



GAFAnomics

NEW ECONOMY, NEW RULES

FABERNOVEL

This work was made for you to share, reuse, remix, rework...

It is licensed under the Creative Commons BY-NC-SA license to allow for further contributions by experts and users in the coming months.



You are free to **share** and **remix/adapt** the work.



You must **cite** this document:
FABERNOVEL, *GAFAnomics*, October 2014



You may **not use this work for commercial purposes**.
You may distribute a modified work under the **same or similar license**.

Why do we release this kind of work for free?

Our job is to help large organizations think and act like startups. **We believe this can only be achieved by encouraging** people to innovate and explore new business models. We aim to inspire you by giving you the **keys to understand** new markets like Russia, new business drivers like APIs or successful companies like Apple, Amazon, Facebook or LinkedIn.

What is GAFAnomics®?



A STUDY // UNDERSTAND

Our study gives you a simplified and rapid understanding of how Google, Apple, Facebook and Amazon, in their quest of customers' delight, brushed aside 3 fundamental business rules.



A TOOLKIT // ACT

Our strategic management toolkit allows you to design the future of your company the way Google, Apple, Facebook and Amazon do: in a customer centric way.

Foreword

22

years, the average age of Google, Apple, Facebook and Amazon. 22 years of frenetic development combined with the upheaval brought about by the internet, to businesses, our lives and our civilization.

From the heart of the Old Continent, FABERNOVEL have designed a new digital model, observing and drawing inspiration from the organizations capable of “thinking outside the box” from their beginnings, to oppose a corporate Orwellian world and to break things, quickly and often. Listed companies whose only self-imposed restriction, from their creation, was “don’t be evil.” Yet reality has shown that they reject all restrictions. The only one still standing seems to be that imposed by the Earth: just 7 billion potential customers to win over!

Every year since 2006, we have examined these market leaders, attempting to explain their coherence, define their trajectory, decipher their vision and plan, and strip down the cogs of an unparalleled growth engine.

This year, we combine our analysis to explain the success of GAFA.

We believe that the key to digital transformation – the obsession of the modern organization – is understanding the “GAFA framework”. How do these leaders drive and manage innovation? What can other organizations learn from GAFA development practices and commercial models? What are the practical implications of a 'customer-centric business? How can organizations undergoing a digital pivot apply best GAFA practices to drive their own businesses?

“GAFAnomics” is a means of seeing and understanding your industry through GAFA eyes, deciphering their vision and aligning GAFA analysis with your own strategic actions at a digital pace. The GAFA framework can be replicated to other industries but, at its core, requires an unwavering ambition to make positive changes to the customer’s daily life.

Stéphane Distinguin
CEO of FABERNOVEL



From new kids on the block to heavyweight champions



Haven't read them?
Go to <http://fr.slideshare.net/fabernovel>

As big as wealthy countries

Denmark is 35th in GDP ranking.
GAFA generate about the same revenue than
Denmark, but with 10x less people.

GAFA's revenue growth exceeds China's.



GAFA

Revenue (2013):
\$316 Bn

Employees (2013):
252k



Denmark

GDP (2013):
\$330 Bn

Employed people
(2013):
2,674k



GAFA

Revenue growth in
2013:
12%

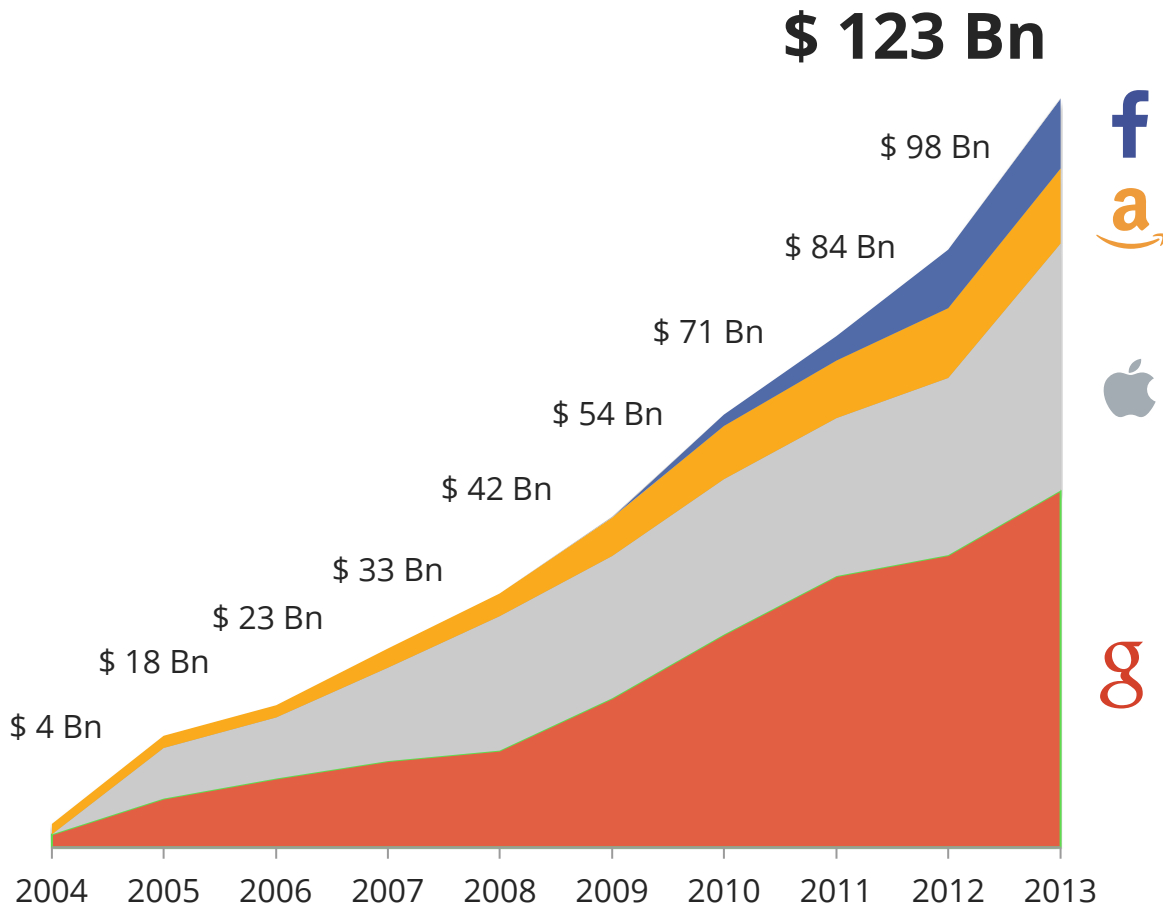


China

GDP growth in
2013:
9%

Piling up cash

GAFA have accumulated \$123 Bn in cash¹ in 2013



This cash could buy...

50

The 50 most valuable start-ups in the world²

72

Endeavour Space Shuttles

4

Big Mac for everyone on the planet

CASH AND SHORT-TERM MARKETABLE SECURITIES

¹Cash, cash equivalents and short-term marketable securities. Doesn't include long term securities (e.g Apple held \$118bn in long-term securities as of December 2013 that are not included in the definition of cash). Source: Ycharts, Company Data, FY2103.

²The Billion-Dollar Start-up Club, Wall Street Journal

Spearheading future economic growth

At least according to the market

20 Years Ago:		
Dec 1994 - S&P500 = \$3.2T		
SECTOR	WEIGHT	LARGEST COMPANIES
CONS. STAPLES	14%	COCA-COLA ALTRIA
CONS. DISC.	13%	MOTORS LIQUIDATION FORD
INDUSTRIALS	13%	GENERAL ELECTRIC 3M
FINANCIALS	11%	AIG FANNIE MAE
TECHNOLOGY	11%	IBM MICROSOFT
HEALTHCARE	10%	MERCK JOHNSON & JOHNSON
ENERGY	9%	EXXON MOBIL
TELECOM	8%	SOUTHWESTERN BELL GTE
MATERIALS	7%	DUPONT DOW CHEMICAL
UTILIT	4%	SOUTHERN COMPANY DUKE ENERGY

Today:		
May 2014 - S&P500 = \$17.4T		
SECTOR	WEIGHT	LARGEST COMPANIES
TECHNOLOGY	19%	APPLE GOOGLE
FINANCIALS	16%	WELLS FARGO JPMORGAN CHASE
HEALTHCARE	13%	JOHNSON & JOHNSON PFIZER
CONS. DISC.	12%	AMAZON.COM WALT DISNEY
INDUSTRIALS	11%	GENERAL ELECTRIC UNITED TECHNOLOGIES
CONS. STAPLES	11%	WAL-MART PROCTOR & GAMBLE
ENERGY	10%	EXXON MOBIL CHEVRON
MATERIALS	3%	DUPONT MONSANTO
UTILITIES	3%	DUKE ENERGY NEXTERA ENERGY
TELECOM	2%	VERIZON AT&T

Steadily distributing the future



Self-driving cars

Breaking into the mobility industry, beyond Google maps.



Music streaming

With the \$3bn Beats acquisition, Apple is transitioning from store (iTunes) to streaming.



Virtual reality

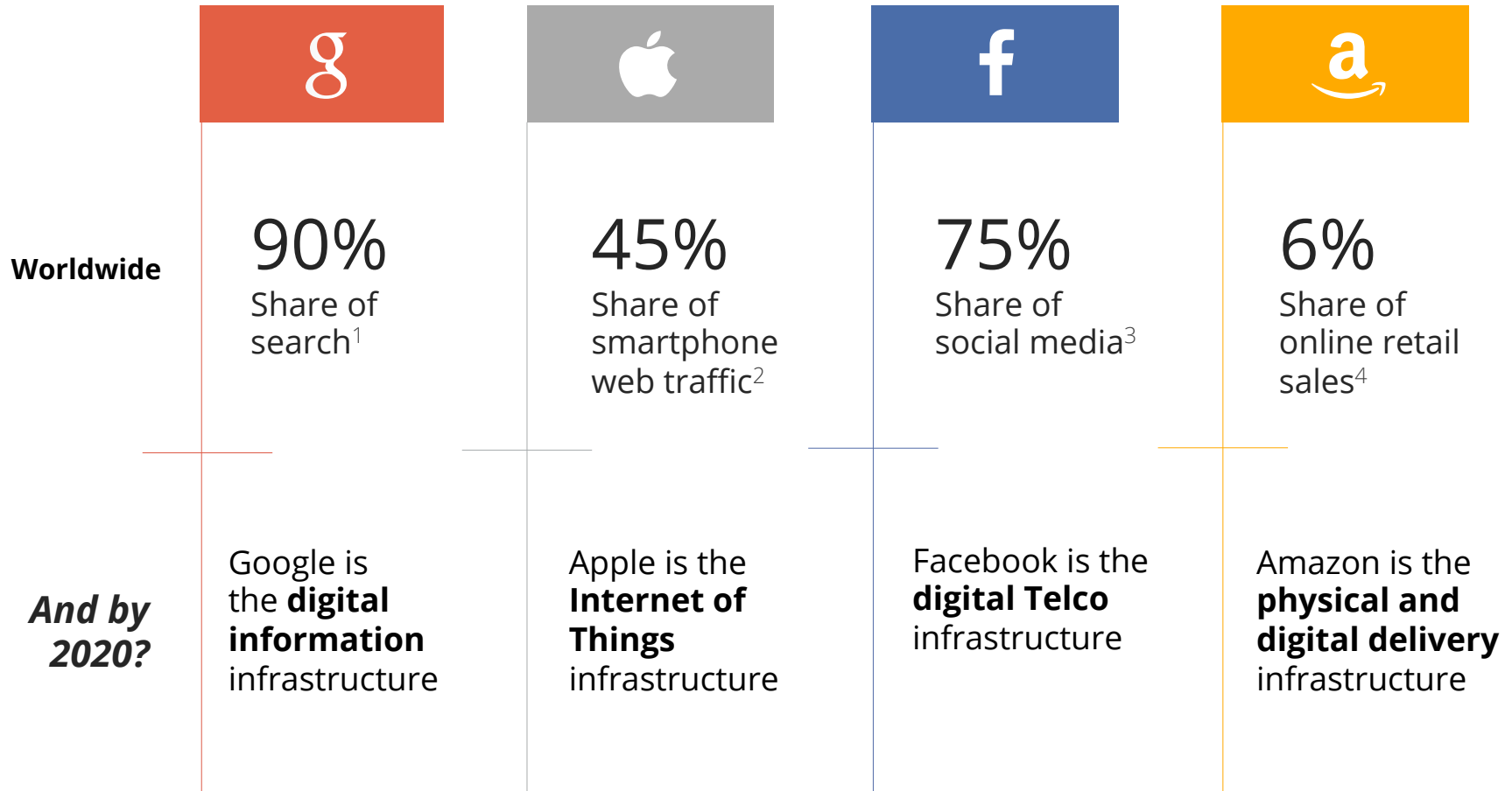
With the \$2bn acquisition of Oculus VR, the maker of the virtual reality mask Oculus Rift, Facebook wants to build "the next major computing platform that will come after mobile" according to Mark Zuckerberg.



Air delivery

With drone shipping, Amazon is confirming its strategy for its "holy grail": same-day delivery.

Creating and dominating markets










































¹ Google: total page views referred by a search engine worldwide (August 2014)*

² Apple: share of worldwide mobile web traffic on smartphones (June 2014)*

³ Facebook: total page views referred by a social media site in the US

⁴ Amazon: share of US online retail sales in 2013

Disrupting all industries

				
 TELECOM & IT	 Fiber	 Apple Sim	 WhatsApp	 Cloud Drive
 HEALTH	 Calico	 HealthKit	 Move	 Marketplace
 RETAIL	 Shopping express	 iBeacon	 Facebook "Buy" Button	 Grocery Delivery
 ENERGY & UTILITIES	 Smart home	 Solar Power	 Internet.org project	 Fulfillment by Amazon
 MEDIA & ENTERTAINMENT	 Play	 iTunes Radio	 Oculus	 Gamers Video platform
 FINANCIALS	 Wallet	 Apple Pay	 Friend-To-Friend Payment ¹	 Payments API
 MOBILITY, TRAVEL & LEISURE	 Car	 CarPlay	 Messenger + Uber integration ¹	 Media app for connected cars

¹ Rumoured to be launched soon

Setting the standards in terms of usage and technology

Winning the browser war in 4 years

In 2008, Google decided to break into the browser market, dominated by Internet Explorer with +60% of market share.

Within only 4 years, Google Chrome reached +30% of market share, overtaking Internet Explorer.

Creating the tablet market in 80 days

In 2001, Microsoft sold 300k units of its Windows XP Tablet within 1 year.

