator, which apart from the joint value proposition and alignment, is the third characteristic of the BES. In short, a BES is an association of companies oriented towards a joint value proposition by an orchestrator and thereby achieves more than the sum of the individual contributions.

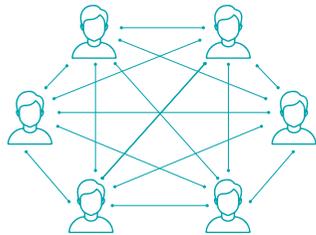
**The expression eco-system is used in different connections:**

**“Knowledge eco-system”** Usually a loose association of companies, research organisations or public institutions. The focus here is less on a specific common product; it is primarily a matter of the exchange of knowledge and experience. Such a knowledge eco-system is nothing new - there are countless examples of start-up hubs and company clusters, which could be classified as such, such as the the Crypto Valley Zug or Impact Hub Zurich.

**“Platform eco-system”** In the case of platforms like Amazon or Apple, one can also speak of eco-systems and thereby refer to all persons or companies that contribute something to these platforms or also procure something from them – such as the app developers of the app-store. What is decisive in this respect are the networking effects. If one takes the example of app stores: the more app developers there are, the more benefits there are for the customers, the more attractive it is for app developers and the more apps there are – and so on. Consequently, the core question for the manager here is how one sets this virtuous circle in motion. This trend could also be seen about 20 years ago with platforms like the iTunes Store and is therefore anything but new.

## Different types of eco-systems and their differences

### Knowledge eco-system

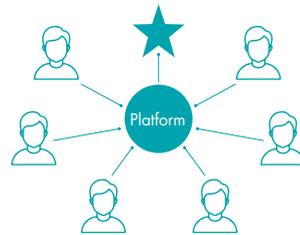


**Goal**  
Exchange of knowledge between partners

**Logic**  
Diversity of partners for wide knowledge base (e.g. universities, companies, associations etc.)

**Example**  
Crypto Valley Zug, Impact Hub Zürich

### Platform eco-system



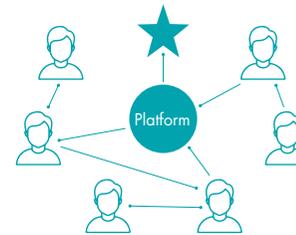
**Goal**  
Superior value proposition thanks to network effects with many partners

**Logic**

- Network effects as profit driver
- Partners exchangeable

**Example**  
Amazon, AppStores

### Business eco-system



**Goal**  
Superior value proposition through alignment of relatively few partners

**Logic**

- Common alignment of the partners
- Superior new value proposition
- One orchestrator in the lead

**Example**  
Helvetia eco-system HOME, Twint

**“Business eco-system”** A network of different companies which cooperate for profit in a particular sector (e.g. HOME or HEALTH) and jointly provide services for the customer which they could not provide on their own. The Helvetia eco-system HOME or Twint are examples of this. The overall benefit for the customer in this regard should be more than the sum of the individual contributions of the companies, fully in the spirit of “1+1 = 3”. To achieve this, the partner companies have to be oriented towards the joint service. This task is assumed by a company from the eco-system, the so-called orchestrator. It also ensures that every company receives its appropriate share of the sales and as a result can operate profitably, in return for the agreed contribution to the eco-system. This opinion paper is devoted exclusively to business eco-systems.

## Superior products and services

As a result, the advantages of a BES are obvious - companies can create new, superior products and services together with their partners and in this way develop new markets. At the same time, via their partners, they can obtain access to customers, expertise or resources, which they do not have themselves and would therefore have to invest to develop. Consequently, a BES has potential both for increasing sales as well as for integrating critical resources.

But this also has to be weighed against disadvantages: The close cooperation results in greater dependencies and requires more intensive coordination.

## Implications for insurance

In classic terms, an insurance company offers the customer insurance solutions, such as contents or buildings insurance for the accommodation sphere. With a BES you could in addition cover the entire journey of the customer. In the case of the HOME eco-system, this journey would be: search, financing, purchase, moving, insurance, accommodation, renovation etc. The individual solutions would be perfectly coordinated with each other in this respect and offer the customer an overarching experience, for example, the conclusion of a rental agreement including a moving and household contents insurance. They would come from specialised partners, but would be closely coordinated with each other.

