

DT Dimensions; Competition Strategy

DTSL B-2, S-3

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Session Objective

- Traditional vs. Digital Business: In terms of Competition
- Platforms Strategy
 - Definition & Properties
- Role of Digital Technologies in Platform Business Model

Competition: Change in Strategic Assumptions

- Competition - Where from?
- Distinction between partners & rivals; Zero-sum game vs. Co-opetition
- Products with features vs. Platforms with partner-driven value
- Holding of Key Assets
- Industry Size - 'A few' to 'Winner takes all'

Multi-sided Platforms: The Business Model

- Rochet & Tirole (Noble Laureate)
- Followed by Thomas Eisenmann, Geoffrey Parker & Marshall Van Alstyne
- Two-sided markets - e.g., Newspapers, Credit Cards
- Multi-sided markets - e.g., Visa, Mastercard
- Multi-sided platform - Businesses that enable such markets



Definition

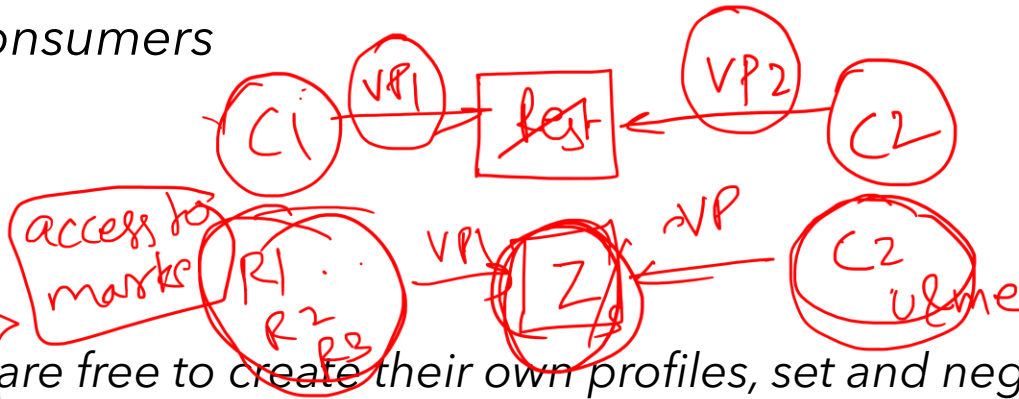


A platform is a business model that creates value by facilitating direct interactions between two or more distinct types of consumers

Distinct types of consumers

Direct interaction - two parties are free to create their own profiles, set and negotiate pricing, and decide how they want to present their services and products

Facilitating - business between the different types of consumers must take place through the platform



Rise of the Multi-sided Platform: Across industries



Are these multi-sided platforms?

Airbnb

YouTube


Shopping
Mall

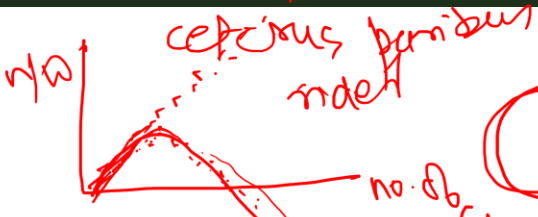
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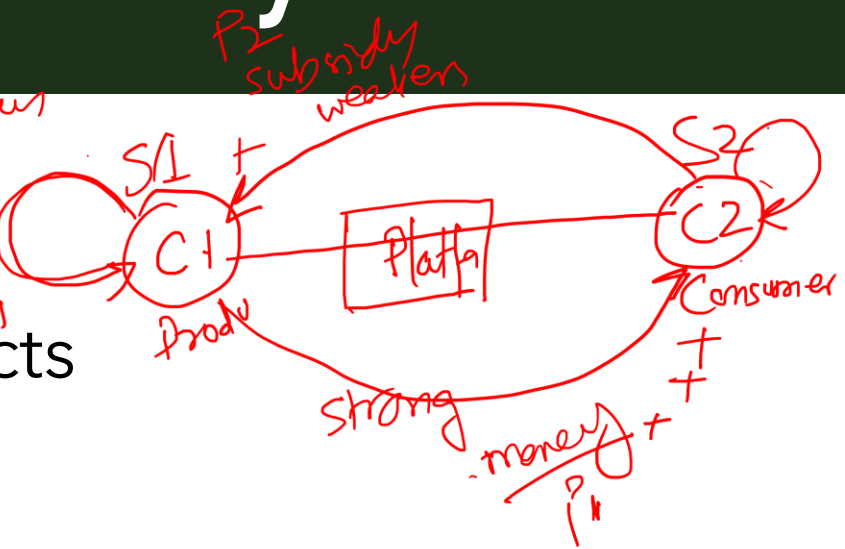
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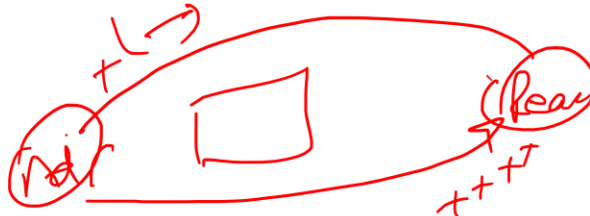
Milaap