In 2010, Apple launched the iPad and sold 3 000k units within only 80 days.

Capturing 16% of your time in 10 years

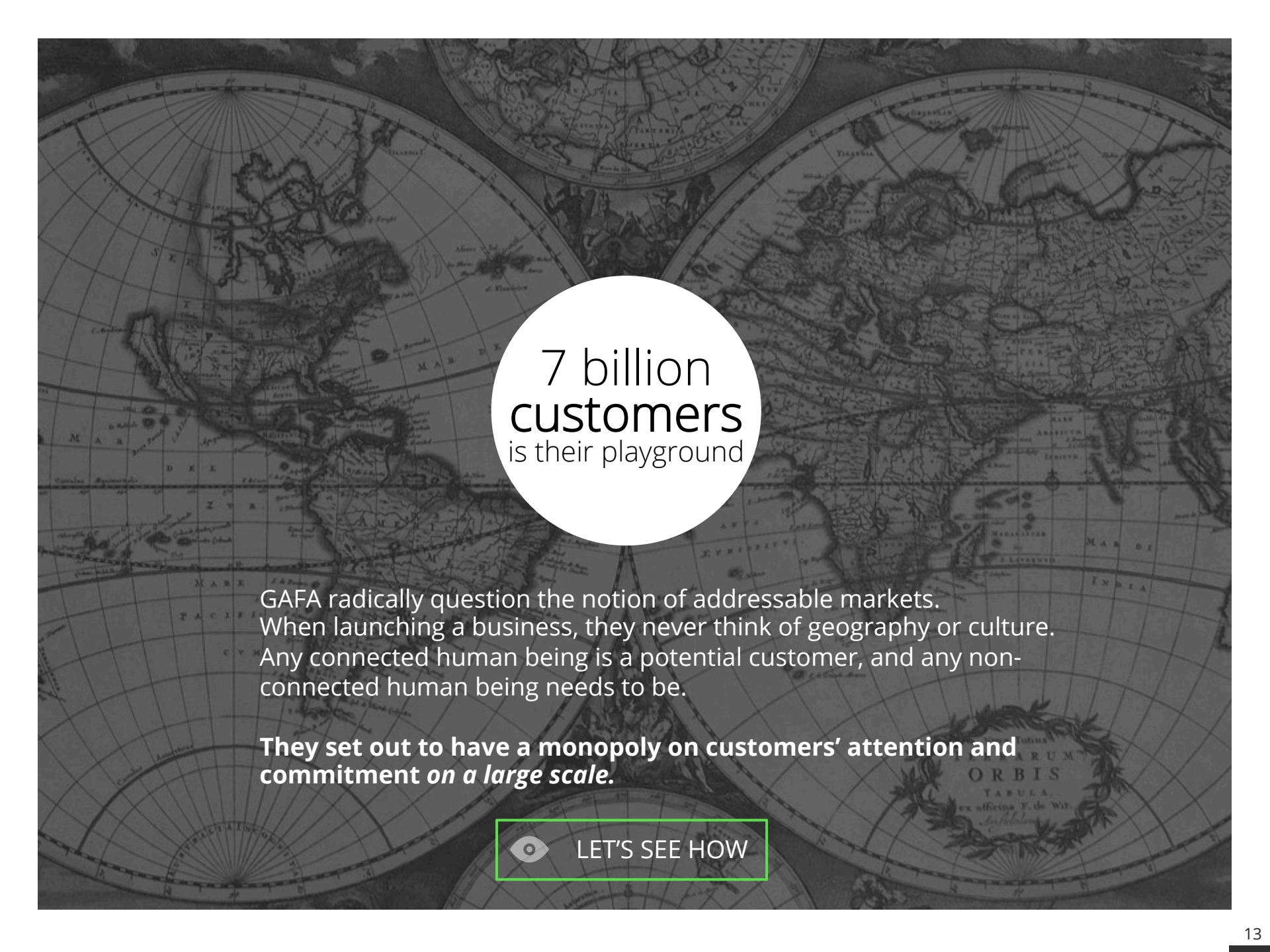
As of June 2014, Facebook reached 1.32 billion monthly active users.

Facebook represented 16% of the total time spent online in the US.

Replacing your favorite grocer in 7 years

Launched in 2007, Amazonfresh is already the preferred service for e-grocery shoppers.

39% of shoppers buy groceries on Amazonfresh, 28% at any grocery retailers and 8% on other online retailers.



7 billion
customers
is their playground

GAFA radically question the notion of addressable markets. When launching a business, they never think of geography or culture. Any connected human being is a potential customer, and any non-connected human being needs to be.

They set out to have a monopoly on customers' attention and commitment *on a large scale.*



LET'S SEE HOW



1. GAFAnomics®

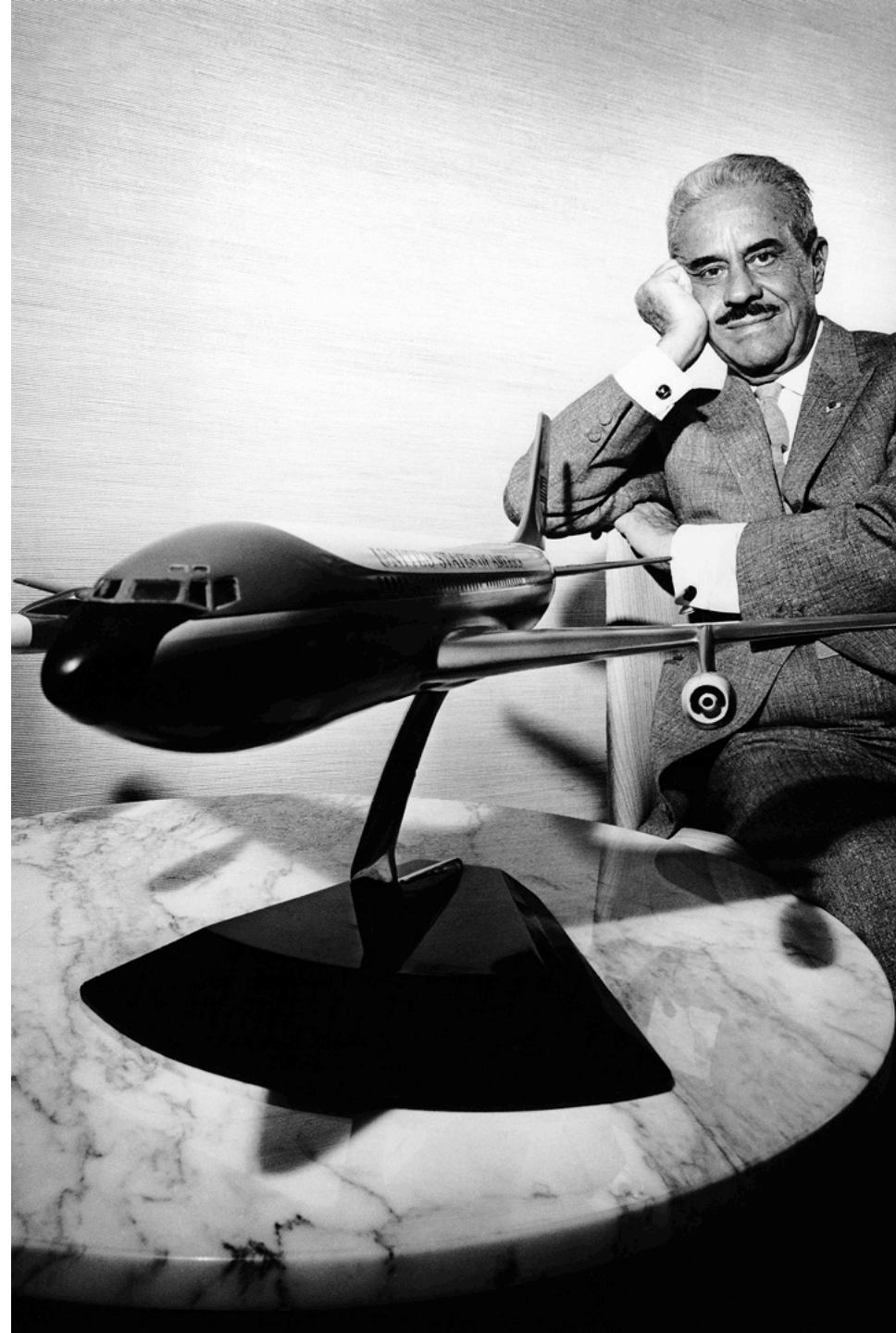
How to build a billion-customer
business?

Traditional model: marketing products

We invest time and money in developing products, marketing them and then defending them tooth and nail against competition.

In today's hyper-competitive world, we face significant challenges:

- Barriers to entry are getting lower everyday;
- Digital has led to a faster cycle of innovation, with its corollary of reducing product life cycles;
- Customer expectations are higher than ever before;
- Boundaries between products and services are blurring: customers want experience, not products.





Google, Apple, Facebook, Amazon are customer-obsessed

Monitoring the “4 Ps” is not enough. Products and services *per se* are considered replaceable.

The only thing that is valuable in the long term and deserves to be fought for is the customer.

New economy, new rules



1. The “free customer”

GAFA have redefined the customer concept. They make no difference between a paying customer and a non-paying one. GAFA set out to make themselves indispensable to as many people as possible.



2. The “utility value model”

GAFA have redefined value creation. They first think in terms of customer commitment rather than financials. Delivering sustainable customer value prevails over short-term profitability.



3. The “pirate management”

GAFA have redefined talent management. They created an innovation-friendly environment to supercharge performance and pioneer the future.

These are fundamental strategic steps that have led them make decisions with no apparent economic sense but which have contributed to developing their position as the world’s “largest value” providers.



1. The “free customer”

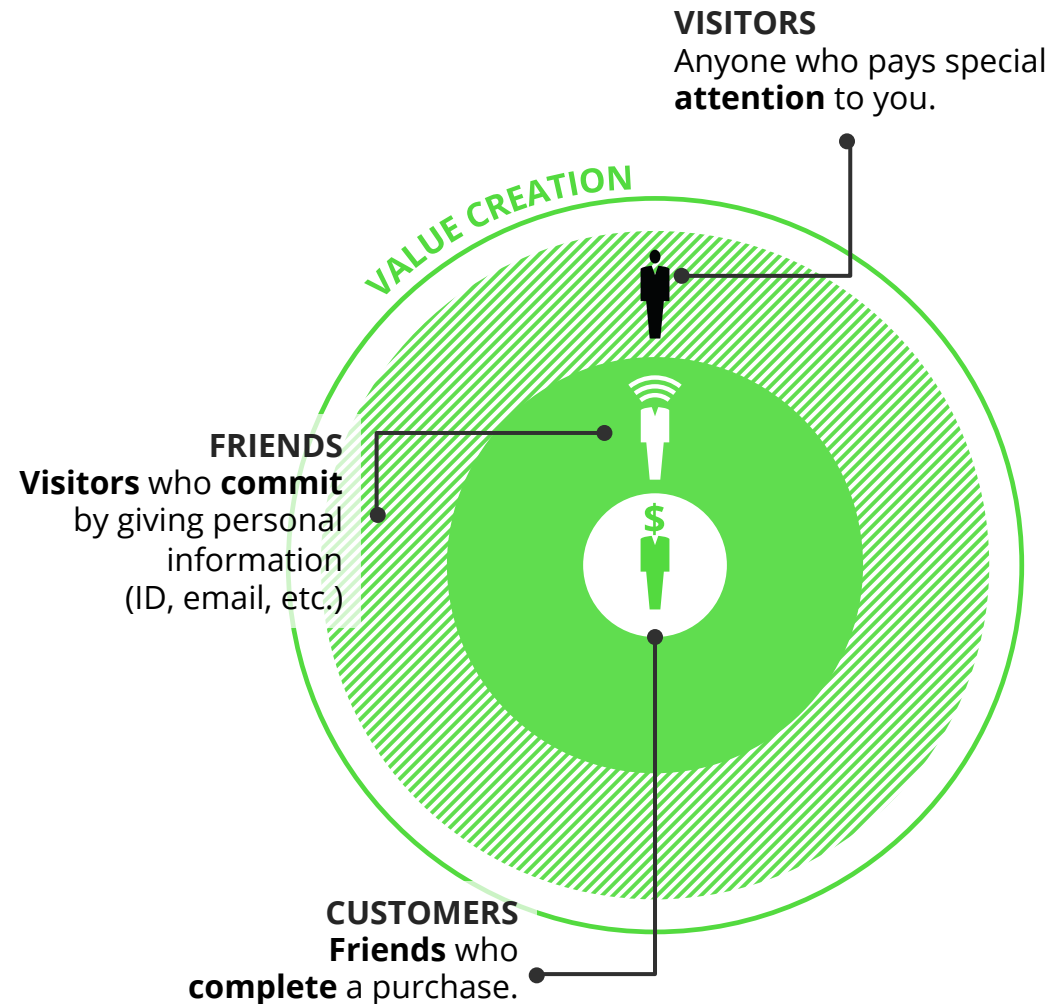
Redefining the customer concept

Everyone is a customer, even without money

GAFA strive to deliver the best possible experience to everyone to earn their attention.

In their view, your attention makes you a customer... Whether or not you make a transaction.

By building sustainable relationships, they turn attention into commitment, and commitment into revenue.



Customer base is the mother of all growth



It is the path
towards revenue

“Show me the value, I will
show you my money”.

GAFA build strong and
direct relationships with
their customers, who are
hence more eager to
transact with them.



It acts as a
barrier to entry

Great value helps build
positive word-of-mouth.

The larger the base of
happy customers they build
up, the more attractive they
become and the harder it is
for competitors to
challenge them.



It leads to more
value

GAFA leverage economies
of scale to cover fixed costs
more effectively and reflect
this by lowering product
prices.