## Conclusion Business eco-systems will dominate the future

Irrespective of these management challenges, academics as well as those in the field are increasingly coming to the conclusion that the future will be dominated by business eco-systems and that this represents a trend that no company will be able to ignore any longer. This is because the logic of an eco-system is creating a superior product, which an individual company cannot create on its own. Consequently, individual companies will be unable to survive in direct competition against eco-systems. And if an insurance in future only sells insurance, as in the above example, it will hardly be able to survive against an overarching product, which apart from insurance also provides other components. In view of these advantages, one might ask why eco-systems are only now arising. This is due to technical developments: The provision of a service in association with partners is always associated with more coordination effort than provision of this service within a single organisation. Only digitisation has made it possible to make exchanges between companies so efficient that the advantage of eco-systems outweigh the transaction costs associated with them. This is something every manager of business eco-systems has to deal with. It also means that conventional ways of thinking have to be discarded either in whole or in part. Changes are involved for the most important stakeholders in companies too: customers, investors, partners and employees. These will be discussed below.

### Implications for Helvetia

- Helvetia assumes that business eco-systems will dominate business and sees great opportunities in their development.
- Helvetia has set itself the goal of developing its own business eco-system. Currently, the focus is on the HOME eco-system – everything related to accommodation.
- MoneyPark will be positioned as an independent mortgage and pension broker as a strong anchor in the HOME eco-system.
- Proceeding from this anchor, new products and services are to be developed in future with other partners along the customer journey HOME (from home-finding through rental, purchase and moving in, right through to renovation).