Network Effects: A Key Feature

- Direct (Same-side) Network Effects
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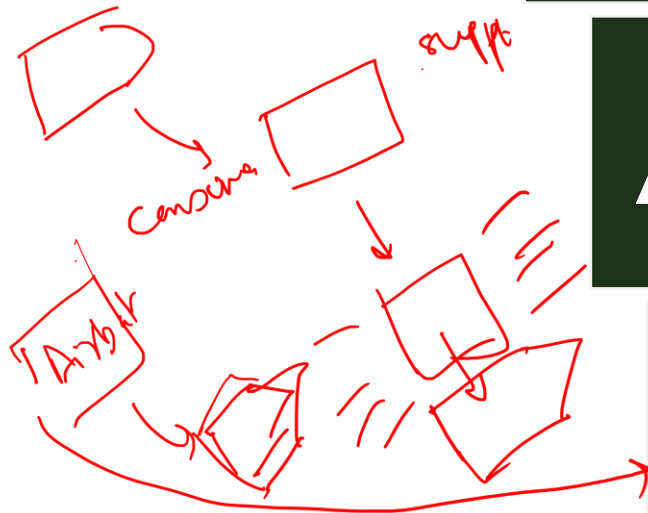
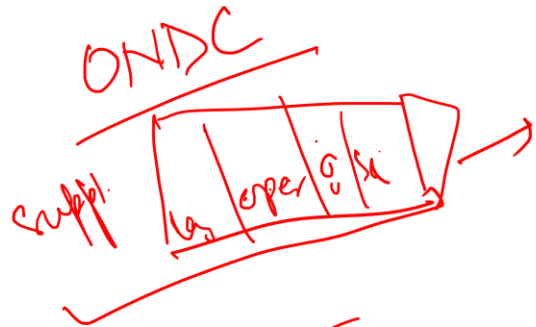
Face
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revenue
ceteris paribus
no. of C1
 - 

S1 *Prods* *Platform* *S2* *Consumer*
P2 subsidy weakens
strong
- Indirect (Cross-side) Network Effects
 - Reciprocal or not?
 - 