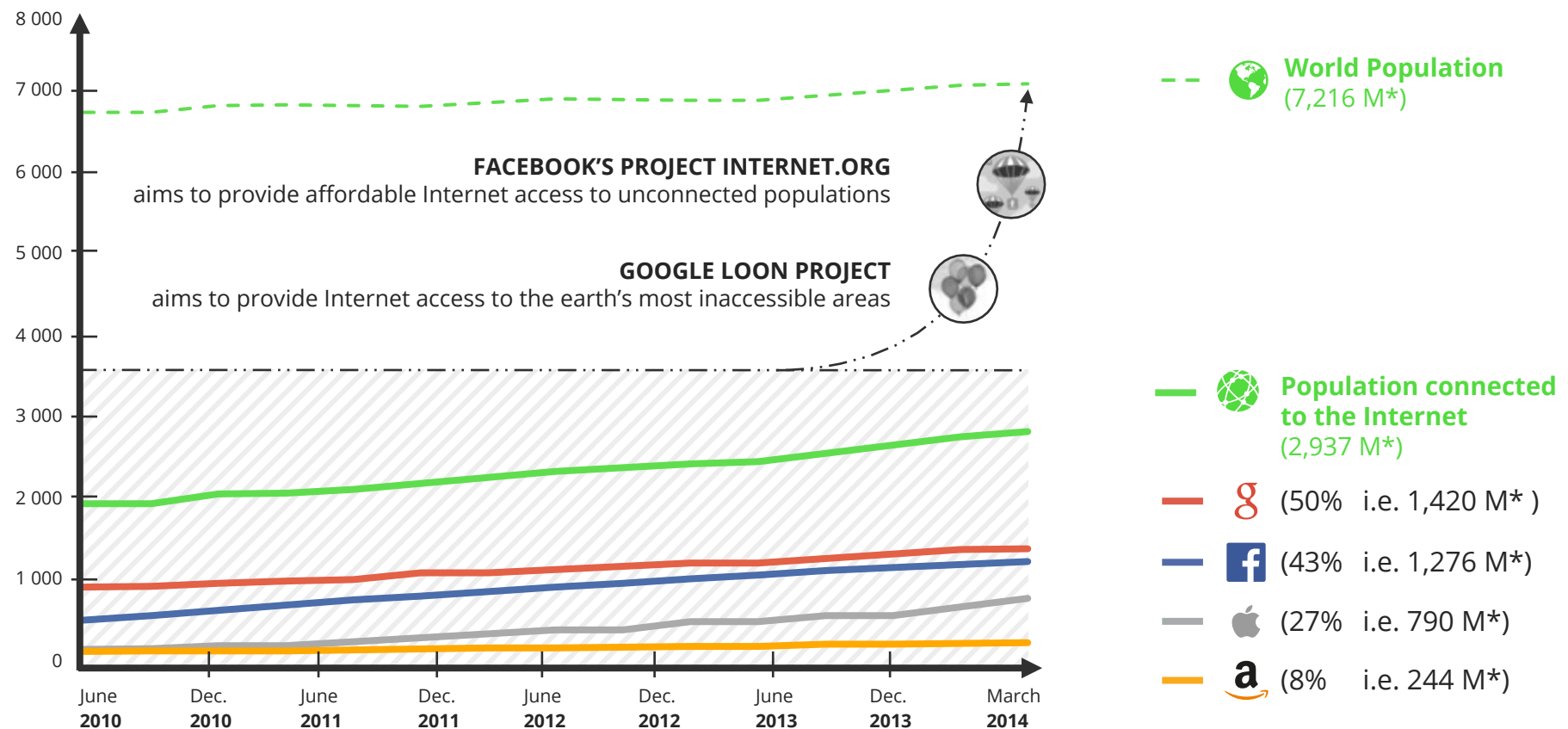
It is an innovation
catalyst

Data processing makes it
possible to explore and
experiment with new value
pathways: add-on features,
product innovation and
revenue streams.
Data paves the way to a
new era: large-scale
customization.

All GAFA decisions are primarily focused on **gaining and retaining customers. Getting customers to commit is the foundation** on which everything can be built.

Already addressing half of the world's connected population, and connecting everybody else

GAFA build services to connect the 60% of the worldwide population living without Internet access.



* Numbers: March 2014, Google number of unique searchers, Facebook monthly active users, Apple iTunes account, Amazon 12 months active purchasers

Sources: Internet World Stats, Facebook, Amazon, Business Insider, Comscore, Fabernovel



2. The “utility value model”

Redefining value creation

3 key concepts

1

Make smart and meaningful things

GAFA are bolstered by a strong vocation: to **help people save time and effort in their daily lives**. Full stop.

Their products & services are all the more valuable because they are intuitive to use. Reducing product adoption friction has enabled GAFA to cater for the mass market and has led to a high adoption rate and commitment.

2

Foster value creation rather than revenue

GAFA care so much about meeting customers' needs that they sacrifice short-term revenue and profits.

Released from the obsession with short-term profit, they achieve excellence: delivering the best possible experience and making it truly accessible.

3

Doing away with core business

Commitment is a scarce commodity. The magic lies in meeting and anticipating customer demands in a timely manner, at the risk of letting competitors gain a lead.

GAFA have set out to operate any type of business as long as they deliver value.

Learning 25 times faster

The search journey

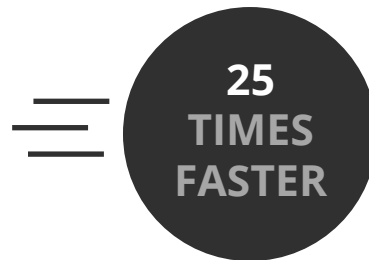
Larry is a high school student who has to give a talk on “major gold rushes of the 19th century”



2 days

Without Google, he had to:

- Ask his teacher for a list of source books;
- Go to the library;
- Find the books by reference number;
- Trawl through the books for the relevant information.



2 hours

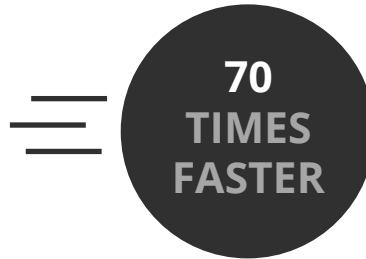
With Google:

- Larry types the keywords in the Google Search bar;
- He reads the ten most relevant links suggested on the subject.

Listening to music 70 times faster

The entertainment journey

Mary wants to listen to a jazz song while she is jogging



A whole afternoon

Before MP3: she had to come back home, go to the music store, find it on the store shelves according to alphabetical order, buy it, put it in her CD player, record it on a tape and go jogging with her Walkman.

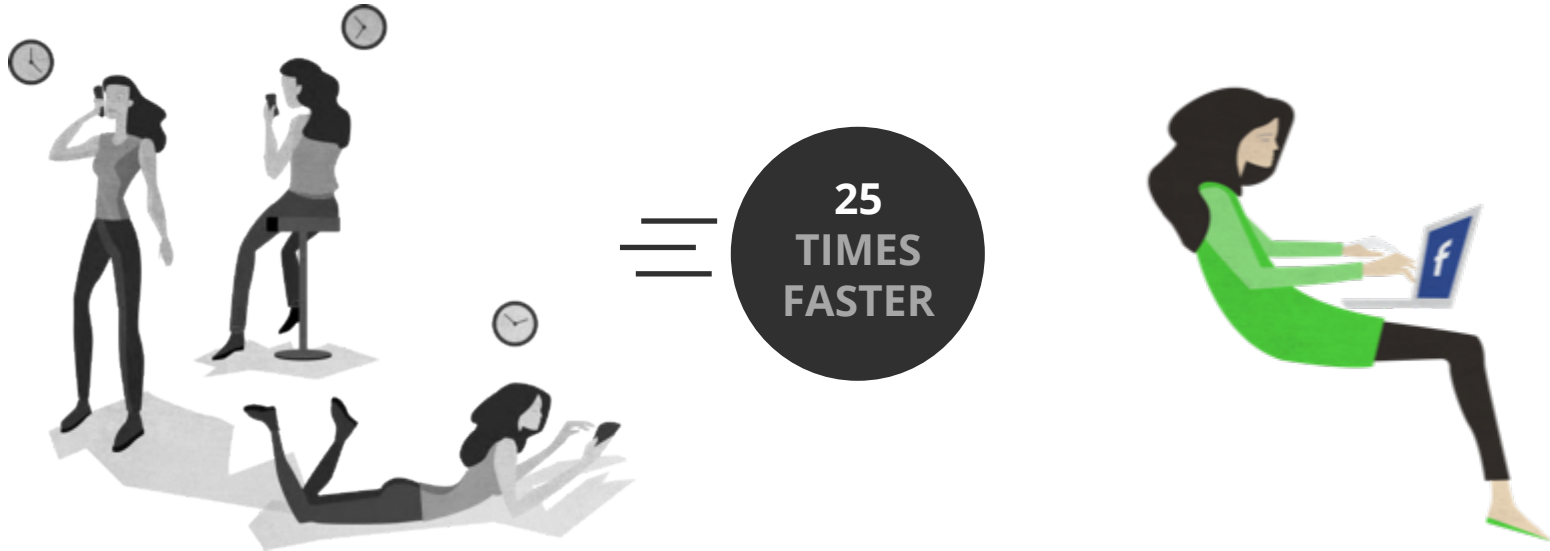
5 minutes

Today with Apple iPhone: she just looks for the song title on iTunes, buys it and listens to it

Communicating 25 times faster

The social journey

"Carole wants to organize a party and invite 200 friends"



A whole day

Before, she had to call each of her friends for 2 minutes.

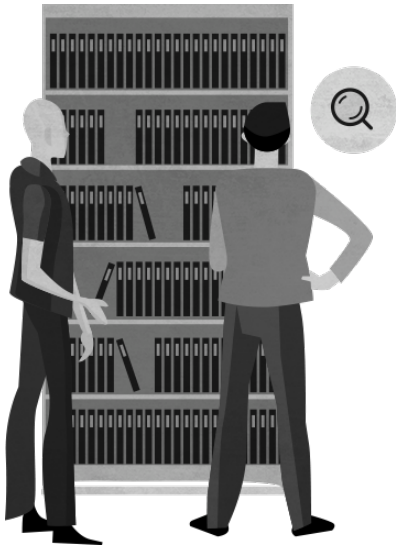
30 minutes

With Facebook, she creates an event and invites 200 of her friends.

Buying 3,000 times faster

The purchase & delivery journey

“Ben really wants to watch a very specific Hong Kong movie called “The One-armed Boxer”



3,000
TIMES
FASTER



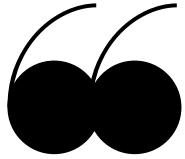
48 hours to 1 week

He had to go to a specialized video store with a high probability that the seller wouldn't have it in stock, then wait for the product to be shipped to the store, come back, and buy it.

1 minute

If the film is available on Amazon Instant Video, he just has to type the name and begin watching.

**DON'T IMPROVE CUSTOMERS' LIVES.
CHANGE THEM**



Google is living a few years in the future and sends the rest of us messages.

Doug Cutting, Hadoop founder

3 key concepts

1

Make smart and meaningful things

GAFA are bolstered by a strong vocation: to help people save time and effort in their daily lives. Full stop.

Their products & services are all the more valuable because they are intuitive to use. Reducing product adoption friction has enabled GAFA to cater for the mass market and has led to a high adoption rate and commitment.

2

Foster value creation rather than revenue

GAFA care so much about meeting customers' needs that they sacrifice short-term revenue and profits.

Released from the obsession with short-term profit, they achieve excellence: delivering the best possible experience and making it truly accessible.

3

Doing away with core business

Commitment is a scarce commodity. The magic lies in meeting and anticipating customer demands in a timely manner, at the risk of letting competitors gain a lead.

GAFA have set out to operate any type of business as long as they deliver value.

Hacking the Wall Street dogma of short-term return

“The cure for Apple is not cost-cutting. The cure for Apple is to innovate its way out of its current predicament.”



Steve JOBS, May 1999

**[Apple Confidential: The Real Story of Apple Computer Inc., May 1999]*

“Often, invention requires a long-term willingness to be misunderstood”



Jeff BEZOS, June 2011

Our CEO has control over key decision-making as a result of his control of a majority of our voting stock. As a stockholder, even a controlling stockholder, Mr. Zuckerberg is entitled to vote his shares[...] in his own interest, which may not always be in the interests of our stockholders generally.



Facebook form s-1

Free is the soundest investment



Enrich experience

Free is a lever to bring extra value to an existing experience.

It helps reach higher retention rates on high margin services or products.



App Store



Google play

Respectively, 91% and 85% of apps are free



Get customers in

Free is a powerful trigger to capture attention and build word-of-mouth.

It helps reach a critical mass of customers in record time.

facebook.

"Facebook is free and always will be"



Cross-sell products

Free leads to a positive brand experience. Customers are more likely to actually pay for other services and products.

Free acts as a loss leader and contributes to building a brand habit.



Apple gave away new U2 albums to get new credit card numbers on iTunes.



Capture data

Free multiplies contact points, leading to more data collection.

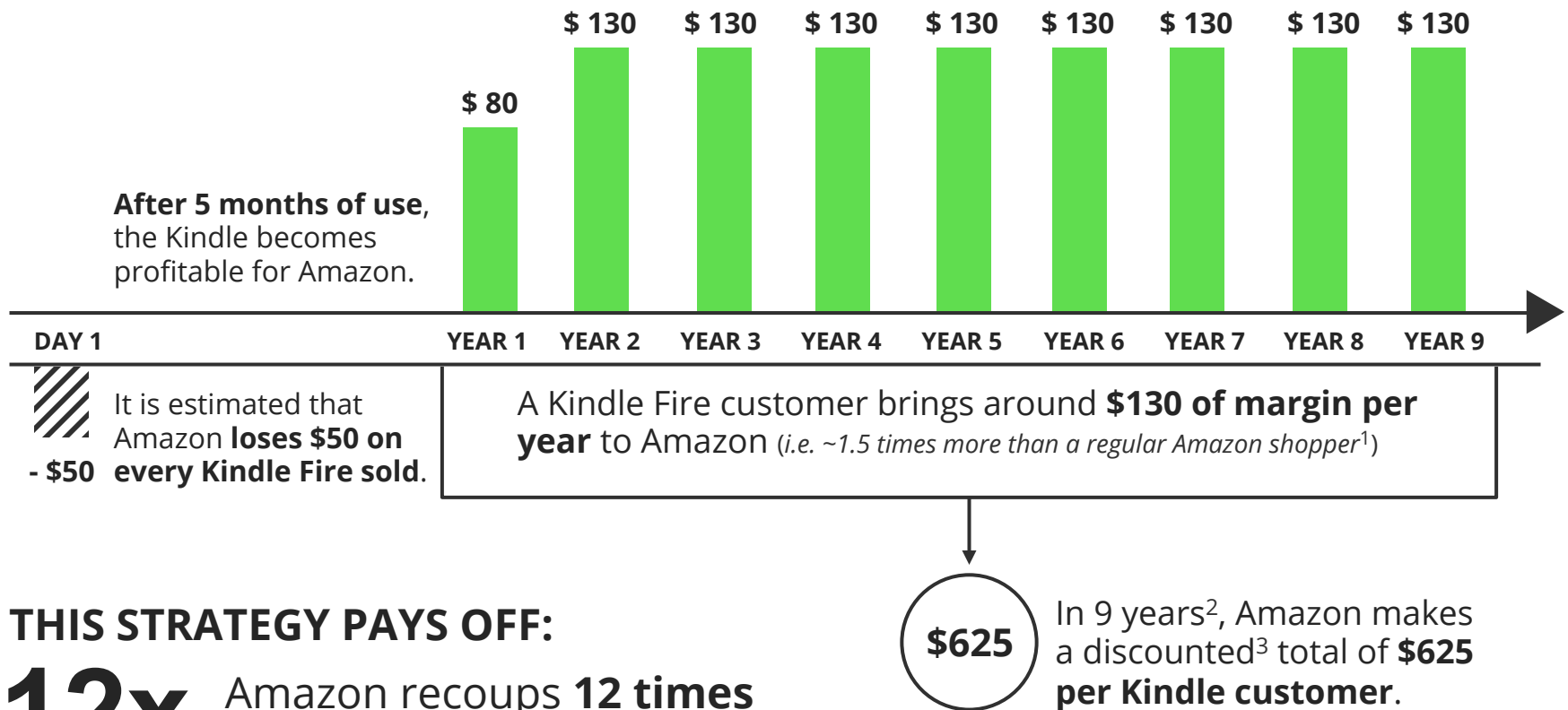
Powerful analytics help extract accurate insights to maximize customer value and identify new revenue streams.