# Importance for investors

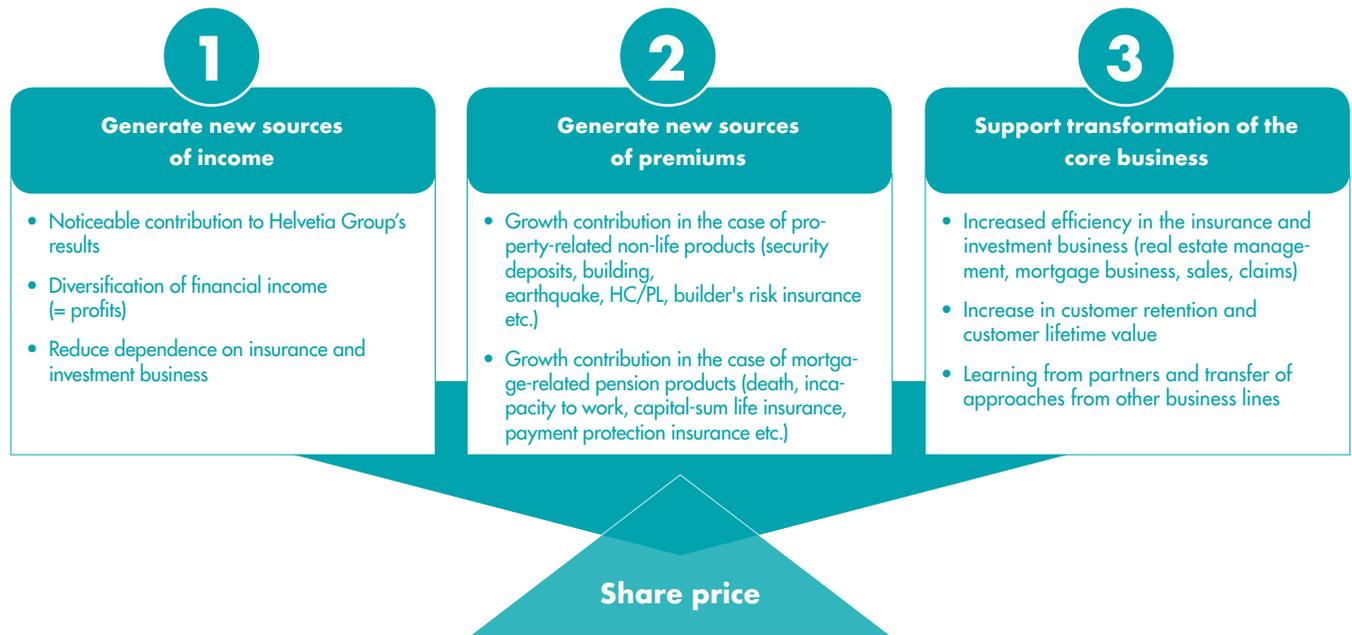
## Creation of new values

The perspective of investors towards a company is also changed by the creation of business eco-systems. Traditional parameters for the value of a company are shifting. New drivers are arising. Investments are necessary for the development and preservation of business eco-systems.

From the point of view of an investor, there are three fundamental drivers for the value of a company: the expected sales or profits, the amount of equity capital via which these profits are accrued (the less equity capital per CHF profit, the higher the share value) and the expected risk. All three drivers are affected if a company is part of a business eco-system:

- sales can be positively influenced if the company develops new markets thanks to the BES, which previously could not be achieved due to a lack of resources or the lack of customer access. Thanks to superior products, competitive advantages can be achieved and competitors displaced as a result. At any rate, higher prices can also be achieved.
- If the company receives access to competences and resources via partners, these do not have to be developed in one's own company. This saves investments and as a result releases equity capital.
- However, new risks arise due to the dependence on partners (insolvency of the partners, dissolution of the partnership, acquisition by competitors). On the other hand, new competitors also arise through new BES. Consequently, risks also increase for companies that do not want to engage in BES.

### Contribution of the Home Eco-System to value for Helvetia investors



### Determining the value of a BES for an investor

Additional drivers arise for the value of a company through a BES, which investors have to understand in order to be able to assess their investment.

- In a BES, a company does not just have its intrinsic value determined by its own sales, profits and risks, but also via its role in the eco-system. For example, a company can be acquired to orchestrate the BES of the parent company, because it is better suited for this than the parent

company, e.g. due to the strength of its brand, its flexible structures or its innovativeness. Consequently, the subsidiary does not just have value per se. It also permits the efficient creation and management of the BES. Ideally, a good orchestrator achieves the ultimate goal of a BES, namely added value in the meaning of 1+1=3. As a result, the parent company may be prepared to pay more for the shares of such a company than would normally be appropriate due to its sales and profits.

- The value of a company integrated in a BES can also be driven by the competitive situation with other BES. Competition no longer only occurs between companies, but to an increasing extent as well between eco-systems. A company may attempt to harm or destroy a competing BES in this connection by purchasing or poaching individual partners of this BES. Since the latter would be damaged or destroyed by the loss of an important partner, the competing company might be prepared to pay higher sums than would be justified by the expected sales on their own.

**The aspects of a BES which investors have to understand that go beyond pure key figures: Investments as a means to manage BES**

- BES are not just a driver for the value of companies from the point of view of an investor. Investments can also be used as a tool to develop and preserve a BES.
- Central BES partners can be bound or also financially supported through majority holdings or M&A in order to prevent breaking out of the BES with the consequences mentioned. Here too, the value of the company is not just determined by its own value from the point of view of the investor, but also through the role it assumes in the BES.
- By means of minority holdings of the orchestrator in the Eco System partners, the former benefits in terms of the increase in value that the partners ideally enjoy as a result of collaboration in the BES.

**Implications for Helvetia**

- Helvetia intends to acquire access to new income sources, such as the fee business at MoneyPark. Financial income will be diversified to reduce dependence on the insurance and investment business.
- At the same time, Helvetia wishes to strengthen its existing business and develop access to new premium sources. Existing products in the non-life business (security deposits, building, builder's risk insurances etc.) and mortgage-related pension products (life insurance etc.) are to be enhanced in this way.
- The eco-system will also support the transformation of the core business, boost efficiency in mortgage business, increase customer retention and permit the insurance to learn from its partners.

