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BUSINESS STRATEGIES

**Building Sustainable Models
with Artificial Intelligence and Digital Platforms**

2nd ed.

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Contents

ix Introduction

xii Part I: Strategic Analysis and Formulation

- 1 Foundations of Strategy**
 - 23 Case study 1: Netflix vs. the streaming wars
 - 24 Case study 2: Apple Intelligence
- 25 Industry Analysis: Evaluating Market Opportunities and Competitive Forces**
 - 30 Case study 1: Market entry, expansion, and diversification
 - 30 Case study 2: TikTok is entering the shopping industry.
- 32 Aggregation Theory: Exploring the Rise of Platform-based Business Models**
 - 37 Case study 1: Reassessing Uber's case as an aggregator
 - 38 Case study 2: Reddit's roadmap
- 39 Reducing Transaction Costs: The Role of Digital Platforms and Ecosystems**
 - 42 Case study 1: Airbnb vs. Mass tourism
 - 43 Case study 2: Youtube's Shorts challenges
- 44 Supplier Commoditization: Achieving Overall Supremacy**
 - 46 Case study 1: DALL-E and the case for zero marginal costs
 - 47 Case study 2: Getty Images is taking legal action against Stability AI

48	Competing with Aggregators: Strategies for Traditional Firms
50	Case study 1: Spotify is going up the Aggregator's ladder
51	Case study 2: Netflix's Ad tier
52	Organizational Effectiveness: Creating High-Performing Companies
56	Case study 1: Innovating at Apple
57	Case study 2: Snapchat's ongoing losses
58	Product Bundling and Unbundling: Strategies for Innovation and Differentiation
63	Case study 1: Apple and bundling
64	Case study 2: E-commerce bundle products
65	Horizontal vs. Vertical Integration: Choosing the Right Growth Strategy
69	Case study 1: Tesla's manufacturing process
70	Case study 2: Microsoft buying Activision Blizzard

72 Part II: Innovation and Growth

73	Building a moat
85	Case study 1: Everlane's radical approach to transparency
86	Case study 2: David vs. Goliath. Dollar Shaving Club
88	The Evolution of Technology: Understanding Technological Change and its Implications
94	Case study 1: Rabbit 1
95	Case study 2: Threads surpassed 200 million users
96	The Innovator's Dilemma: Overcoming the Challenges of Disruptive Innovation
104	Case study 1: Apple and Artificial Intelligence
105	Case study 2: Perplexity.ai and generative search
106	Disruption and COVID-19: Accelerating Digital Adoption
113	Case study 1: Amazon is buying Whole Foods
114	Case study 2: Visa's acquisition of Plaid

115	Software-as-a-Service (SaaS): Key Trends and Opportunities
125	Case study 1: GPT-4's pricing
126	Case study 2: Design as a Subscription
127	Growth Strategy: Achieving Scale and Network Effects
134	Case study 1: TikTok's customer acquisition through Snapchat
135	Case study 2: Shopify
137	Network effects
149	Case study 1: TikTok
150	Case study 2: Helium
151	Platforms vs. Aggregators: Understanding the Differences and Implications
156	Case study 1: Bolt
157	Case study 2: TEMU
158	Platforms and Ecosystems: Building Sustainable Business Models
165	Case study 1: Stripe as a Platform
166	Case study 2: Amazon AWS
168	Part III: The Platform Shift: Generative AI and the Future of Business
169	Generative AI: Understanding the Technology and Its Implications
176	Case study 1: OpenAI's GPT series and the rapid evolution of language models
177	Case study 2: Stability AI and the democratization of image generation
178	The Economics of Generative AI: Zero Marginal Cost and Increasing Returns
182	Case study 1: GitHub Copilot and the economics of code generation
183	Case study 2: Midjourney's subscription model for AI-generated art
184	Generative AI as a Platform: Building Ecosystems and Network Effects
188	Case study 1: Anthropic's constitutional AI and the potential for specialized AI platforms
189	Case study 2: Hugging Face's model hub as a platform for AI developers

190	Disrupting Traditional Industries: Generative AI's Impact Across Sectors
205	Case study 1: Intuit – “Investing in our future”
206	Case study 2: Klarna goes turbo on generative AI
207	Competing with Generative AI: Strategies for Incumbents and Startups
215	Case study 1: Introducing Apple Intelligence
216	Case study 2: Microsoft Surface's Panos Panay departing after 20 years
217	The Innovator's Dilemma in the Age of Generative AI
219	Case study 1: Adobe's pivot to embrace AI with Firefly
220	Case study 2: Introducing Copilot+ PCs
221	Generative AI and the Transformation of Knowledge Work
228	Case study 1: Robin AI Contract Copilot integration with Claude from Anthropic
229	Case study 2: Journalism AI
230	Building Moats in the Generative AI Era: Data, Compute, and Talent
235	Case study 1: NVIDIA's dominance in AI hardware and the CUDA ecosystem
236	Case study 2: VC firm 'a16z' buys compute power to win AI deals
237	Ethical Considerations and Governance of Generative AI
240	Case study 1: Google's Gemini goes woke
241	Case study 2: The EU's proposed AI Act and its implications for generative AI development
242	The Future of Generative AI: Multimodal Models and AGI
247	Case study 1: “AI could defeat all of us combined”, by Holden Karnofsky
248	Case study 2: Ray-Ban + Meta AI = future personal assistant?
250	Conclusions
251	Bibliography

