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*I cover digital business models and how they create value.*

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**LEADERSHIP** 11/28/2016 @ 10:24AM | 13 views

## 3 Steps For Creating Half A Trillion Dollars



*A thumbs up symbol stands at the entrance to the Facebook Inc. European headquarters in Dublin, Ireland, on Thursday, Nov. 24, 2016. Irish ministers and executives are closely monitoring economic and market developments in the U.K. because the country is Ireland's largest trading partner along with the U.S. Photographer: Chris Ratcliffe/Bloomberg*

It doesn't matter what your business is, from making boxes to selling computer chips to mining gold, you need to understand Facebook and how it created more than \$350 billion in value in less than 12 years. By focusing on its network—you and me—and building a platform to enable us to share the insights, friends and data that we value. The social media giant recently reported that it now has nearly [1.2 billion active daily users](#), up 17% from a year ago. Further, it reported that it had a total of 1.8 billion total users.

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To put these numbers into perspective, consider that Facebook's active users total more than the combined citizens of the United States, the European Union, Brazil, and Russia, and its most active users log into Facebook every single day. Imagine if your customers were this loyal and this interested in interacting with your company. Even Facebook's less active users, those users that use the service at least once a month, is 600 million—population equal to that of Indonesia, Pakistan, Japan, and Canada combined. Further, these numbers don't even include [Instagram](#), acquired in 2012, which has another 500 million users and is [growing even faster than Facebook](#).

Many of you are now asking three questions: Why does Facebook matter to me? How can I use the lessons Facebook applied to create value in my organization? Where can I get started to insure our future growth and success?

1. Our answer to your first question is that Facebook now owns your most important assets. No, not your plant, property, and equipment, but your people—your customers, your employees, your investors. Let's not forget what so many leaders are fond of saying, that people are their most valuable asset. These leaders are right, but the problem is that they didn't mean it. Leaders invest in what they value, and they invest in physical assets much more frequently than people. Instead, Facebook has come to invest in them. Facebook is learning about them deeply—their friends, families, preferences, political views, and much more using AI and Machine Learning. In short order, there will be no reasonable way for any company to communicate with all these people, without going through Facebook.
2. Second, you must shift your focus from your products and services and traditional view of assets to people, community and network. While

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corporate leaders have spent, decades focused on products, services and financial results, Facebook has spent billions creating a platform that enabled each one of us to share anytime and anywhere. And while corporations spent billions time reviewing financial results, Facebook studied user sentiment, engagement and interactions. When users went mobile, so did Facebook, continuing to drive revenues and profits. In fact, Facebook's profits are [nearly tripling in the third quarter this year](#), making it one of the five most valuable companies in the world along with 4 other network organizations: Microsoft, Alphabet (aka Google), Amazon, and Apple.

3. Finally, every business leader in the world, not just corporate executives but world leaders, should be paying attention to Facebook now that it has more than 20% of the entire world's entire population using its service—especially when that user base is still growing. To insure that Facebook doesn't have too much sway over public perception, consumer behavior, and the ways in which we all relate to each other, and to the organizations around us, every organization needs to be finding channels to its own customers. Companies need to begin building their own platforms to capture knowledge, insights, and best practices from their networks.

Some companies are already getting in gear building out platforms to accelerate their network value as part of their total enterprise value:

1. **Goldman Sachs**, which boasts of its technology and carefully guards its intellectual property, has [built a digital platform](#), known as Simon, where competitors can now sell their own investment products. This will give Goldman a more complete view of the products and transactions taking place in their market.
2. **General Motors** has announced that is also going to focus on its platform and network to generate its

future growth starting with [OnStar](#) and a partnership with [IBM](#). Expanding OnStar far beyond navigation and entertainment, the partnership is intended to create a “platform that has to do with making your life more enjoyable, safe and convenient in your car.”

3. Michigan based food retailer, **Meijer**, has partnered with grocery delivery platform **Shipt** to offer one-hour grocery delivery for an annual subscription fee of \$99. [Nearly 5,000 have signed up so far](#) to be part of the platform and network, and Meijer will learn a great deal about them.

These incumbent organizations, and others, are finally waking up. In a world in which products and services are becoming commodities, they must move up the value curve and focus on digital platforms if they want to survive.

The future is clear; the only question is how quickly it will get here. While most diligent leaders continue to devote their precious time and resources to acquisition, integration, rationalization and cost reduction to insure they hit their bottom line, [our research](#) says that they are focusing their attention in the wrong place. The strategies of last year, or even last decade, which many companies are still employing, are quickly becoming obsolete as companies like Uber, Airbnb, Alibaba join the race and rack up all your customers. It is only a matter of time until companies like Amazon take on the supply side of the industrial world in a meaningful way.

Few leaders would disagree that digital transformation is critical to their future, but few actually allocate sufficient human and financial capital necessary to make it happen. Even fewer have the requisite board members and management teams to make platforms and networks a core part of their enterprise's value generation. This is absurd.

If you don't want today's platforms—Apple, Amazon, Alphabet, Facebook and Microsoft—to eat your company's lunch, then change your priorities make digital transformation the focus of the board and leadership team. If you don't, you can look forward to paying these platform companies for the privilege of accessing your customers, employees and investors for the next century.

Barry Libert and Megan Beck are partners at OpenMatters, the leader in business model science.

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