Activity 7D: Strategic Diagnosis – SOLUTIONS

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Grading note. Strategic diagnosis has multiple defensible answers. Reward students who name the correct economic mechanism per cell or force (search vs. bargaining vs. enforcement; one-sided vs. two-sided; scale vs. network economies). A Helmer score one step off from the model is acceptable if the evidence cited fits the score. Six worked examples follow: Stripe, Wise, Robinhood, Klarna, Plaid, Coinbase. Numbers are 2024-2026 disclosures; treat as approximate.

Group A: Stripe

1. Business Model Canvas (200-300 words). Stripe sells payment infrastructure to internet businesses. Its *Customer Segments* are software developers and online merchants of all sizes, from indie SaaS to Amazon and Shopify. The *Value Proposition* is a clean API that collapses three legacy products (merchant account, payment gateway, fraud tool) into seven lines of code. *Channels* are direct integration (the API itself), developer documentation, and platform partnerships such as Shopify and Salesforce. *Customer Relationships* are self-service for SMBs and dedicated enterprise teams for accounts above a revenue threshold. *Key Activities* are running the payments rails, fraud detection (Radar), and shipping new SKUs (Stripe Capital, Stripe Treasury, Stripe Atlas). *Key Resources* are the API surface itself, the ML fraud model trained on roughly 1% of global card volume, and the brand among developers. *Key Partners* are Visa and Mastercard, acquiring banks, AWS, and platform integrators. *Cost Structure* is dominated by interchange and scheme fees paid to networks (the largest pass-through cost), plus engineering payroll and fraud losses. *Revenue Streams* are 2.9% + \$0.30 per card transaction for SMBs, custom rates for enterprises, plus growing revenue from non-payment products (Capital, Atlas, Treasury). The coherence test: every box answers *developers*. The customer is developers; the channel is the API; the moat is developer mind share. The model fractures only if the developer route is bypassed (account-to-account rails, agentic checkout).

2. Porter's 5 Forces.

- **Threat of New Entry: MEDIUM.** Adyen, Block, and bank-owned APIs compete; barriers are integration moat, not capital.
- **Buyer Power: MEDIUM.** Large merchants multi-home (Stripe + Adyen + Braintree) and negotiate; SMBs are price-takers.
- **Supplier Power: HIGH.** Visa and Mastercard set interchange and scheme fees; Stripe cannot route around them on card volume.
- **Threat of Substitutes: MEDIUM.** Account-to-account rails (FedNow, SEPA Instant), stablecoins, and embedded BNPL are rising substitutes.
- **Competitive Rivalry: HIGH.** Adyen, Block, PayPal Braintree, and Worldpay all compete on price and feature parity.

3. Helmer's 7 Powers.

- **Scale Economies: 2.** Fraud model improves with volume; fixed engineering amortises across millions of merchants.
- **Network Economies: 1.** Two-sided but weak: cardholders gain nothing from Stripe choice.
- **Counter-Positioning: 2.** Legacy banks cannot copy without cannibalising existing merchant-acquiring revenue.
- **Switching Costs: 3.** Integration is deep; replatforming payments takes 6-12 months of engineering.
- **Branding: 2.** Strong among developers; weak among end consumers (who do not see Stripe).
- **Cornered Resource: 1.** Fraud ML data is large but not unique (Adyen and Visa hold comparable signal).
- **Process Power: 2.** Rapid product cadence (Stripe ships new SKUs faster than banks); cultural, not codified.

4. Synthesis (50-100 words). Dominant Power: **Switching Costs**. Weakest Power: Network Economies. The integration moat is real but narrow: it protects existing accounts, not new wins. Supplier power (cards) caps margins from above. The strategic profile predicts a 2026-2030 pivot to account-to-account rails (Stripe Financial Connections) and agentic checkout APIs to neutralise card supplier power and prepare for AI-agent commerce.