Android is a free open source OS for developers

Example: Amazon is selling Kindle Fires at a loss... or is it?

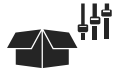
“ We want to make money when people use our devices, not when people buy them
Jeff Bezos



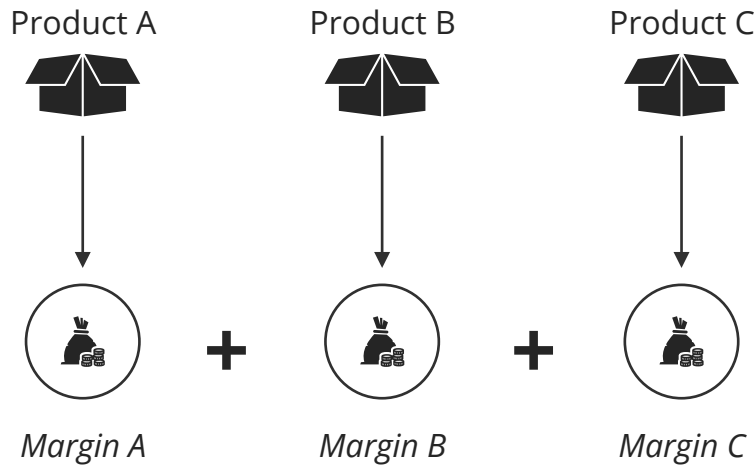
THIS STRATEGY PAYS OFF:

12x Amazon recoups **12 times** its initial Kindle “investment”

GAFA are really managing customers, not products



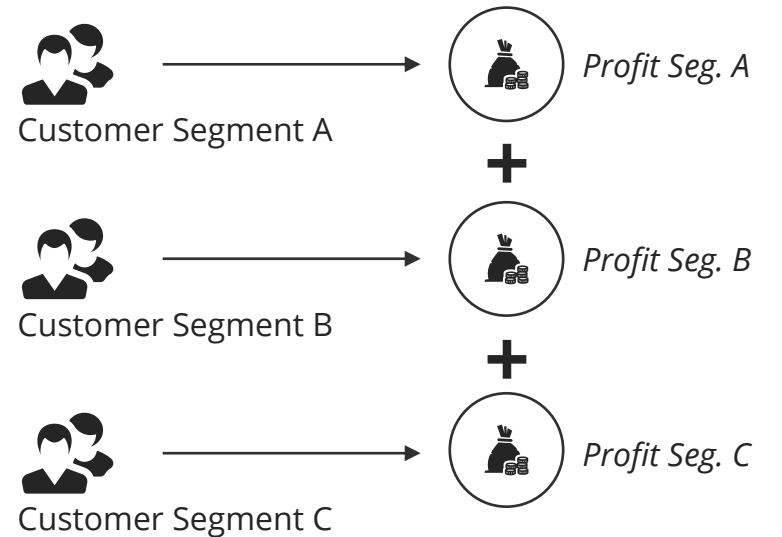
Traditional management



Revenue =
unit price x
number of
products



GAFA management



Revenue =
Revenue per
customer x number
of customers

Total profit

3 key concepts

1

Make smart and meaningful things

GAFA are bolstered by a strong vocation: to help people save time and effort in their daily lives. Full stop.

Their products & services are all the more valuable because they are intuitive to use. Reducing product adoption friction has enabled GAFA to cater for the mass market and has led to a high adoption rate and commitment.

2

Foster value creation rather than revenue

GAFA care so much about meeting customers' needs that they sacrifice short-term revenue and profits.

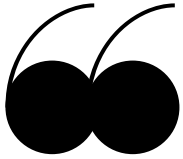
Released from the obsession with short-term profit, they achieve excellence: delivering the best possible experience and making it truly accessible.

3

Doing away with core business

Commitment is a scarce commodity. The magic lies in meeting and anticipating customer demands in a timely manner, at the risk of letting competitors gain a lead.

GAFA have set out to **operate any type of business** as long as they deliver value.


































There are two ways to extend a business.

*Make an inventory of what you are good at
and extend from your skills out.*

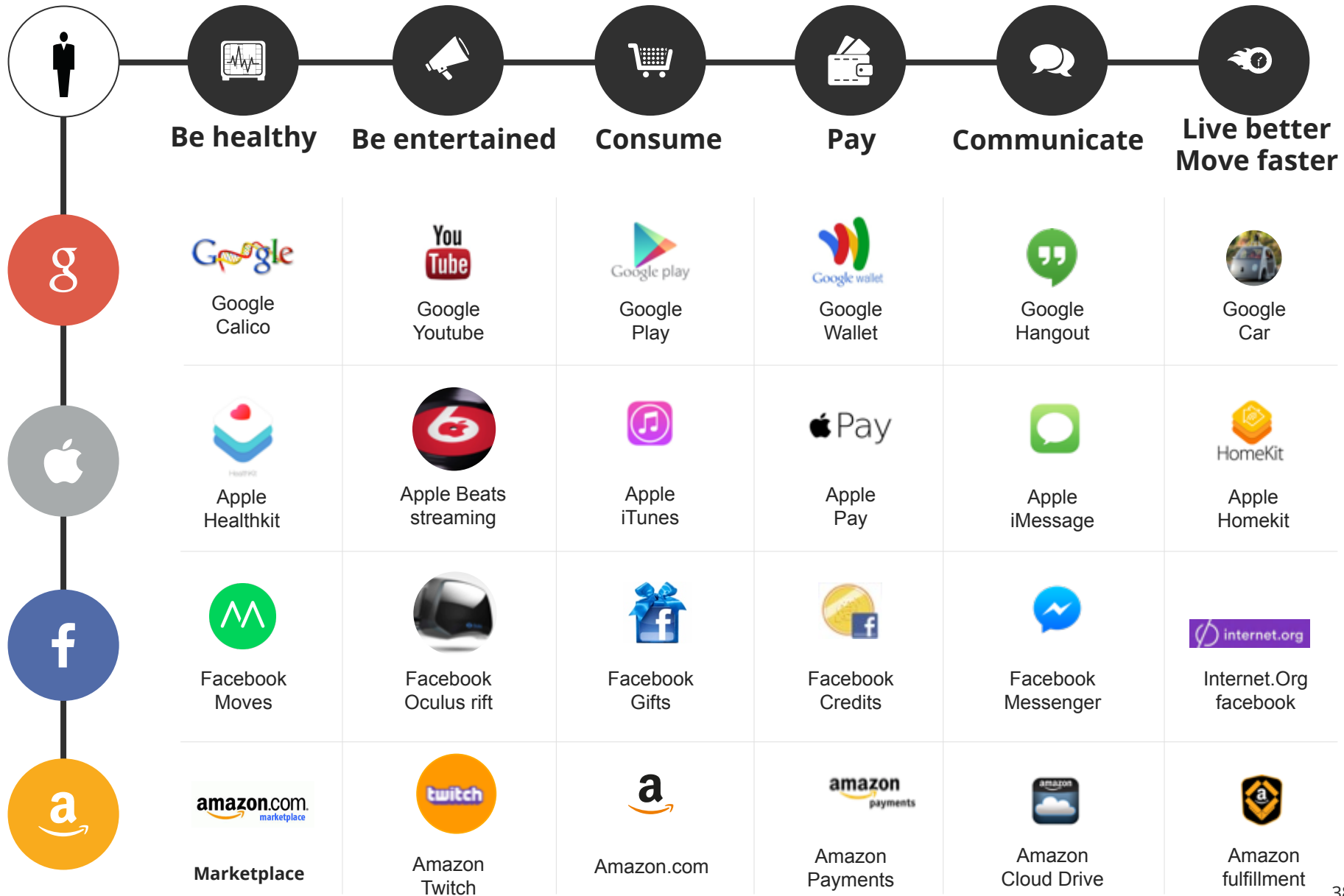
*Or determine what your customers need and
work backwards, **even if it requires learning
new skills.***

Jeff Bezos

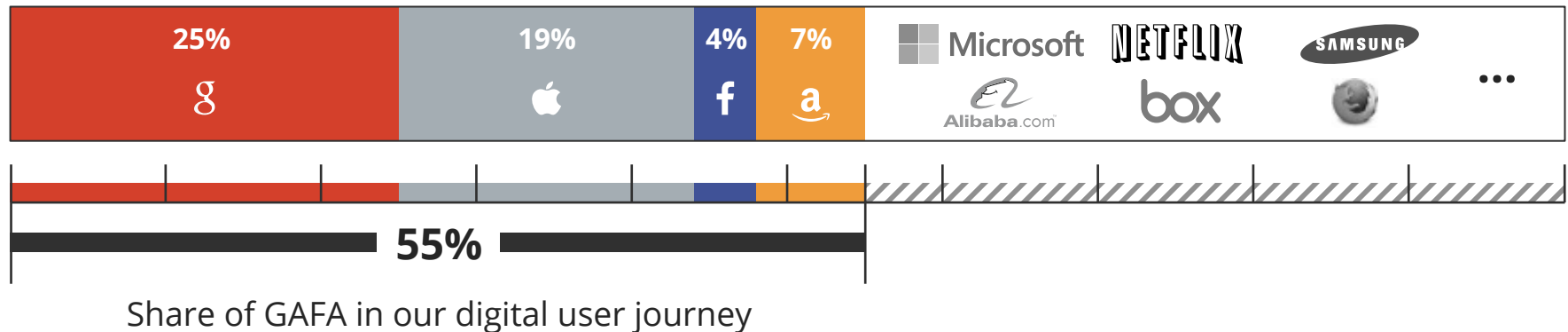
Striving to control infrastructure...

	g	Apple	f	a
 INTERNET FACILITY +		N.A.		KINDLE 3G ENABLED
 HARDWARE +				
 OPERATING SYSTEM +			N.A.	
 STOREFRONT +				
 BROWSER +			N.A.	
 CLOUD +				
 PAYMENT +				

...as well as daily usages



Endgame = the best possible digital experience



What share of our digital user journey do GAFA own? ...55% !

This a tricky question, but we thought the answer would give a new and interesting perspective on how GAFA see their markets, that is, as **user journeys rather than industries**.

In order to answer this question, we created a metric called “**Digital Journey Share**”, which captures the market share of each GAFA on a set of 16 segments, corresponding to typical digital use cases (such as e-mail, e-commerce, digital music, online video...). The average of these shares for each GAFA gives us an idea of their weight in our “digital journey”.

Adding up these figures shows us that **more than half (55%) of our digital journey is powered by GAFA**.

Ever-growing efficiency and differentiation

GAFA address all customers' hidden needs and become their one and only digital destination.



GAFA increase market size through innovations that are appealing to customers.



GAFA grow revenue through cross-selling and third-party monetization.



GAFA increase retention rates through a highly integrated experience (switching costs are higher).



Increase customer base



Increase average revenue

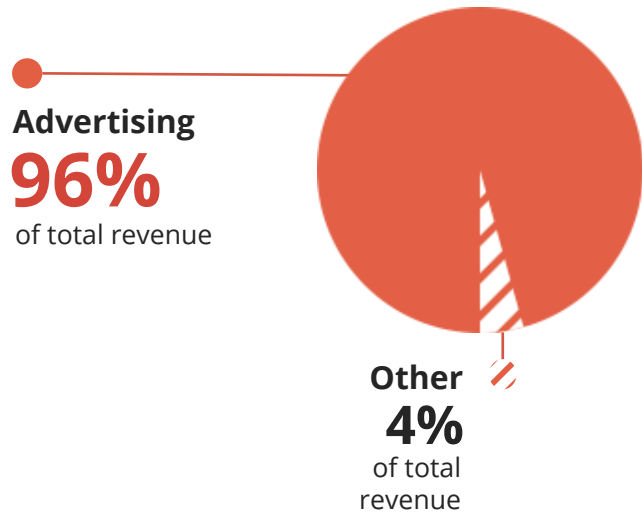


Increase lifetime value

Google: from advertising to fiber ISP

Yesterday: **2011**

\$37 Bn total revenue

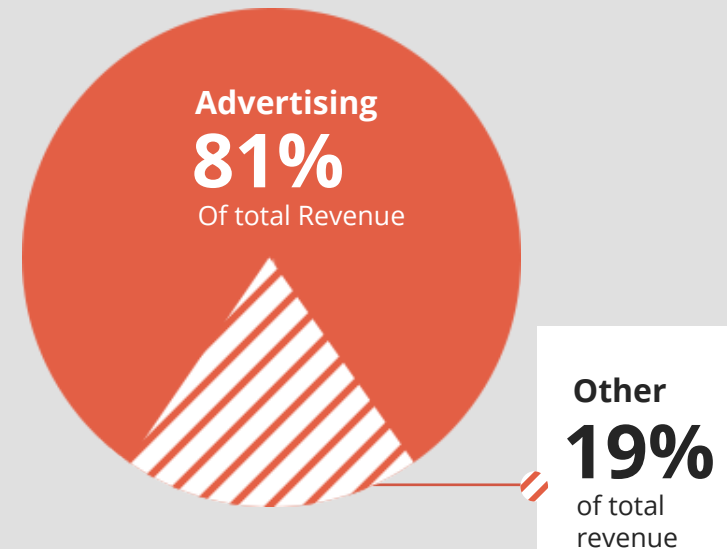


*Fixed internet Access, Payments, Fulfillment have not been estimated for 2017 given the measured approach of Google So Far