# Importance for customers

## Better support

**Business eco-systems arise from a very customer-centric perspective. The customer benefits from a better product or service thanks to the collaboration of the partners. But new data is also created.**

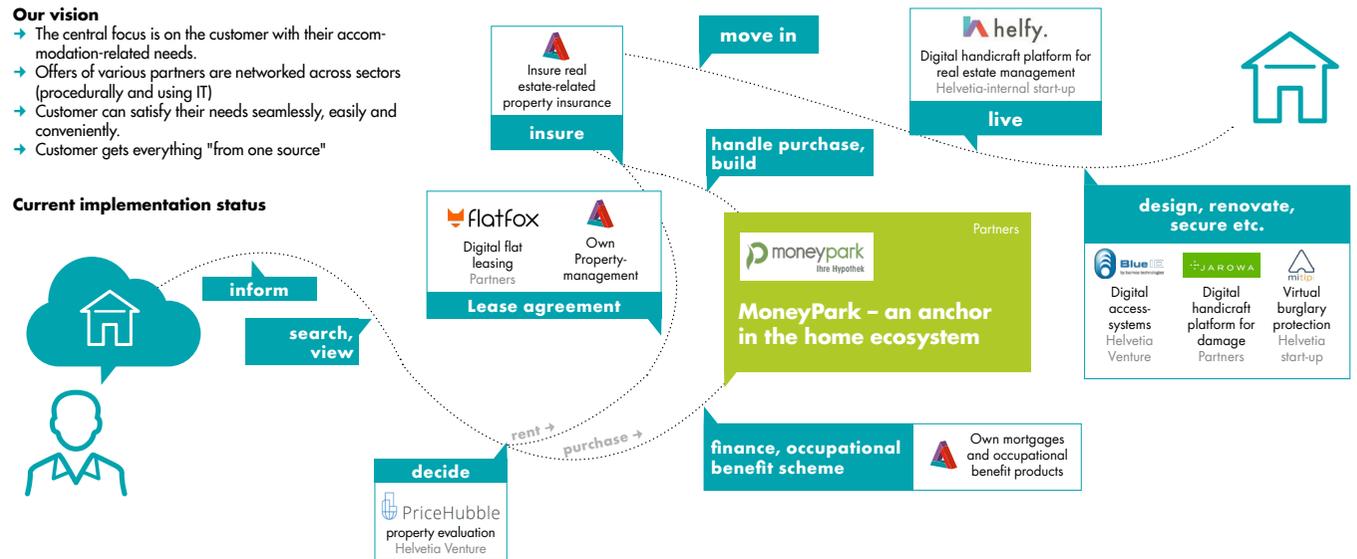
- The customer benefits from a better product or service. Either by the BES offering an entire bundle of services instead of a single service and an entire customer journey can be covered, for example (see too as example the customer journey of Helvetia in the HOME sector). Or a single step of the customer journey is mapped, but better than was the case previously by a single company.
- If an entire customer journey is covered or a holistic solution is offered in another way, the customer receives a completely new overarching value proposition. This would have positive effects, because as a result the service could be coordinated even better for the customer.
- On the other hand, customers also become more transparent, since data points regarding their behaviour can be collected via increased and more comprehensive contact points. Reliability of the eco-system orchestrator and of the interface between eco-system and customer and transparency with what happens with the data is all the more essential.

### Customer Journey HOME of Helvetia

#### Our vision

- The central focus is on the customer with their accommodation-related needs.
- Offers of various partners are networked across sectors (procedurally and using IT)
- Customer can satisfy their needs seamlessly, easily and conveniently.
- Customer gets everything "from one source"

#### Current implementation status



### Implications for Helvetia

Helvetia has observed that the home-finding process (rental or purchase) through to moving in is a continuous and seriously life-changing customer journey. But the market and providers think in boxes. The customer has to "jump" from provider to provider. Helvetia wants to integrate the different partners with the HOME eco-system. Our vision: Offer everything related to accommodation from one source.