Group B: Wise

1. Business Model Canvas (200-300 words). Wise (formerly TransferWise) targets cross-border remittance with a transparency-first model. *Customer Segments* are expats, freelancers, SMBs invoicing abroad, and increasingly enterprises via Wise Platform. *Value Proposition* is mid-market FX (no FX spread) plus a transparent

published fee, typically 0.4-0.7% all-in, against 3-5% at incumbent banks. *Channels* are mobile app, web, and the Wise Platform API used by N26 and Monzo. *Customer Relationships* are low-touch self-service; trust built via radical fee transparency on the comparison page. *Key Activities* are operating local payment-system memberships (FedWire, SEPA, Faster Payments, ACH), holding multi-currency liquidity pools, and compliance (KYC, AML in 70+ regulators). *Key Resources* are direct access to 6+ domestic payment systems (rare for a non-bank), multi-currency float, and the brand. *Key Partners* are local payment-system operators, banking partners in jurisdictions where direct access is blocked, and platform clients reselling Wise rails. *Cost Structure* is dominated by compliance, banking partner fees, and local payment-system access. *Revenue Streams* are FX margin (the bulk), card interchange on Wise Account debit cards, and interest on customer balances (Wise Assets). The coherence test: every box points to *eliminating cross-border friction by removing the bank layer*. The model breaks if regulators close direct-access routes to domestic rails, or if stablecoins make 24/7 settlement cheaper than Wise's batch netting.

2. Porter's 5 Forces.

- **Threat of New Entry: LOW.** Direct-access licences took Wise a decade; capital and regulator relationships are the barrier.
- **Buyer Power: MEDIUM.** Consumers price-shop (Revolut, Western Union, banks) but switching is light.
- **Supplier Power: MEDIUM.** Domestic payment systems set access terms; banking partners can withdraw service.
- **Threat of Substitutes: HIGH.** Stablecoins (USDC, USDT), CBDC FX corridors, and instant-rail FX (FX Global Code, BIS Project Agora) all attack the corridor.
- **Competitive Rivalry: HIGH.** Revolut, Remitly, Nium, Currencycloud, banks rebuilding their own multi-currency stacks.

3. Helmer's 7 Powers.

- **Scale Economies: 2.** Compliance and licence amortisation; bigger float reduces unit FX cost.
- **Network Economies: 1.** Some matching benefit in corridor liquidity, but mostly one-sided.
- **Counter-Positioning: 3.** Banks earn 3-5% on FX spread; matching Wise cannibalises their largest retail FX margin.
- **Switching Costs: 1.** Consumer switching is one tap; Wise Platform B2B switching is heavier.
- **Branding: 3.** Transparency story is iconic in fintech; the comparison page is a brand asset.
- **Cornered Resource: 3.** Direct access to 6+ domestic rails as a non-bank is structurally rare.
- **Process Power: 1.** Compliance ops are strong but transferable.

4. Synthesis (50-100 words). Dominant Power: **Counter-Positioning** reinforced by **Cornered Resource** (direct rail access). Weakest Power: Switching Costs. Wise's profile is asymmetric: deep moat against banks, thin moat against fintech peers. The 2026-2030 strategic move predicted is doubling down on Wise Platform B2B (raising switching costs) and onboarding stablecoin settlement in corridors where stablecoins are now cheaper than banking-partner rails (PSD3 and MiCA make this viable in 2025-2026).

Group C: Robinhood

1. Business Model Canvas (200-300 words). Robinhood is a US retail brokerage that pioneered zero-commission equity trading. *Customer Segments* are first-time retail investors, mostly under 40, with smaller account sizes than incumbent brokers. *Value Proposition* is zero per-trade commission, fractional shares from $1, instant deposits, and a mobile-first UX that gamifies onboarding. *Channels* are the iOS and Android app, with minimal web presence. *Customer Relationships* are fully self-service with in-app help; subscription tier (Robinhood Gold, $5/month) for margin and research. *Key Activities* are running the brokerage platform, executing order routing to market makers, settling crypto and equities, and product expansion (retirement, options, crypto). *Key Resources* are the user base (˜25m active), the broker-dealer licence, and the brand among Gen Z investors. *Key Partners* are market makers (Citadel Securities, Virtu) who pay for order flow, clearing partners, and crypto custodians. *Cost Structure* is dominated by compliance, customer support, and clearing; marketing is large during expansion periods. *Revenue Streams* are payment-for-order-flow (PFOF) on options and equities, Gold subscriptions, interest on uninvested cash, securities lending, and crypto trading fees. PFOF is the largest single line. The coherence test: zero commissions only work because PFOF and net interest income subsidise free trades. Remove either pillar (SEC bans PFOF, rates fall) and the model breaks. The 2026 expansion to credit cards and retirement is an attempt to diversify out of this dependency.

2. Porter's 5 Forces.

- **Threat of New Entry: HIGH.** Schwab, Fidelity, SoFi, Webull all offer zero-commission trading; entry is well below $100m for a focused mobile broker.

