

## Full-Service Platform Business Model for Scaling Businesses



**Alex Moazed - CEO**

### **About Applico**

Applico is trailblazing a new type of client services firm, the Platform Innovation™ Company.

After five years, we scaled to become one of the largest and most successful app developers in the world. However, our values didn't let us rest on our laurels.

We realized that existing companies' cultures and shareholders often didn't enable them to proactively transform their business models to capitalize on the Connected Revolution™. There was huge opportunity for our clients to dominate the competition by leveraging Platform Innovation™.

That's why we became the world's first full-service Platform Innovation™ Company.

We saw that platforms were the key business model to create value in the Connected Revolution™, and we developed all the resources necessary to help our clients identify, build, and scale platform businesses.

**Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine**

**CEOCFO:** *Mr. Moazed, your website indicates that Applico is the platform innovation company. How so? What do you do?*

**Mr. Moazed:** We help scale businesses without increasing their costs.

**CEOCFO:** *How?*

**Mr. Moazed:** We have this thing called the platform business model, and the platform business model is a fundamentally new way to build, grow and scale a business.

A platform doesn't actually control or own production at all. All it does is facilitate the exchange of produced value between two different groups of users. For example, if you have consumers who want a hotel room, the platform approach would be to not actually own a hotel. You just facilitate the interaction between someone offering a room and someone who needs one, like Airbnb or Hotel Tonight.

With this business model, the cost associated with scaling levels off logarithmically as it the business grows, rather than continuing to increase with scale as it would with a traditional linear business model.

At Applico, we are experts in building platform businesses through our strategy, design and engineering services.

**CEOCFO:** *Why did you decide to become a Platform Innovation company? What drove that decision?*

**Mr. Moazed:** I started the company about five and a half years ago. I was in college, so I maxed out my credit card and dove in. Within the first three years, we became one of the largest app developers in the country. But pretty quickly I realized that what we were doing was a part of something much bigger. We had a much larger strategic opportunity available to us.

I spent the next 18 months evolving us into a Platform Innovation company that specializes in building these kinds of businesses.

We believe that this will become the dominant way of doing business, this platform business model. There are already a lot of successful platform businesses that have built their success on this same cost curve and cost structure, Google

search YouTube, Microsoft's Xbox, Facebook, Twitter, EBay, Amazon, PayPal, Uber, Airbnb, Instagram, WhatsApp, Snapchat and the list goes on and on.

All of these businesses are facilitating exchanges. They don't control the source of production. They scale through ecosystems of consumers and producers rather than by increasing physical resources. As a result, the costs for platform businesses level off as they grow.

**CEOCFO: *How do the people with the ideas find you and how do you find them?***

**Mr. Moazed:** This way of thinking is still very new. We are only 10 to 15 years into this business. We are the first people who have really connected all the dots, so it is our job to take these theories and frameworks and relate them to people in a way that is easily digestible.

We are the first Platform Innovation company, but I would guess that you are going to start seeing a lot more of these services and businesses that are focused on catering to these kinds of business models. There's already a wave of startups that are springing up around successful platforms like Uber and Airbnb, and we are going to see many more of platforms pop up over the next 12 to 24 months.

**CEOCFO: *Disney and HP are clients. Could you tell us what type of projects you have done with them?***

**Mr. Moazed:** Where you really find most platform businesses is in the startup community. There are, as I said, a handful of large, public, multi-billion dollar companies that are trying this. Those two would fit that profile. We take all of our expertise and understanding of how to build platform businesses and then we can help inject that into how a larger business would take advantage of opportunities available to them.

**"We've really had to put our money where our mouth is to succeed. We've had to be ahead of the curve. We were there at the start of mobile and were capitalizing on the app trend even before it became really big. Platforms are the next big thing. I saw app development as a wave, and I see platform businesses as a tsunami." - Alex Moazed**

**CEOCFO: *Would you give us an example of where the need would come in and what area you might work with a large company that already has a linear business?***

**Mr. Moazed:** I would say there are really three ways. The first is an "offensive" strategy, where the company wants to start its own platform business. Within that bucket, there are two ways you could view it. You could view it as complimentary to the company's existing linear business. Without using Disney or HP as an example, think about Nike and the Nike+ Fuel Platform or GE with its Predix platform as a part of GE software. UnderArmour bought MapMyFitness last year, with similar goals.