### Examples to be examined

- Flatfox enables customers concluding their rental agreements to take out removals insurance or a security deposit with one extra click.
- If a Helvetia mortgage is unsuitable for a customer, the advisor can resort to a quotation from MoneyPark.

# Importance for employees

## Change in corporate culture

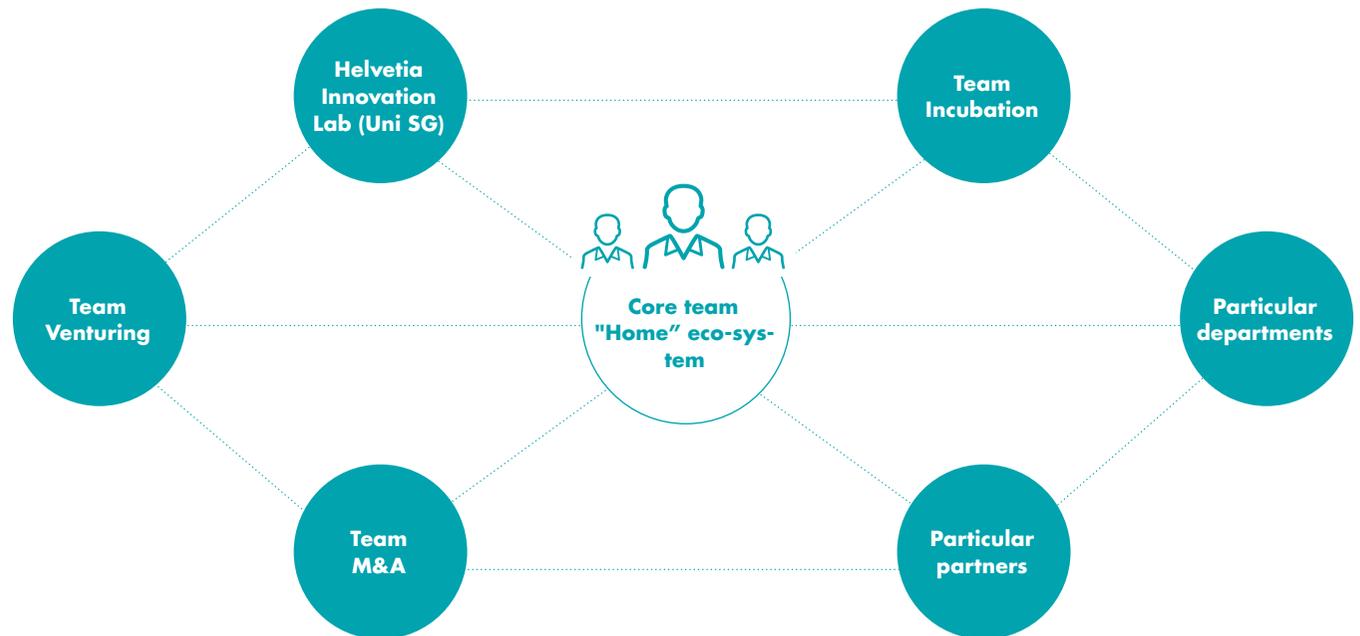
**BES permits companies to map a complete customer journey. This makes it necessary to think in customer needs and overarching customer journeys and not in the context of traditional industries. This has effects on corporate culture, modes of working, contents and networking of organisational units.**

### New job specifications Eco-system manager

Eco-system managers have to cooperate with several partners simultaneously. These can be start-up, SMEs or major corporations. These companies have very different processes, structures and cultures. Whereas a start-up works fast and informally, a major corporation requires defined approval processes and operating sequences.

- Employees involved in BES must have the skills to adjust to different procedures, processes and cultures. You have to adjust your modes of working and requirements.
- International companies are also often integrated in BES. The start-up scene in particular is very international. Employees have to be in a position to adjust to different cultures and languages
- The personal network of employees is frequently decisive in acquiring new partners, since business partnerships are often also based on personal contacts and mutual trust. Therefore, employees with a wide network that extends beyond the particular traditional industry boundaries are a valuable, if not essential, resource for the development and management of BES.