- **Buyer Power: HIGH.** Retail users switch on app design and feature; no contractual lock-in.
- **Supplier Power: MEDIUM.** Market makers (PFOF buyers) are concentrated (Citadel, Virtu); SEC sets PFOF rules.
- **Threat of Substitutes: HIGH.** Crypto-native brokerages (Coinbase, Kraken), neobank brokerage (Cash App), DeFi.
- **Competitive Rivalry: HIGH.** Commoditised price (zero) shifts competition to product and trust; intense.

3. Helmer's 7 Powers.

- **Scale Economies: 1.** Some compliance amortisation; not deep relative to Schwab.
- **Network Economies: 0.** Brokerage is not two-sided in the Rochet-Tirole sense at the user level.
- **Counter-Positioning: 1.** Full-service brokers added zero-commission in 2019 (Schwab, E*TRADE); the Power eroded.
- **Switching Costs: 1.** ACATS transfer takes minutes; habit and tax-lot complexity are the only stickiness.
- **Branding: 2.** Strong with Gen Z; weakened by 2021 GameStop trading halt and PFOF scrutiny.
- **Cornered Resource: 0.** No exclusive data, licence, or partnership.
- **Process Power: 1.** Fast mobile shipping cadence; transferable.

4. Synthesis (50-100 words). Dominant Power: **Branding** (weakly). Weakest Powers: Cornered Resource and Network Economies (both effectively zero). The profile is the thinnest of all six platforms. The 2026-2030 outlook depends on *building* a new Power: Robinhood Gold subscription stickiness, retirement account assets (long switching), and the new Robinhood credit card. Without one of these landing, PFOF regulatory risk plus commoditised pricing makes the model fragile against an SEC PFOF restriction or a rate cycle that compresses net interest income.

Group D: Klarna

1. Business Model Canvas (200-300 words). Klarna is a buy-now-pay-later (BNPL) lender, now positioning as a checkout and shopping super-app. *Customer Segments* are millennial and Gen Z shoppers and the merchants who want them. *Value Proposition* is *Pay in 4* (zero interest to consumer), *Pay in 30 days*, and longer-tenor financing, integrated at merchant checkout. *Channels* are merchant checkout integrations (Shopify, Magento), the Klarna app for browsing, and partnerships with platforms like Apple and Stripe. *Customer Relationships* are app-led: shopping feed, price drop alerts, rewards. *Key Activities* are credit underwriting at point of sale, merchant integration, and collections; increasingly, ad placement and AI-powered shopping recommendations. *Key Resources* are the consumer-base data, the credit models, banking licence (Sweden), and merchant relationships. *Key Partners* are merchants, debit-card processors, payment networks, ad partners, and OpenAI (Klarna's internal AI assistant). *Cost Structure* is dominated by credit losses, customer-acquisition cost, and tech; CAC has fallen sharply post-2022. *Revenue Streams* are *merchant fees* (3-5% per transaction, the dominant line), late fees on longer-tenor instalments (varies by jurisdiction), interest on longer-tenor loans, and a fast-growing advertising line. The model coheres around a hidden cross-subsidy: consumers get free credit; merchants pay because Klarna delivers higher conversion and basket size. The model is exposed to credit-loss cycles, regulatory tightening of BNPL (UK FCA 2026 perimeter, EU Consumer Credit Directive II), and merchant-fee pressure as Apple Pay Later, Stripe, Affirm, and PayPal Pay-in-4 commoditise the product.

2. Porter's 5 Forces.

- **Threat of New Entry: HIGH.** Apple Pay Later, Stripe instalments, banks adding BNPL; entry is software plus balance sheet.
- **Buyer Power: HIGH on the merchant side, LOW on consumer.** Merchants negotiate hard; consumers do not see the fee.
- **Supplier Power: MEDIUM.** Card networks, banks providing wholesale funding.
- **Threat of Substitutes: HIGH.** Credit cards with instalment plans, debit + spread payments, Apple Pay Later.
- **Competitive Rivalry: HIGH.** Affirm, Afterpay (Block), PayPal, Apple, Zip; intense and global.

3. Helmer's 7 Powers.

- **Scale Economies: 2.** Credit-model accuracy improves with volume; fixed underwriting tech amortises.
- **Network Economies: 2.** Two-sided: more shoppers attract merchants and vice versa; weakened by merchant multi-homing.
- **Counter-Positioning: 1.** Credit-card issuers can match but cannibalise interchange revenue.
- **Switching Costs: 1.** Consumers carry multiple BNPL providers in one wallet; merchants offer 2-3 at checkout.