The second approach is defensive. There are many linear businesses that are getting disrupted by platform businesses and platform startups. How do you use this knowledge of Platform Innovation to plug the hole in your ship that is being attacked from all these different angles?

The third one would be what we would call an extension or incrementally. Take a property and casualty insurance company. They should be selling insurance to platform businesses like Uber and Airbnb. Not only should they be selling to Uber and Airbnb, they should be selling to all of their constituents. All of the drivers and homeowners who have fundamentally different needs because they operate under a fundamentally different economic model.

How many buildings in New York City allow for renters to rent out their place on Airbnb or homeowners to rent their place out on Airbnb? I am sure if something went wrong in someone's place that they are renting on Airbnb, many insurance companies would try to say that was not covered, that this is not even legal in New York City or all that kind of stuff.

It really takes what we call incremental innovation to build upon that existing business model. You are still selling insurance, but you're recognizing that there is a whole new way of business. There are actually many businesses that are operating in a fundamentally different way, which means they have different needs and we should cater our products and in this case our insurance products to fit those needs.

**CEOCFO: *How were you so sure at the beginning that you were right?***

**Mr. Moazed:** I started this company over five years ago now, and it took me five years of having worked with large companies and small companies and everything in between to really get the clarity, confidence and foresight to say this is it.

We have work experience and have done the research. I have analysts here who have read every single book and paper on what all the different types of platforms are, such as two-sided marketplaces, social networking platforms, communication platforms and product marketplaces. There are eight to 10 different categories of platforms. Read everything that is out there on them, connect all the dots.

And if you look historically and you look back to the Industrial Revolution and big breakthroughs that happened in society with steam powered engines and machines and then you see how this changed the structure of business models that then follow in the next 150 years. History doesn't repeat itself, but it does rhyme. We believe that the Connected Revolution has already started, and with it the economic underpinnings of modern business have changed.

You have this confluence of technology, people and data, which has altered how everyone behaves and how we operate as a society. This has kind of opened the skies and opened the entry to a new way of doing business. Just think about the world becoming more connected – this creates huge opportunity.

By filling that void and helping to connect consumers and producers together, you can create huge value, and that is the platform business model.

I think the last thing it took at Applico is that we have a strong team of what we call fire starters here. In order to really innovate and disrupt, you need to have that flame right underneath you and almost burning you. It is not easy if you are say an established business or consulting group. You make a bunch of money and you are probably really happy with how things are going. There is not a need to really dig deep and disrupt. When you do not have that, now you are hungry. Now you have that fire burning underneath you.

That is something that we have embraced. If you look at how Applico was started – with money from maxing out my credit cards – and how we have grown organically, we do not any institutional investors. We've really had to put our money where our mouth is to succeed. We've had to be ahead of the curve. We were there at the start of mobile and were capitalizing on the app trend even before it became really big. Platforms are the next big thing. I saw app development as a wave, and I see platform businesses as a tsunami.

Platforms are not just a trend that will be around for only a few years. This is the dawn of a whole new era and a whole new way of doing business for the next 100 years. Companies can scale and create value in ways that weren't possible before. And that's pretty exciting.

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**BIO:** Alex Moazed is the Founder, President and CEO of Applico. Alex founded Applico in 2009 when he was 20 years old and in college. He funded the company with his own credit cards. Within the first three years, Alex led the company to become one of the largest app developers with Fortune 500 clients.

Subsequently, Applico has evolved into the world's first Platform Innovation™ Company, focused on identifying, building and scaling platform businesses that leverage connected technology.

In his role as CEO, Alex continues to oversee the strategic direction of the company and to help platform businesses thrive in large-, mid- and small-cap markets. His entrepreneurial spirit is deeply embedded in Applico's culture and values.

Alex speaks extensively about mobile technology, the Connected Revolution™ and Platform Innovation™. He appears frequently on major television networks, as well as in *The Wall Street Journal* and *The New York Times*.

Alex is a graduate of Babson College, Choate Rosemary Hall and Greenwich Country Day School.

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