Sources: Facebook, Google, Amazon, Apple, Trefis, UBS, Morgan Stanley, Macquarie, FABERNOVEL

Tomorrow: **2017** (estimate)

\$76 Bn total revenue



43% Google Play (Mobile Apps & content) →

32% Cloud B2B Platform →

18% Nexus & Chrome books (Hardware) →

7% Gmail, Drive, Docs & other Apps →

Google Fiber* (Internet Access)

Google Wallet* (Payments)

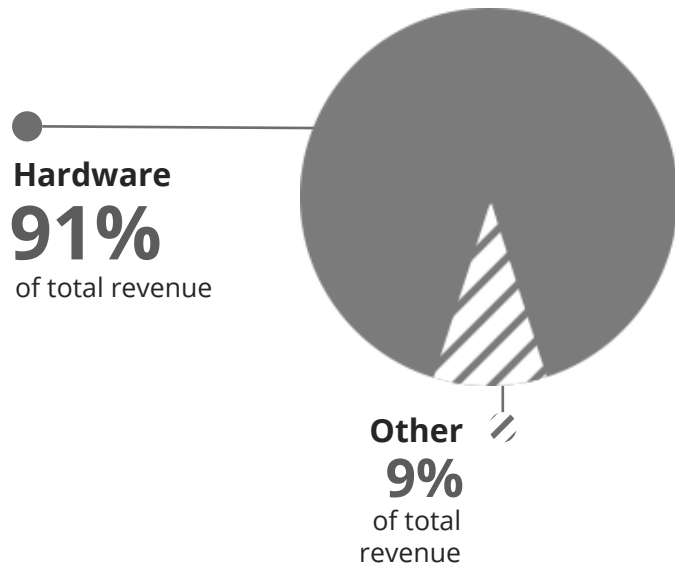
Google Express* (Fulfillment)



Apple: from hardware to banking

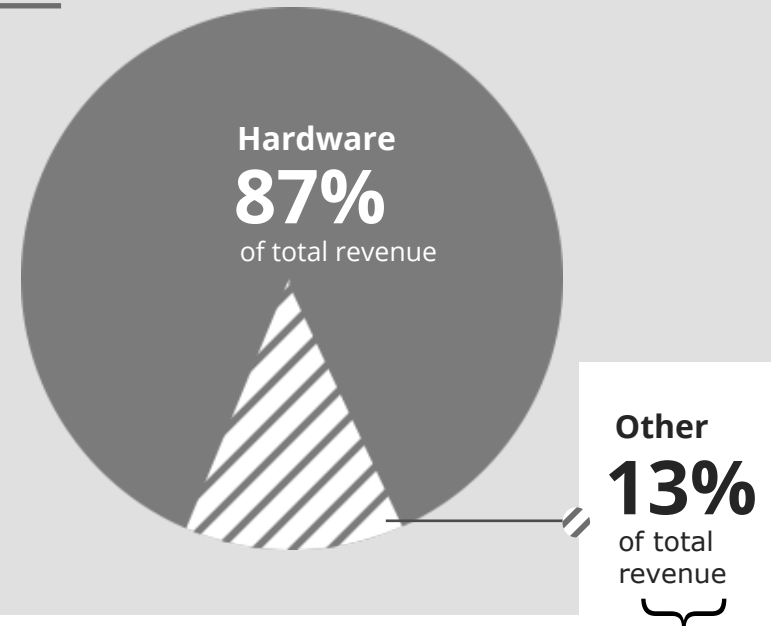
Yesterday: **2011**

\$108 Bn total revenue



Tomorrow: **2017** (estimate)

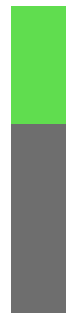
\$199 Bn total revenue



62% App Store & iTunes →

38% Software Services →

Apple Pay* (excluding in-app)
iAd*



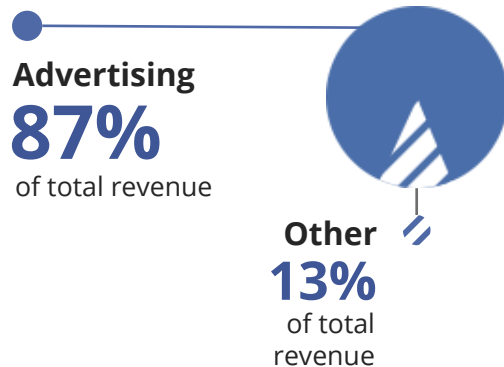
*Not estimated given the insignificant proportion it will represent in 2017

Sources: Facebook, Google, Amazon, Apple, Trefis, UBS, Morgan Stanley, Macquarie, Fabernovel

Facebook: from social advertising to VR

Yesterday: **2011**

\$4 Bn total revenue

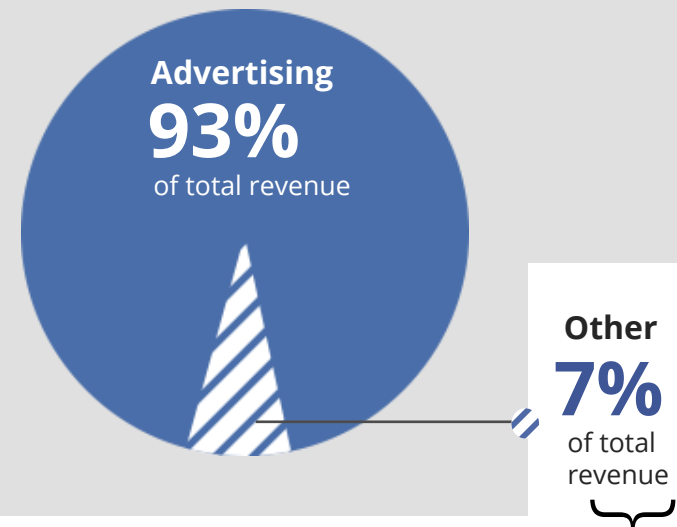


** Facebook Payments (excluding in-app) and Internet Access revenues have not been estimated given the insignificant proportion of revenues it will take.

Sources: Facebook, Google, Amazon, Apple, Trefis, UBS, Morgan Stanley, Macquarie, Fabernovel

Tomorrow: **2017** (estimate)

\$25 Bn total revenue



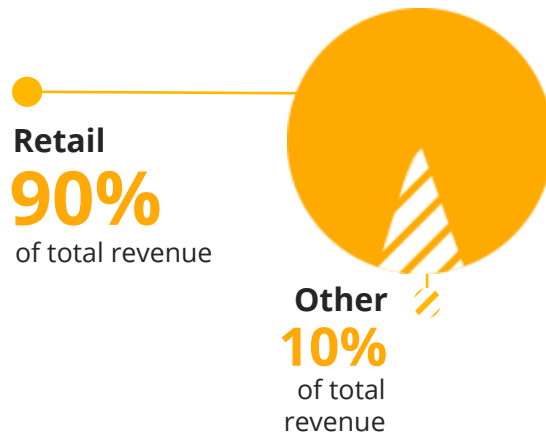
85% In-app payments on Facebook Platform, Oculus Software, What's App subscriptions →

15% Oculus Rift Hardware →
Facebook Payments** (excluding in-app)
Internet.org** (Internet access)

Amazon: from retail to domestic cashiers

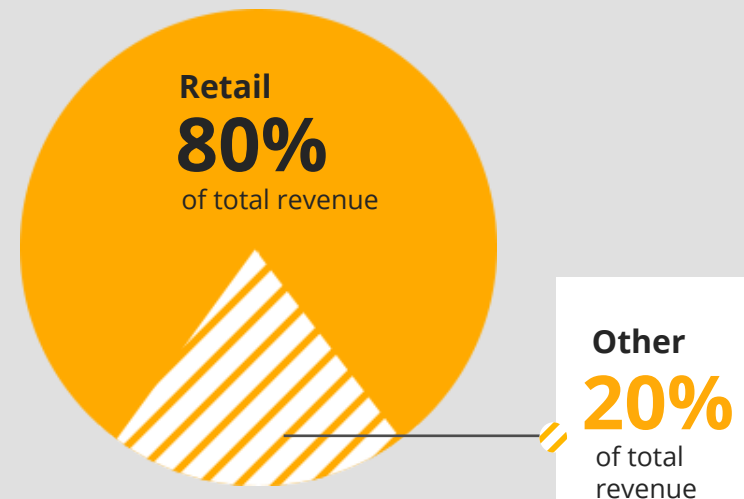
Yesterday: **2011**

\$48 Bn total revenue



Tomorrow: **2017** (estimate)

\$157 Bn total revenue



40% Amazon AppStore, MP3, Instant Video & other digital content

26% Amazon Web Services

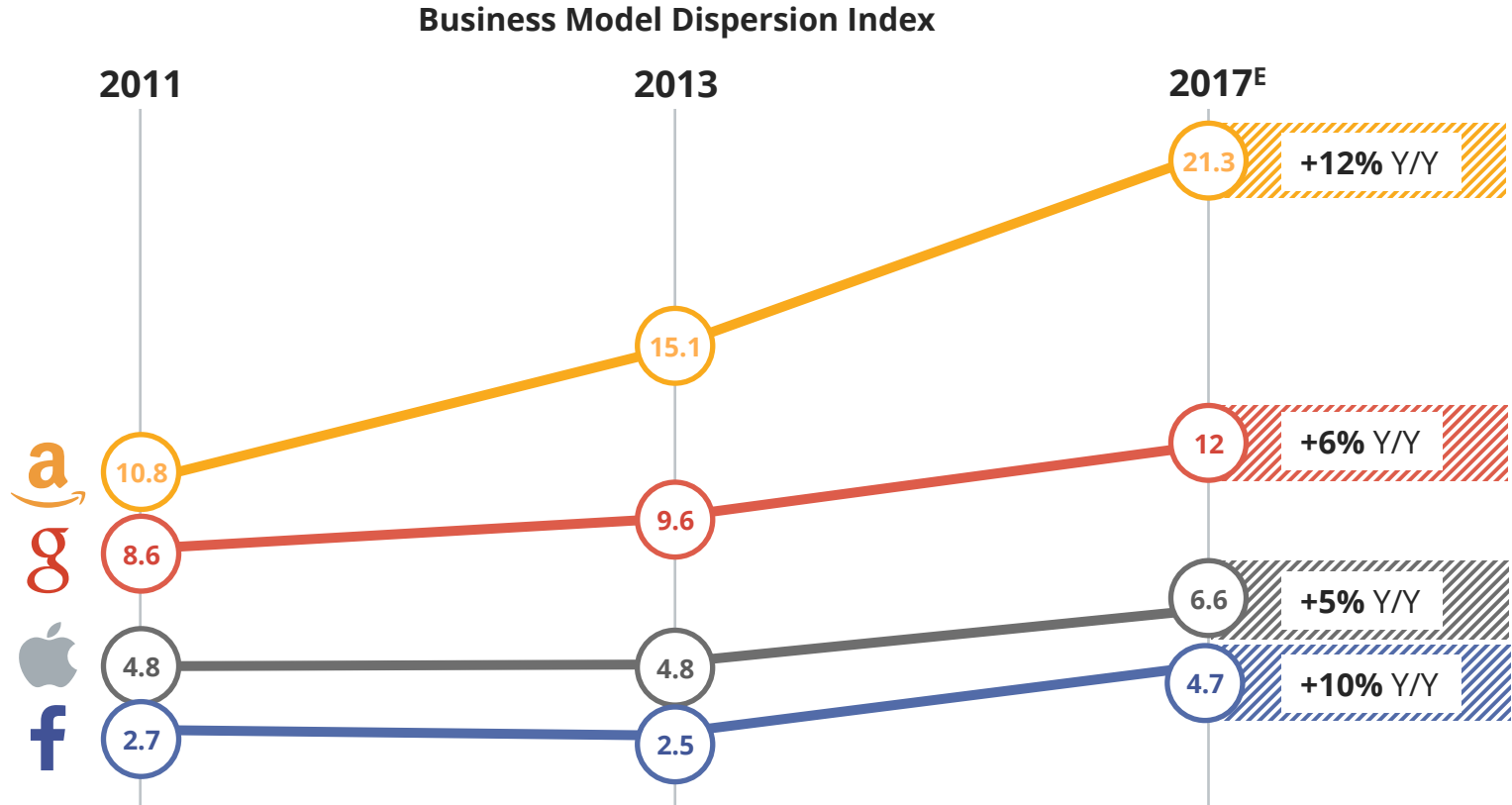
25% Kindle, Fire Phone, Fire TV, Dash & other devices

8% Amazon Associates & other ads Payments* (excluding in-app) Fulfillment*

*Have not been estimated given the lack of data we have

Sources: Facebook, Google, Amazon, Apple, Trefis, UBS, Morgan Stanley, Macquarie, Fabernovel

Services and revenue spans are rapidly increasing



We designed this indicator called "Business Model Dispersion Index" to capture the level of dispersion of a business. This formula is derived from the Herfindahl Index which calculates concentration. We inverted this formula to capture dispersion and we multiplied it by a factor N to give more weight to the creation of a business line even if it doesn't generate any significant revenue.

$$\text{Business Model Dispersion Index} = N \times \frac{1}{\sum_{i=1}^n X_i^2}$$

where

N is equal to the number of business lines launched by the company

n is equal to the number of business lines with a revenue significative enough to be estimated