- **Branding: 3.** Iconic pink brand, top-of-mind among Gen Z shoppers in Europe and the US.
- **Cornered Resource: 1.** Consumer-shopping data is large but not unique (Affirm, PayPal hold comparable).
- **Process Power: 2.** Faster underwriting + UI iteration than banks; partly cultural.

4. Synthesis (50-100 words). Dominant Power: **Branding** supported by **Network Economies**. Weakest: Switching Costs. The 2026-2030 prediction is a hard pivot from pure BNPL to a shopping and advertising super-app: ad revenue can scale faster than credit, decouples from credit-loss cycles, and exploits the brand. Successful pivot would convert Branding into Process Power (ad targeting). A failed pivot leaves Klarna as a regulated lender competing on merchant fees against Apple, an asymmetric fight.

Group E: Plaid

1. Business Model Canvas (200-300 words). Plaid is an open-banking data aggregator that exposes a single API for US bank account access. *Customer Segments* are fintechs and non-bank financial apps (Venmo, Robinhood, Coinbase, Affirm, Wise) that need to connect to user bank accounts. *Value Proposition* is one integration that reaches 12,000+ US financial institutions, plus identity verification, balance checks, ACH initiation, and increasingly Payment Initiation Services. *Channels* are direct API and developer documentation; sales is bottom-up developer adoption with enterprise expansion. *Customer Relationships* are self-service for small fintechs, dedicated for enterprises (Venmo, Robinhood). *Key Activities* are maintaining the connection layer to thousands of banks (each with different auth schemes), shipping new SKUs (Plaid Signal, Plaid Identity, Plaid Transfer), and managing the regulatory shift to the CFPB Section 1033 rule. *Key Resources* are the bank-connection map, the consumer-permissioning UX, and developer mind share. *Key Partners* are the banks themselves (increasingly via API rather than screen-scraping), data partners, and CFPB-adjacent industry consortia (FDX). *Cost Structure* is dominated by engineering (maintaining bank connectors), compliance, and increasingly fees paid to banks as 1033 takes effect. *Revenue Streams* are per-API-call pricing for connections, premium SKUs (Identity, Signal), and an emerging payments line (Plaid Transfer). The model coheres if open banking remains permissioned data (CFPB rule). It is most exposed if banks build a competing aggregator (Akoya), if 1033 forces price disclosure that compresses margin, or if fintechs migrate to direct bank APIs once 1033 standardises them.

2. Porter's 5 Forces.

- **Threat of New Entry: MEDIUM.** Akoya (bank-owned), MX, Finicity (Mastercard) compete; barriers are bank-coverage breadth.
- **Buyer Power: MEDIUM.** Large fintechs (Robinhood, Venmo) negotiate hard; small fintechs are price-takers.
- **Supplier Power: HIGH and rising.** Banks are reluctant suppliers; 1033 lets them charge for access and demand standards.
- **Threat of Substitutes: MEDIUM.** Direct bank-to-fintech connections via 1033 APIs; Akoya as bank-owned alternative.
- **Competitive Rivalry: MEDIUM.** Finicity, MX, Akoya, Yodlee; not yet zero-margin.

3. Helmer's 7 Powers.

- **Scale Economies: 2.** Per-bank connector cost amortises across all fintech customers using that bank.
- **Network Economies: 2.** More fintechs make banks accept Plaid as the de facto API; more banks make Plaid attractive to new fintechs.
- **Counter-Positioning: 2.** Banks dislike aggregators; building Akoya was an asymmetric response.
- **Switching Costs: 3.** A Venmo or Robinhood integration is buried deep in onboarding; replatforming is multi-quarter.
- **Branding: 2.** Strong with developers; minimal with consumers.
- **Cornered Resource: 2.** The connector map is the largest, but Akoya and Finicity hold partial overlap.
- **Process Power: 1.** Engineering velocity is high; transferable.

4. Synthesis (50-100 words). Dominant Power: **Switching Costs** plus **Network Economies**. Weakest: Process Power. The 2026-2030 prediction depends on the CFPB 1033 final rule. If 1033 mandates a standard API across all 12k banks, Plaid's connector advantage compresses, and the moat reduces to switching costs only. The strategic response observable in 2024-2025 is moving up the value chain into payment initiation (Plaid Transfer), risk signals (Plaid Signal), and identity, raising switching costs on the new SKUs before the core moat thins.