Various teams and involved parties cooperate with the core team to develop the HOME eco-system



### Changed corporate culture and work contents

The mode of working of organisational units also changes and demands new competences if they are involved in BES. Networking skills in particular are required.

- **Business development** Traditional core tasks are the generation of new business and acquiring the associated partners. This will in future occur in the context of BES. But business developers have to think outside of the box of their industry and create wide networks, since many partners come from new fields

- **Innovation and product development** The development of new business models and products will in future be oriented towards the BES. Consequently, they will be developed in close cooperation with the partners.
- **Strategy** The development of BES is usually a strategic subject for implementation of overarching corporate strategies, such as a growth initiative. Simultaneously, BES often change business logic fundamentally and therefore require integration in the company strategy.

- **Distribution** Products will in future also be sold through the BES or the BES partners. This can create a distribution omnichannel, combining classic distribution channels with lead generation and sales via the eco system.
- **IT** IT and processes must enable the embedding of Eco-System partners. It should be noted that several partners will have to be integrated at the same time or, if the Eco-System is still being established, will have to be quickly replaced again if they are a poor fit. This will require flexible IT interfaces and universal processes. And it will also require the ability of the employees to adapt their own processes and IT interfaces to those of the partners.

From an organisational point of view, BES integrate various traditional competences and organisational profiles. Consequently, BES initiatives can either be put in the hands of the company units mentioned or a new, specialised BES department created.

At the same time, the **line organisation** of a company will have to become better networked internally and externally, since all kinds of external and internal competences have to be brought together by the BES. Networked thinking replaces thinking in the box.

### Implications for Helvetia

- Helvetia has created an organisational unit for BES. It employs specialist Eco-System managers.
- Along with the core BES team, employees from a wide range of different teams collaborate on the establishment of the HOME Eco-System. Among other things, these include the M&A team, corporate venturing, claims department (craftsmen network), sales etc.
- We are engaged in targeted work on our corporate culture, by introducing new methods (design thinking/agile), developing start-ups of our own (incubation), encouraging our employees to implement their own business ideas (Kickbox) and bringing these points of view into the company with partnerships. In this way, we promote a wide range of thinking outside of traditional structures and boxes.

# Importance for partners

## Networks live from their width

BES integrate a multitude of different partners, who contribute their respective skills, resources and competences. For example, big companies contribute their strong resource base, diverse competences, skills, prominence and market access. Start-ups are valuable innovation drivers, which contribute their speed, innovative technologies or business models. SMEs are often niche providers with advanced competence in their special area of expertise.

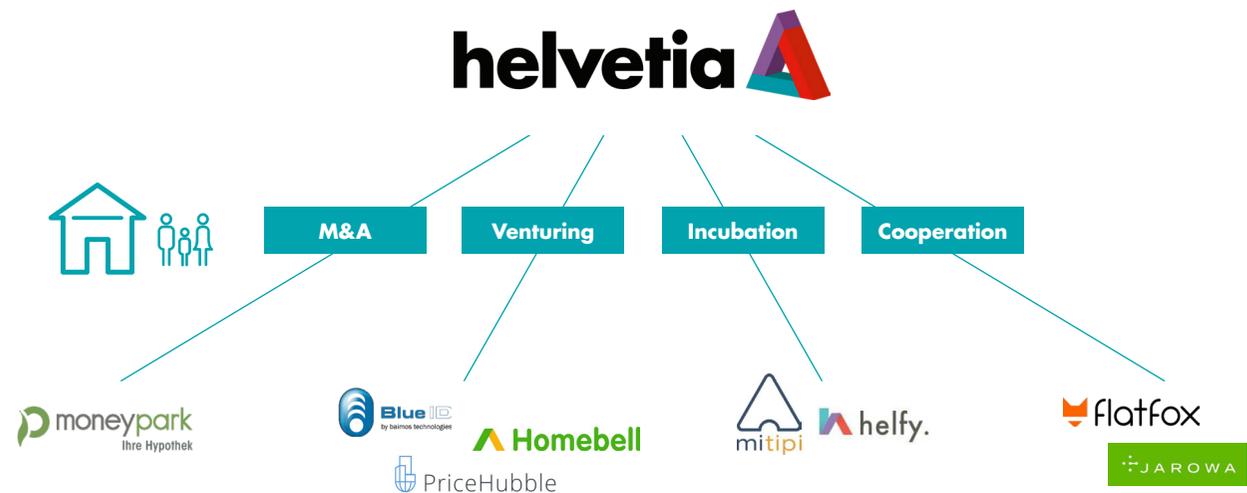
BES make it possible for these companies to become integrated with their different contributions. Therefore, BES also live from the width of various partner profiles in order to create a superior customer benefit from this combination.