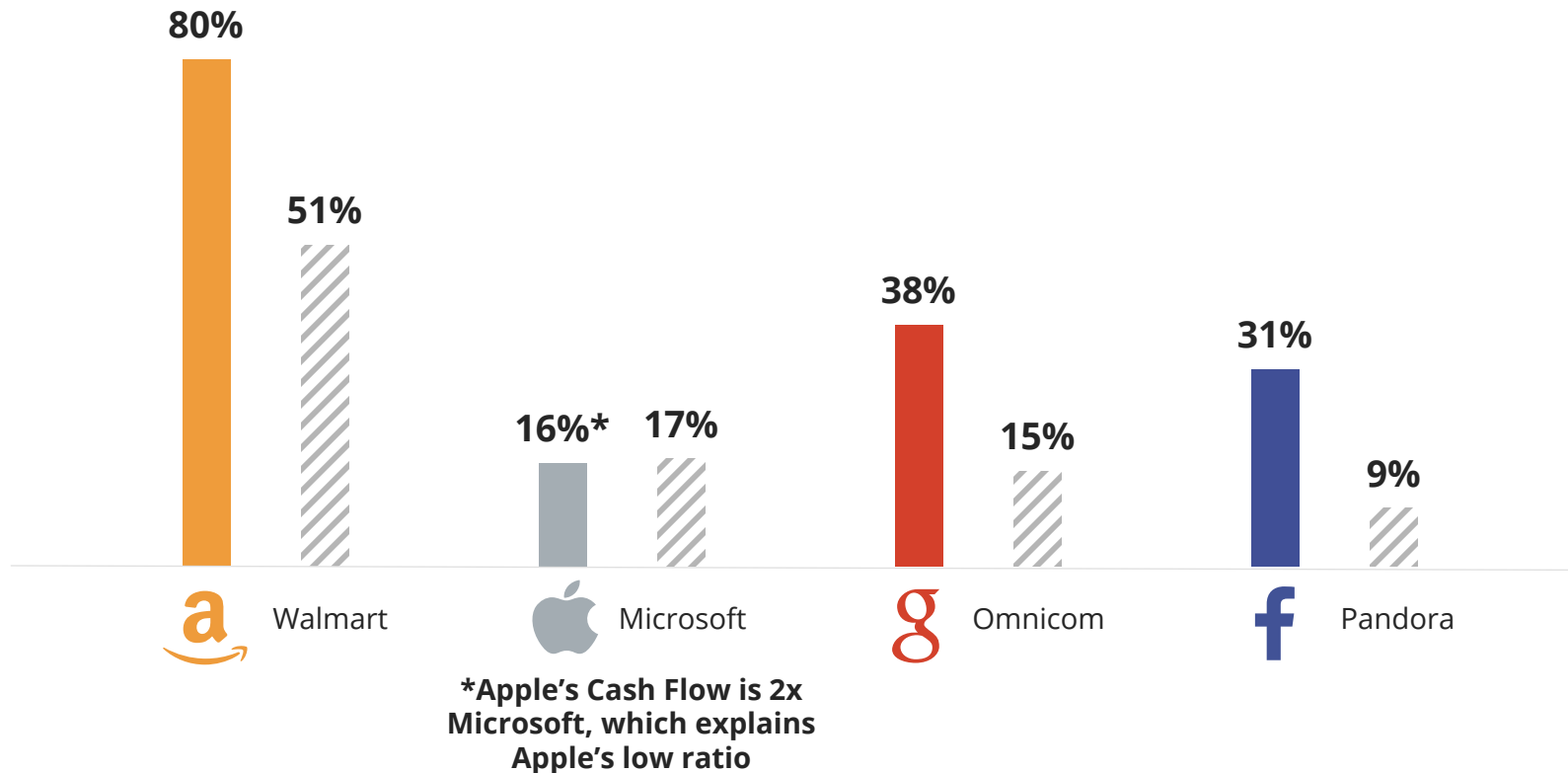
X_i is the proportion of the total revenue generated by the business line i

Reinvesting cash in customer experience

GAFA's strategy differs a lot from that of their traditional peers: they re-invest a big chunk of the cash they make into enhancing customer experience.





Amazon has a particularly high investment rate which explains its low profits.

CAPEX to Operating Cash Flow (Avg. 2012-2014)



Building up the experience

Investments and acquisitions from January 2012 to October 2014

	Investment & acquisitions	Share of total US Internet deal activity
	\$16 Bn	12%
	\$4.1 Bn	3%
	\$21.5 Bn	16%
	\$2.2 Bn	2%
Total GAFA		33%

Note: Includes investments that corporations and their subsidiaries/affiliates have made in companies.
Some data may include entire funding rounds, of which a portion may be attributable to investors other than the Company listed here.

Source: Crunchbase Monthly export (August 5), Wikipedia list of mergers and acquisition, Techcrunch,
¹Internet M&A Deal + Total Tech Ventures activity US only= PwC + trend-based estimates for 2014 Q2 and 2014 Q3.

Investing in future growth

The big 4 have acquired or invested in all these famous start-ups



U B E R

\$258M
Investment



AngelList

\$24M
Series B¹



Secret

\$1.4M
Seed¹



\$22M
Series B¹



TOPSY

\$200M+
Acquisition



Concept.io

\$30M+
Acquisition



beatsaudio.

\$3Bn
Acquisition



Instagram

\$1Bn
Acquisition



WhatsApp

\$22Bn
Acquisition



Oculus

\$2Bn
Acquisition



airbnb

\$112M
Series B^{1 2}



twitter

Undisclosed amount
Seed^{1 2}

Songza

Undisclosed
Series B

**MakerBot
INDUSTRIES**

\$10M Undisclosed^{1 2}

¹ Part of an investment round with other investors, ² Jeff Bezos Personal & Bezos expeditions investments
Source: CrunchBase

Challenging traditional recipes for success

Useful products + great experiences = powerful brands

Traditional model

Spend on **advertising**
to create **brand**

- The brand designs products to sell to customers
- Media plans (mainly TV) make it possible to endorse products' key selling points

Push mode

Media plan efficiency (mainly TV)
Product Innovation



\$3 Bn

spent on TV ads in the US in 2013

GAFA model

Spend on **experience**
to create **empathy**

- GAFA deliver a consistent customer experience based on needs
- GAFA earn attention and leverage positive word-of-mouth (free acquisition costs)

Network mode

Brand acception within customers
Collective intelligence



\$0.5 Bn

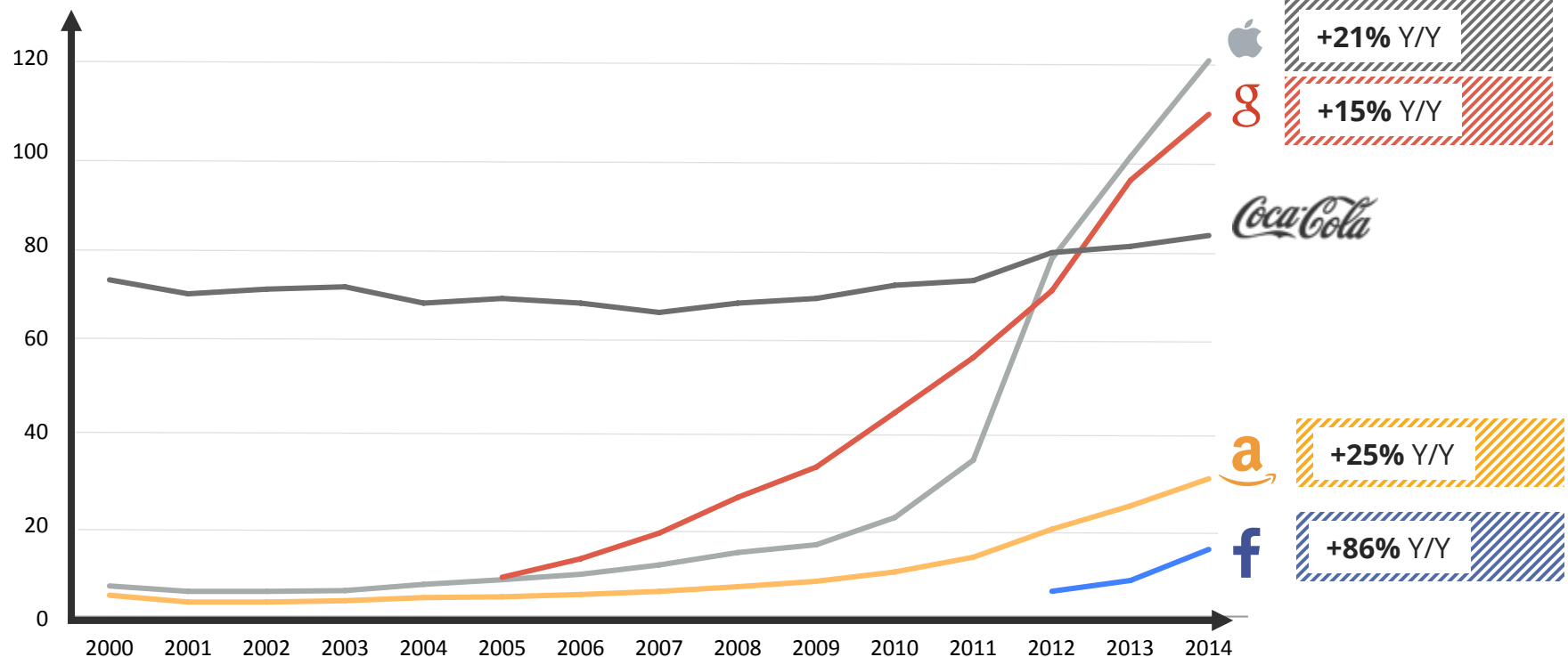
spent on TV ads in the US in 2013



The utility value model is the new brand investment

Apple and Google are the two most valuable brands in the world, outperforming Coca-Cola (the past 12 years' leader). **Facebook and Amazon are top risers and among the 30 most valuable brands.**

Brand value
(in \$Bn)





3. “Pirate management”

Redefining execution



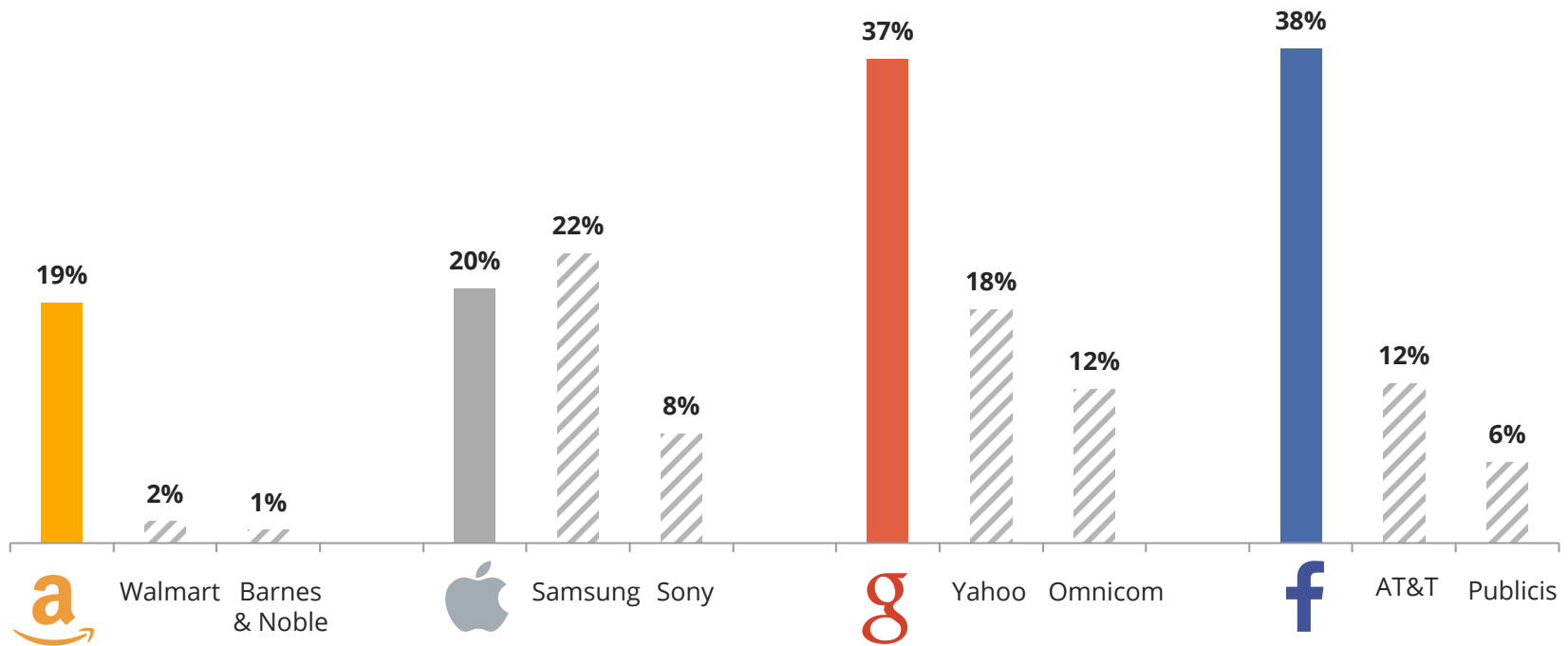
GAFA envision to **pioneer the future.**

To achieve this goal, primarily based on people and their ability to imagine the future, they created a favorable setting for **freedom of thought and action.**

Technology drives productivity

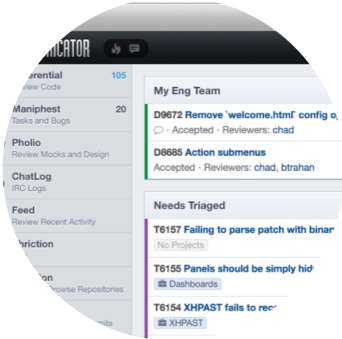
Percentage of engineers in the total of employees.

They are the ones building both customer facing services and productivity tools.



Technology enhances talent performance

Technology frees up brain time for innovation.



Facebook's Phabricator

Facebook's Phabricator is the internal code-review tool every engineer there uses, every day.

It is integrated with Facebook's Open Graph system.



Google's People Analytics

Google's "People Analytics" team aims at *"bringing the same level of rigor to people decisions that is done to engineering decisions."* The team launched new tools such as a retention algorithm, a hiring algorithm and a research project called "oxygen" that identified the DNA of an effective leader based on data.



Apple's Switchboard

This is the employee-only App Store that Apple employees use to download work apps and keep them updated.

Managing, the hacker way

Traditional management is being disrupted by applying **principles from the Hacker culture**.



Hacking decision making

Zuckerberg's motto is "**code wins arguments**". For example, he didn't approve the idea of an instant messaging application until the developers built a great prototype that convinced him



Hacking team work

Bezos' **2-pizza rule** sets that productive and creative teamwork and meetings demand to put together no more people than 2 pizzas could feed.



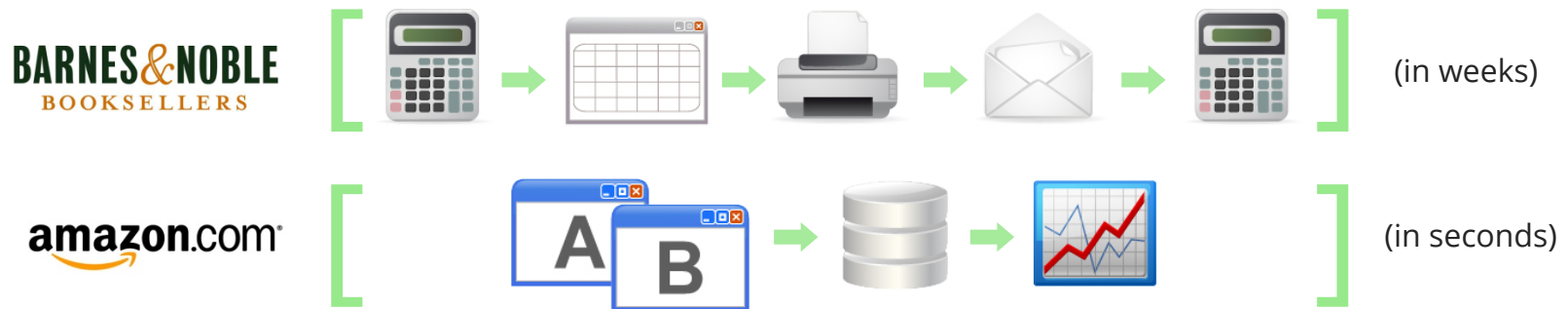
Hacking hierarchy

To empower employees and prevent from micromanagement, Google adopted a **flat hierarchy**. Among 37,000 employees, only 14% of them are managers, 3% are directors and 0,3% are VPs.