Group F: Coinbase

1. Business Model Canvas (200-300 words). Coinbase is the largest US-regulated crypto exchange and custodian. *Customer Segments* are US retail crypto traders, institutional investors (BlackRock, ETF issuers), developers via Base (Coinbase's L2 rollup), and increasingly stablecoin issuers. *Value Proposition* is regulated,

US-listed access to crypto assets, with high custody trust, qualified-custodian status, and Base as a developer platform. *Channels* are retail app and web, Coinbase Prime for institutions, Base SDKs for developers. *Customer Relationships* are app-led self-service for retail, dedicated relationship managers for institutions. *Key Activities* are operating exchange order books, custody, compliance with SEC and state regulators, running Base (an L2 chain), and the USDC partnership with Circle. *Key Resources* are the qualified-custodian licence (rare), the brand as the most trusted US crypto venue, custody balances, and Base ecosystem traction. *Key Partners* are Circle (USDC issuer, profit-share), BlackRock and other ETF issuers using Coinbase as custodian, Ethereum (the L1 underneath Base), and US regulators. *Cost Structure* is compliance, legal, technology, security, and customer support. *Revenue Streams* are retail trading fees (cyclical with crypto), institutional trading and custody fees, stablecoin-related revenue (Coinbase earns a share of USDC reserve interest, large in high-rate periods), Base sequencer revenue, and staking. The model is coherent in a high-rate, regulator-friendly regime: USDC interest plus ETF custody offsets retail trading cyclicality. The structural risk is the dependency on US regulatory posture (SEC enforcement, FIT21 / 21st Century legislation) and on the long-dated retail crypto cycle.

2. Porter's 5 Forces.

- **Threat of New Entry: LOW.** US-regulated crypto licences and qualified-custodian status take years and capital.
- **Buyer Power: MEDIUM.** Retail multi-homes (Kraken, Robinhood Crypto); institutions negotiate but value regulation.
- **Supplier Power: MEDIUM.** Ethereum L1 sets gas; Circle controls USDC issuance; SEC and state regulators set the legal frame.
- **Threat of Substitutes: HIGH.** DEXs (Uniswap), self-custody, offshore CEXs (Binance), and TradFi entering via ETFs.
- **Competitive Rivalry: HIGH.** Binance.US, Kraken, Gemini, Robinhood Crypto; new entrants (Fidelity Digital Assets, BlackRock direct).

3. Helmer's 7 Powers.

- **Scale Economies: 2.** Compliance and custody infrastructure amortise across users; security spending has scale.
- **Network Economies: 2.** Order-book liquidity attracts traders; Base attracts developers via app users.
- **Counter-Positioning: 2.** Banks cannot offer self-custody-adjacent products without unwinding existing custody books.
- **Switching Costs: 2.** Tax-lot history, account history, and Base wallet are sticky; offset by self-custody alternatives.
- **Branding: 3.** The most trusted US crypto brand; institutional flagship.
- **Cornered Resource: 3.** Qualified-custodian status held by very few US firms; USDC profit-share with Circle is unique.
- **Process Power: 1.** Strong security operations; transferable.

4. Synthesis (50-100 words). Dominant Power: **Cornered Resource** (qualified-custodian status, USDC partnership) reinforced by **Branding**. Weakest: Process Power. The 2026-2030 prediction is that Coinbase converts its custody monopoly position into a tokenized-asset infrastructure play: BlackRock BUIDL custody, RWA tokenization, stablecoin treasury services. If FIT21 or similar legislation lands favourably, Coinbase becomes the regulated bridge between TradFi and crypto. Risk: an SEC reversal or a Circle dispute can compress Cornered Resource. Profile predicts the highest regulatory-policy beta of all six platforms.

Cross-platform debrief notes. Two structural patterns emerge:

- **Infrastructure layer (Stripe, Wise, Plaid) wins on Switching Costs and Network Economies.** The moat is integration depth and B2B stickiness; the risk is regulatory mandates (CFPB 1033, PSD3, EU Instant Payments) that standardise the layer beneath them.
- **Application layer (Robinhood, Klarna, Coinbase) wins on Branding and (for Coinbase) Cornered Resource.** The moat is consumer mind share and a small number of structural assets; the risk is commoditised competition and direct regulatory action on the revenue line (PFOF, BNPL perimeter, custody rules).

The platform with the deepest combined moat is **Plaid** (Switching + Network + Counter-Positioning, all scored 2+). The thinnest is **Robinhood** (no Helmer Power above 2, two Powers at 0). The most policy-exposed is **Coinbase**; the most AI-disintermediation-exposed is **Stripe** (agentic checkout bypasses card rails entirely). The most balanced is **Wise**: deep on Counter-Positioning and Cornered Resource, but exposed to stablecoin

substitution in its core corridors.