Introduction

The need for this book emerged during my last years of teaching, hosting workshops, or doing business consulting. I found that most of the examples, trends, frameworks and case studies are pretty much useless. The world we inherited after the Covid-19 pandemic is totally different. As a result, new business models need new approaches. This book can be used for all types of students pursuing a business administration specialization (e.g., Bachelor, Master, and MBA) at disciplines related to Business Strategies or Strategic Management, trainers when delivering strategy workshops, but also by curious people who want to understand more about disruption, artificial intelligence and where we are going.

The book is divided in three parts:

Part 1: Strategic Analysis and Formulation. This part covers key concepts and tools for strategic analysis and formulation focusing on understanding business strategy, including the importance of mission and vision statements, as well as strategic goals, competitive advantage and how to develop a good strategy. The section also covers industry analysis, including evaluating market opportunities and competitive forces.

It also covers the role of digital platforms and ecosystems in reducing transaction costs and supplier commoditization. Case studies presented here discuss how businesses can compete with aggregators, such as Spotify's strategy of going up the aggregator's ladder and Netflix's ad tier. There is also a focus on organizational effectiveness, in which I explore how companies can create high-performing organizations, using case studies from Apple and Snapchat. Lastly, this section covers product bundling and unbundling strategies for innovation and differentiation, as well as horizontal vs. vertical integration strategies for choosing the right growth strategy.

Part 2: Innovation and Growth. This part focuses on innovation and growth in the digital age. It covers the evolution of technology and its implications for businesses, including the challenges of disruptive innovation. The case studies in this section illustrate how Apple

is using artificial intelligence and how Microsoft's generative search is changing the game. It also covers the impact of the latest pandemic on businesses and how it is accelerating digital transformation. Two case studies explore how Amazon and Visa are adapting to these changes.

The section also covers growth strategies for achieving scale and network effects, as well as platforms vs. aggregators, and building sustainable business models. The final chapter in this part explores network effects, with case studies on TikTok and Helium.

Part 3: The Platform Shift: Generative AI and the Future of Business. This part introduces artificial intelligence (AI), its benefits, and applications in business. It provides an overview of AI, including its history, types, and key terms. The section then covers the benefits of AI in business, such as automation (through AI agents), predictive analytics, and personalized customer experiences. It also explores different AI applications in business, such as agents, natural language processing, image recognition, and content generation.

Finally, the challenges and risks of AI implementation are presented, including ethical concerns, bias, and other threats. The part also covers the future of AI in business, such as the rise of AI-enabled decision-making and autonomous systems. Overall, this section aims to provide readers with a comprehensive understanding of AI and how it can be leveraged in the business world.

In this context, the book addresses questions to both the readers and the business leaders (e.g., from managers to CEOs). While the readers will be more focused on key insights or each case study according to their needs, the business leaders will often find the questions at the end of each chapter as gold.

This August marked the 13th anniversary of Marc Andreessen's famous article – Why Software Is Eating the World, published in 2011 in The Wall Street Journal. Everything the Internet has done to the newspaper and music industries is now happening to all other industries. At the same time.

Shein, an ultra-fast-fashion company with no stores, shortened the cycle from production to delivery from +30 days to 14. The company uses information collected from users directly from the app and, along with search behavior (not purchase), promotes 5,000 to 10,000 new Stock Keeping Units (SKUs) daily.

Algorithms are better than first mover advantage in a market. We now know that distributing content created by anyone is a much better idea than content created by our own circle of friends, relatives, and/or followers. TikTok (owned by ByteDance) has 1.5 billion monthly active users, representing the user equivalent of three other key social platforms combined: Snap, Twitter, and Pinterest.

Finally, the art industry could not miss it either, especially now that we are experiencing the highest inflation in four decades in the world's most developed economy. Masterwork.io is a web 3.0 company, the first platform for buying and selling shares in iconic artworks. Individuals can create a diversified portfolio of curated art and sell their shares on a secondary market if they don't choose to keep them once they mature (i.e., 3-10 years).

In this system of continuous disruptions, there are four types of companies:

1. **Yesterday's winners, today's losers** – these are the companies that were once admired and intensely sought after in a bygone era (R.I.P., Kodak!).
2. **Successful companies yesterday, but also today** – Facebook started in 2004 in a PC-only world and today is a leader in the mobile world (with intentions to dominate the next stage, the metaverse).
3. **Companies that are successful today but have pivoted** in their business to get where they are today. They are growing in an environment referred to simply as the digital economy (e.g., Netflix).
4. **Companies of the future** – those that emerged 100% on mobile and whose business model has changed the world we live in forever (i.e., ByteDance, Snap etc.).

Of course, it is preferable to be in the last category, but what can you do as a company if you are in categories 1-3 or how can you defend your golden position? Well, I will try to explore this in this book.