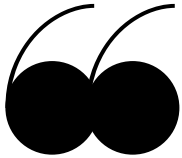
Focus: A/B testing, the ancestor of full analytics

“Online, we can show half of our customers one thing and half of our customers another, and very quickly get some results back on how people actually behave.”

Jeff Bezos



Hire skills, not track records



Experts will respond to problems with the same solutions they've seen work a million times. A non-expert will mess up occasionally, but once in a while they'll come up with something that is completely new. That's how innovation happens.



Laszlo Bock
SVP People Operations at Google

Top 3 hiring attributes at Google

1. Ability to learn

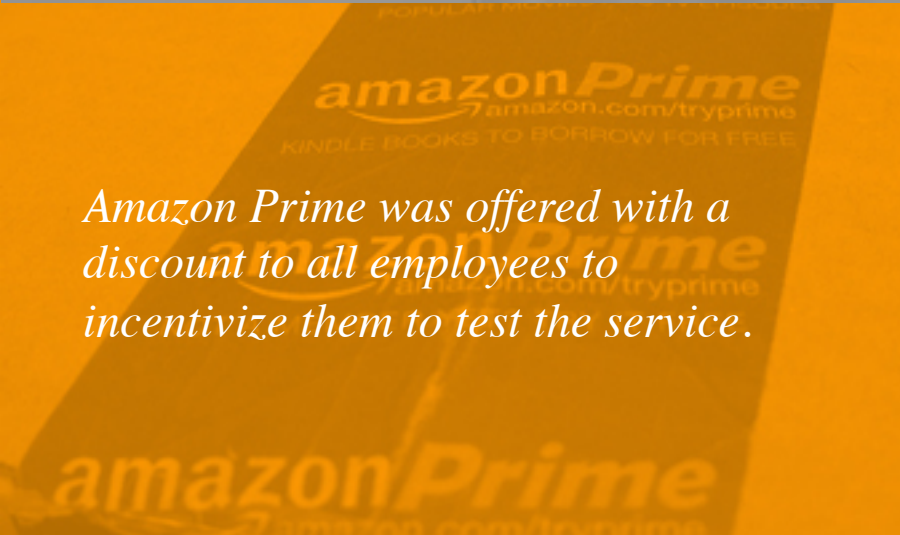
2. Emergent leadership

3. Responsibility and humility


Eat your own dog food



Google Hangout was first used as an internal videoconferencing tool. Endorsed by all employees, Google decided to turn it into a public product and integrated it to Google+ features...



Amazon Prime was offered with a discount to all employees to incentivize them to test the service.



“A big part of working at Facebook is dogfooding our own products. Before new features roll out to the public, our team uses them frequently and thoroughly to figure out what we can do better.

f Paul Tarjan, Web Hacker at Facebook

Creating innovation-friendly environments

Talents are not hired to fill a job, they are hired to innovate



1,900+ employees¹

Amazon Lab126 is the R&D department behind Amazon's innovative consumer electronics products or software. Amazon Lab126 produced Fire HDX, Amazon FireTV and Amazon Fire Phone.



250 employees

Google[x] is a semi-secret lab dedicated to major hardware-based innovations. Overseen by Sergey Brin, the unit has launched many "moonshot" projects such as Google Glass, Driverless cars, Project Loon or Google contact lenses.



(secret)

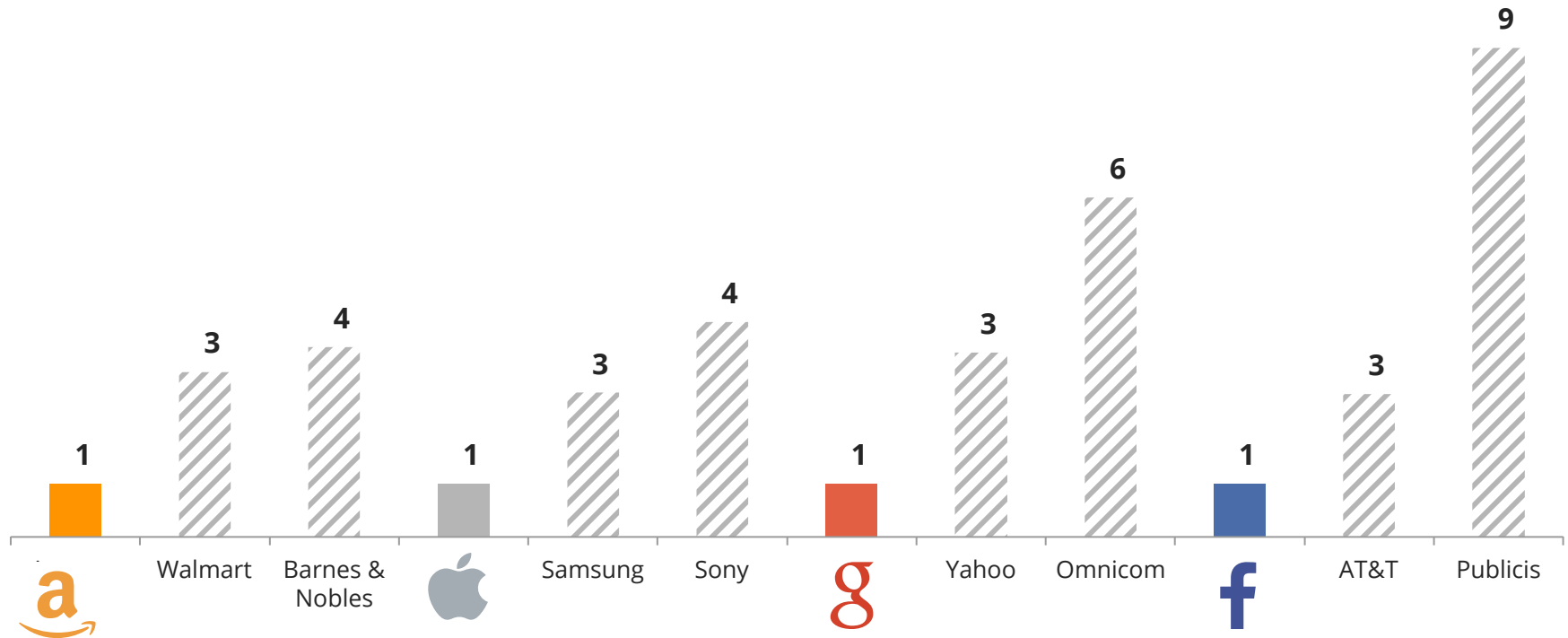
Launched in early 2014, Facebook Connectivity Lab is a research unit that works on "new technologies to improve connectivity on the ground, in the air and in orbit". World-class aerospace technology experts are part of the team.

¹Estimates based on LinkedIn job profiles

Result: Instant leverage

When GAFA hire 1 employee, traditional competitors need to hire 3 to 9 to achieve the same revenue

E.g.: Amazon's revenue per employee is 3x Walmart's, Facebook's revenue per employee is 9x Publicis's.



GAFA: the best university ?

GAFA have built a powerful network of alumni that are ruling the new economy.



Marissa Mayer,
CEO of **Yahoo**



Reid Hoffman,
Founder of **LinkedIn**



Adam D'Angelo,
Founder of **Quora**



Sachin Bansal,
CEO of **Flipkart**



Sheryl Sandberg,
COO of **Facebook**



Andy Rubin,
Founder of **Android**



Dave Morin,
Founder of **Path**



Apoovra Mehta,
CEO of **Instacart**



Dick Costolo
CEO of **Twitter**




Marc Benioff,
CEO of **Salesforce**



Dustin Moskowitz,
Founder of **Asana**



Jeff Lawson,
Co-founder of **Twilio**



Focus on customers. Build full experience. Boost usage. Capture a piece of wealth. Be responsive. Foresee.

The GAFAnomics[®] toolkit

GAFAnomics® canvas: questions you should ask yourself

STEP 1

CHANGE THE WAY YOU DEFINE CUSTOMERS

...by valuing your "free customers"

Your "visitors"

(those who show interest for your product or service)

- Who are they?
- How do they show attention to you (visit your store, like your page, test your service)?

Your "friends"

(those who engage with your product or service)

- Who are they (newsletter subscribers, active accounts)?
- What information do they give you (name, age, e-mail...)?

Your paying customers

- Who are they?
- Among them, are there **recurring** customers?

STEP 2

CHANGE THE WAY YOU CREATE VALUE

...by focusing on "utility value"

Creating meaningful value

To what extent does your service change customers' lives?

- In particular, how much time does your customer save with your service?

Capturing value smartly

- What part of the experience is free, what products or services do you provide for free?
- What part of the experience do you plan on monetizing in the long-run and how?

Expanding along customer journey

- What are the other needs and pain points that exist along your customer's journey? How do you solve them?
- What strategy do you adopt (build, buy, partner)?

STEP 3

CHANGE THE WAY YOU MANAGE YOUR ORGANIZATION

...by applying pirate management

Technology-driven performance

What share of processes do you automatize? How do you use data to make better decisions?

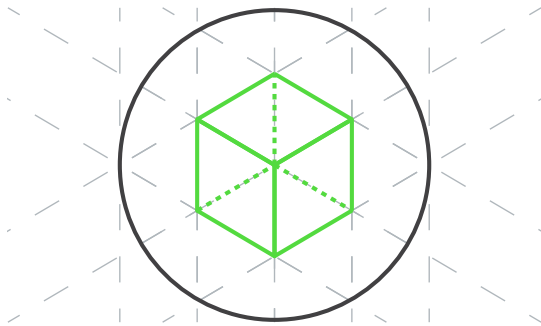
Ownership and results

How do you organize your teams and processes to foster ownership and fact-based decisions?

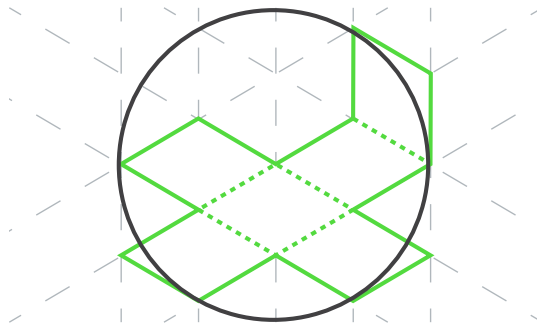
Culture of Experiment and Innovation

- How do you hire learners rather than experts?
- What environment do you design to help them innovate better and faster?

Where to start?



MAKE CUSTOMER
VALUE EXIST



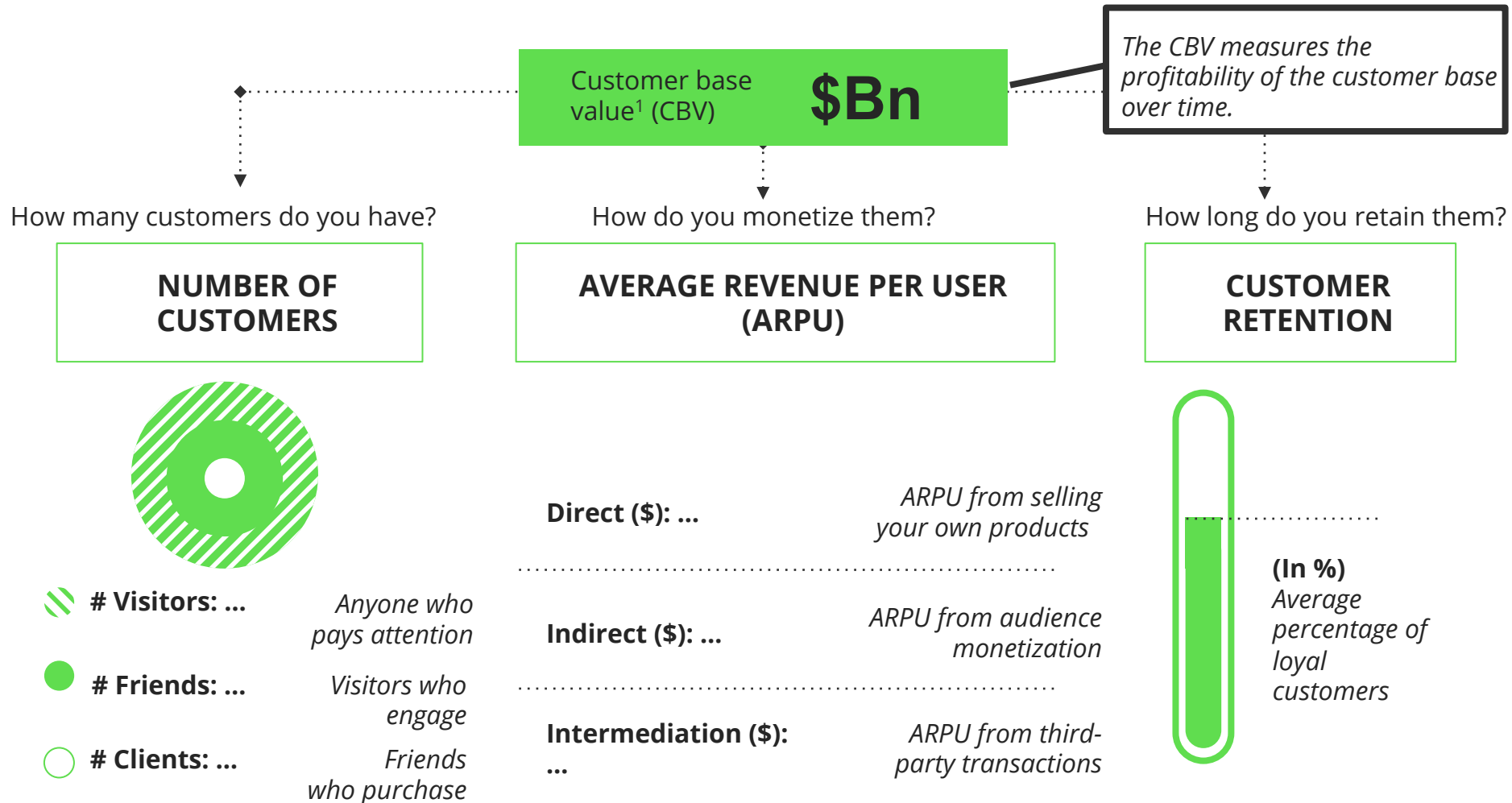
TRACK VARIATION,
BENCHMARK



DRILL DOWN: ANALYTICS
& AUTOMATION

GAFAnomics® customer valuation

This framework helps you measure and monitor the value of you customer base, considering the depth of your customer base, length of the relationship and profitability per customer.