### Co-creation as a new form of cooperation

Since the partners within a BES make a unique contribution with their respective specific skills, a new form of cooperation arises - co-creation - characterised by mutual dependence, cooperation as equals and close integration.

- Close cooperation and mutual dependence are greatly promoted by trust. Particularly in BES where the partners are jointly developing new, innovative products and services, not all services and counter-performances of every partner can be contractually defined ex ante. Instead, only draft framework agreements are frequently set up, with the precise specifications being established orally, for example, and based on trust, reliability and a very agile implementation process.

Individual partners are integrated into the eco-system in different ways



- Partners not only have to cooperate with a directly associated supplier or customer, but also, due to the multilateral interconnection of the partners in BES, with several partners simultaneously. This requires the will and capacity to make compromises and to adjust to the other partners, not just in terms of content, but also with regard to their own processes and procedures.
- Therefore, successful BES live from the initiative of all partners. Everyone together possesses a greater network and wider knowledge than each single company could. Both aspects are two of the most important found-

dations for innovation. Therefore, each partner in the BES is obliged to make a contribution, think about new products or business models and expedite them actively with the partners. Each partner can reach out to the other in this connection. Consequently, thinking in rigid supply chains is a thing of the past.

- However, this cooperation demands patience. Joint development of products, business models and processes demands the deployment in the long-term of resources and skills.

### Implications for Helvetia

Helvetia devotes itself to co-creation with its partners deliberately and successfully:

- Helvetia benefits in that respect from its own start-up know-how (venture fund, incubation team) and from the innovative approaches and speed of implementation of the partners. Numerous pilot operations (e.g. Mitipi, Helfy) are currently in the trial phase.
- Helvetia products and services will be integrated into the partners' customer journey and sold there (e.g. Flatfox, MoneyPark).
- Products and services of the partners are integrated in the processes of Helvetia (e.g. Jarowa).
- Helvetia employs its own and external real estate data and -analytics.



## Everything from one source

### Interview with Philipp Gmür, CEO Helvetia Group

#### What role do eco-systems assume in the *helvetia 20.20* strategy?

One principle of the strategy is that we want to think and act in a customer-centric manner. We see great potential in eco-systems, because they provide the customer with added value. We believe that this new type of cooperation will change the business world and we would like to contribute to this. We are convinced that in this way we can develop access to new income sources and diversify our business model.

#### What is Helvetia's approach?

We adopt quite different approaches in developing business eco-systems. In the case of skill-based M&A, we make targeted acquisitions of know-how, as we did with MoneyPark. And not least, we develop our own start-ups in our incubator. The latter in particular helps us to provide our corporate culture with new impulses. These are intended to encourage our employees to question previous solutions and develop new approaches from the customer perspective. This is a very important aspect. To support the development of eco-systems, we founded the Helvetia Innovation Lab together with the University St. Gallen. This supports us in the research and development of eco-systems.

#### What is the current state of the implementation of this strategy?

We are currently developing the HOME eco-system. MoneyPark serves as the centre and strong anchor in this eco-system. We are developing a network made up of quite different partners around this independent brand with which we want to offer services from one source related to the entire subject of accommodation. This extends from the financing with MoneyPark, the evaluation of properties and management to the protection of customers' own four walls. We rely on partners in this regard, but also provide our own know-how and resources. We assume risks in the form of insurance policies, provide capital by means of mortgages etc. The intention is for customers to be served from a single source on their HOME customer journey.