¹Customer Base Value is calculated as the Customer Lifetime Value (CLV) multiplied by the number of customers. For details on CLV formula, click [here](#)
Key variables include: Gross margin; Discount rate; lifetime



What is the value of Google customers?

Customer base value¹ **\$218 Bn**

How many customers does Google have?

1

NUMBER OF CUSTOMERS



Visitors	1.42Bn
Friends	1.0Bn
Customers	0.3Bn

How does Google monetize them?

2

AVERAGE REVENUE PER USER (ARPU)

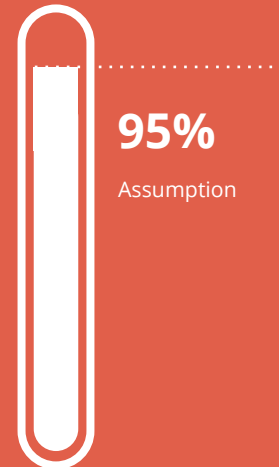
Direct	\$2.1
Advertising	\$40.5
Platform	\$1.9

ARPU \$44.5

How long does Google retain them?

3

CUSTOMER RETENTION



¹Customer Base Value is calculated as the Customer Lifetime Value (CLV) multiplied by the number of customers. For details on CLV formula, click [here](#).
Key variables include: Gross margin = **58%** (source: Google); Discount rate = **11%** (Internet average); lifetime = we estimate a loss of **5%** of the user base each year



What is the value of Apple customers ?

Customer base value¹ **\$275 Bn**

How many customers does Apple have?

1

NUMBER OF CUSTOMERS

How does Apple monetize them?

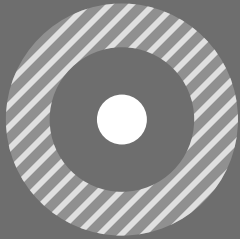
2

AVERAGE REVENUE PER USER (ARPU)

How long does Apple retain them?

3

CUSTOMER RETENTION



Visitors

-



Friends

850m



Customers

Direct	\$193
Advertising	-
Platform	\$9

ARPU

\$201



90%
Estimate

¹Customer Base Value is calculated as the Customer Lifetime Value (CLV) multiplied by the number of customers. For details on CLV formula, click [here](#)
Key variables include: Gross margin = **40%** (source: **Apple**); Discount rate = **11%** (Internet average); lifetime = based on 10% yearly churn (source: Goldman Sachs)



What is the value of Facebook customers ?

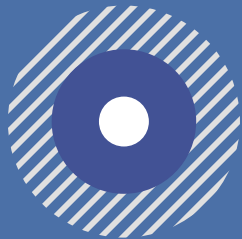
Customer base value¹ **\$37 Bn**



How many customers does Facebook have?

1

NUMBER OF CUSTOMERS



Visitors	-
Friends	1.32Bn
Customers	-

How does Facebook monetize them?

2

AVERAGE REVENUE PER USER (ARPU)

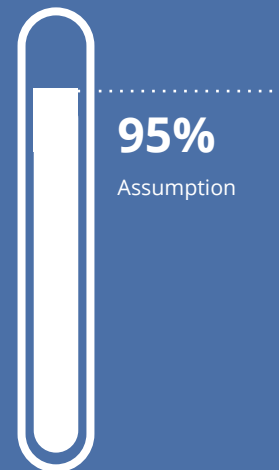
Direct	-
Advertising	\$5.6
Platform	\$0.4

ARPU **\$6**

How long does Facebook retain them?

3

CUSTOMER RETENTION



¹Customer Base Value is calculated as the Customer Lifetime Value (CLV) multiplied by the number of customers. For details on CLV formula, click [here](#).
Key variables include: Gross margin = **80%** (source: Facebook); Discount rate = **11%** (Internet average);



What is the value of Amazon customers ?

Customer base value¹ **\$89 Bn**

How many customers does Amazon have?

1

NUMBER OF CUSTOMERS



Visitors -

Friends -

Customers **244m**

How does Amazon monetize them?

2

AVERAGE REVENUE PER USER (ARPU)

Direct \$264

Advertising \$3.5

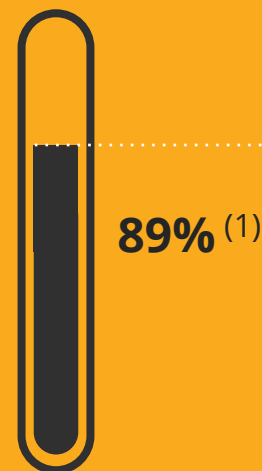
Platform \$59.5

ARPU \$327

How long does Amazon retain them?

3

CUSTOMER RETENTION



89% ⁽¹⁾

⁽¹⁾Customer Base Value is calculated as the Customer Lifetime Value (CLV) multiplied by the number of customers. For details on CLV formula, click [here](#)
Key variables include: Gross margin = **28%** (source: **Amazon**); Discount rate = **11%** (Internet average); Retention= based on a loss of **11%** of the user base each year (source: Motley Fool)

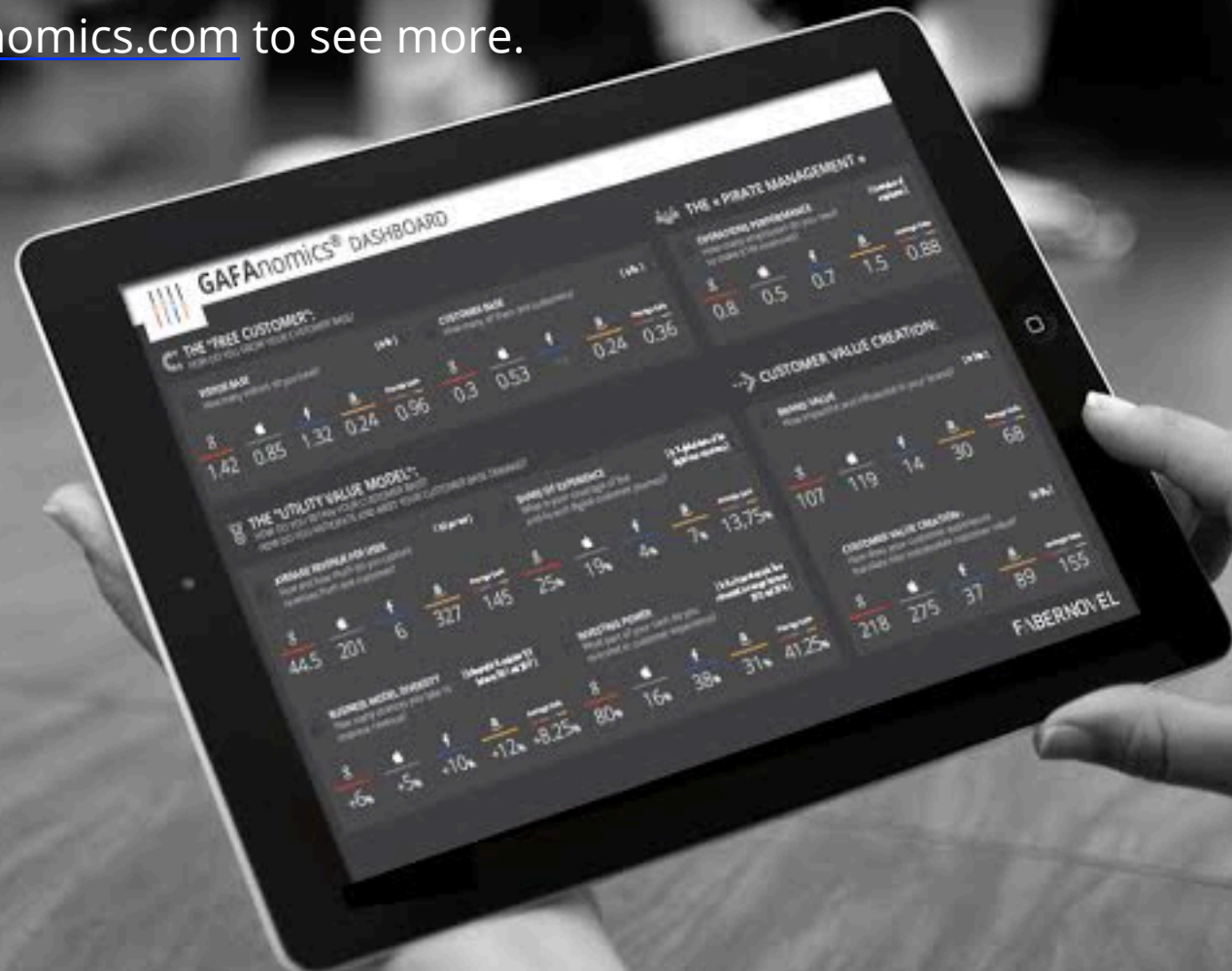
What about you?



Visualize your management tool of 2017

Get your **GAFAnomics® dashboard** to help you implement and measure customer centricity in your organisation.

Go to <http://www.gafanomics.com> to see more.



Contact us



STÉPHANE DISTINGUIN
Founder & CEO

stephane.distinguin@fabernovel.com



CYRIL VART
VP Strategy & Development

cyril.vart@fabernovel.com



YANNICK MIGOTTO
Senior Advisor

yannick.migotto@fabernovel.com

We are FABERNOVEL

WE HELP WORLD-LEADING COMPANIES BUILD
GROWTH AT STARTUP SPEED.

WHO WE ARE

We are a global interdisciplinary team of 80 business, technology and design experts working together with our clients to make things happen with the speed and boldness of entrepreneurs.

OUR OFFICES

From our offices in San Francisco, Paris, Toulouse, Lisbon and Moscow, we work with clients everywhere in the world to help them define and develop new opportunities.

WHAT WE DO

We design, implement and deploy product or services to create new business models and develop new streams of revenue and profit. We combine customer insights, strategy, design, marketing and technology services to create a journey from concept to impact.



@FABERNOVEL



facebook.com/FABERNOVEL



FABERNOVEL.com

Credits

ANALYSTS



Sarah Nokry
Senior Project Analyst



Louis Moullard
Project Analyst



Clément Boxebeld
Junior Project Analyst

DESIGN

Benoît Talabot
Partner & Art Director

Jules Mahé
Junior Art Director

Anne-Audrey Gounot
Junior Art Director

Cassandra Ribotti
Graphic Designer

Claire Arnaud
Junior Art Director

COMMUNICATION

Amélie Pauvert
Communication manager
@FABERNOVEL

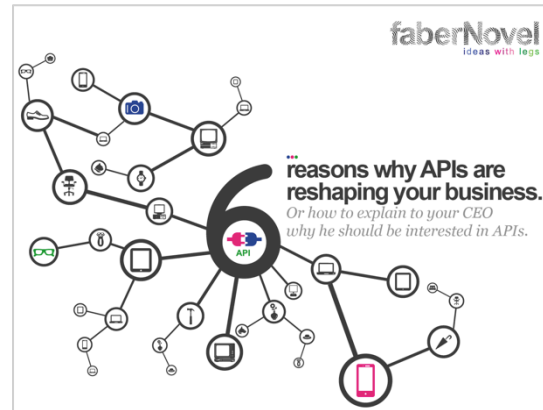
INTERNATIONAL

Nuno Ribeiro
Country Manager - Portugal
@FABERNOVEL

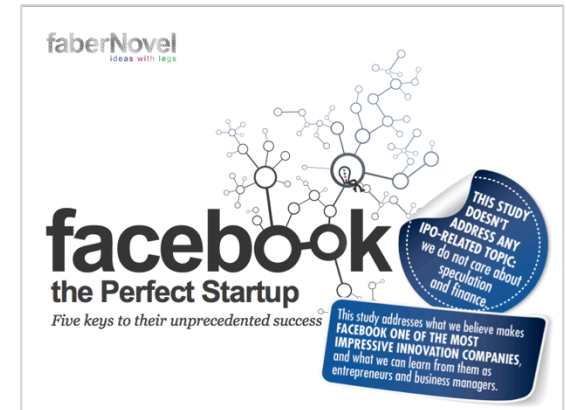
See also...



LinkedIn, The serious Network (2013)
197k views on Slideshare



6 reasons why APIs are reshaping your business (2013)
104k views on Slideshare



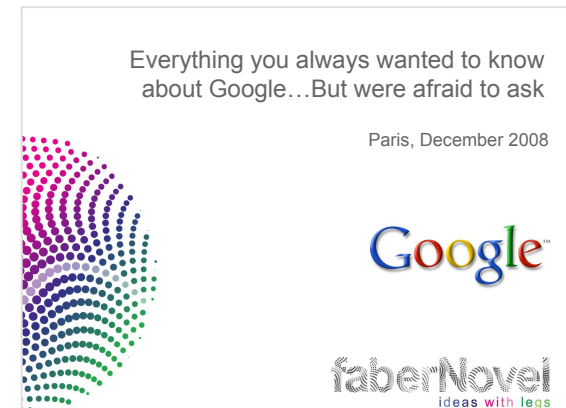
Facebook, The Perfect Startup (2012)
6 365k views on Slideshare



Amazon, The Hidden Empire (2011)
918k views on Slideshare



Apple, 8 easy steps to beat Microsoft (and Google) (2011)
179k views on Slideshare



Google, Everything you always wanted to know about Google (2008)
540k views on Slideshare

And more.

FABERNOVEL

// PARIS

17 rue du faubourg du Temple
75010 Paris
+33 1 42 72 20 04
meet_paris@fabernovel.com

// SAN FRANCISCO

169 11th St.
San Francisco, CA 94103 USA
+1415 626 6406
meet_sf@fabernovel.com

// LISBON

Rua Castilho, 71 , 5º Dto
1250-068 Lisboa
+351 961774425
meet_lisbon@fabernovel.com

// MOSCOW

3-iy Monetchikovskiy Peureulok
17, Stroenie 2 Moscow 11054 Russia
+7(999) 639 80 82
meet_moscow@fabernovel.com

// TOULOUSE

33 rue Gabriel Péri
31000 Toulouse
+33 1 42 72 20 04
Meet_toulouse@fabernovel.com