Prods *Consumers*

The Continuum: Pipe to MS Platform

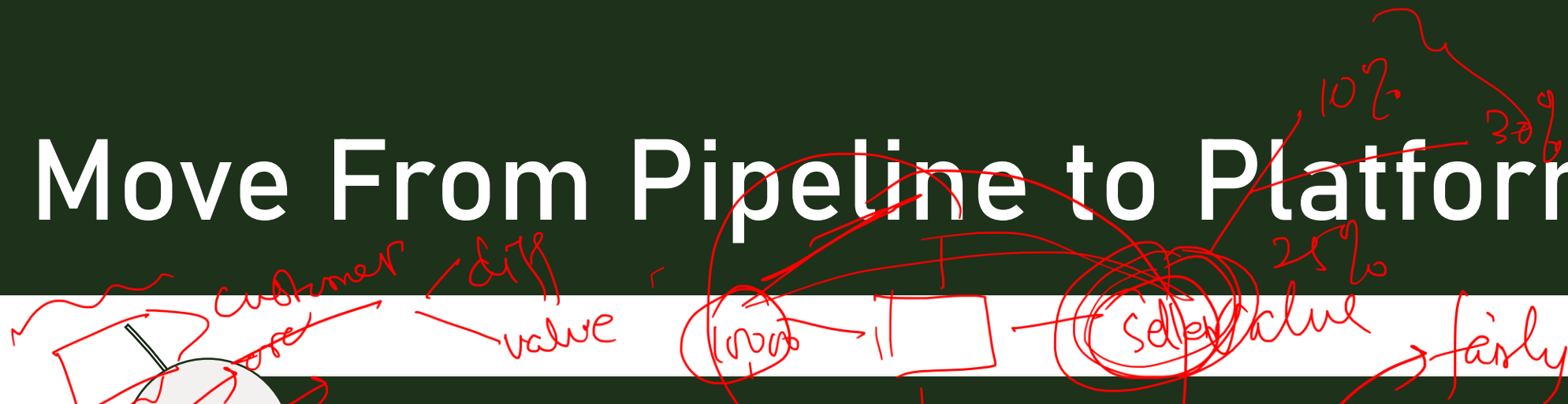


BigBasket

Amazon

Airbnb

Move From Pipeline to Platforms



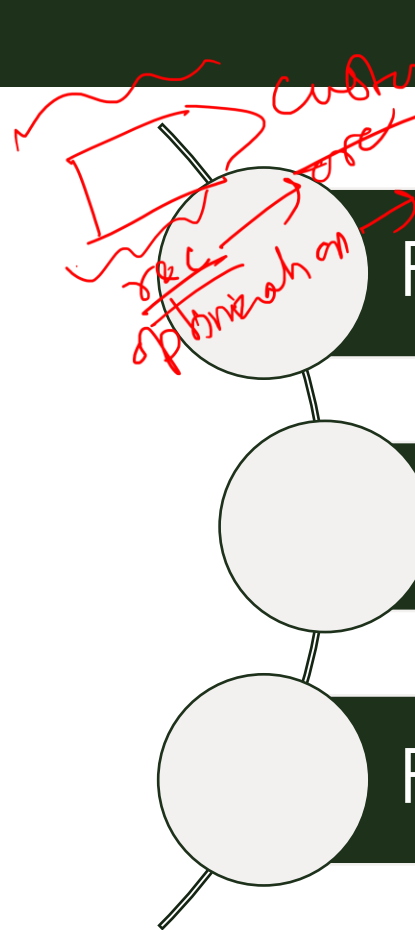
From resource control to resource orchestration

cooperati

shapley's value

From internal optimization to external interaction

From focus on customer value to ecosystem value



Platform Business Model Characteristics

- Asset-light, promoting interactions
- Reintermediation (After disintermediation)
- Industry Characteristics
 - Information is the main ingredient; Reduced information asymmetry helps
 - Demand-side economies of scale - demand aggregation, social networking etc.
 - Value in moving from ownership to access - product as a service
 - Winner-take-all

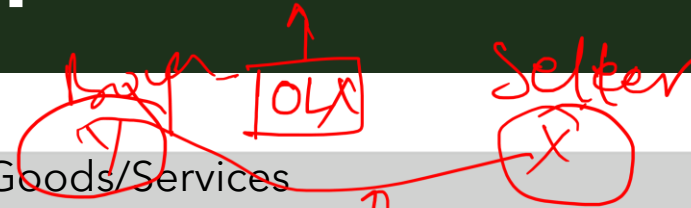
How Digital Tech Impacts Platforms?

Technologies

- Digital Goods/Services
- Web-based Internet, SDKs, APIs, microservices arch
- On-demand cloud computing
- Web 3.0/ Social media
- Mobile computing devices

Impact

- Zero marginal cost of access, reproduction, and distn
- Frictionless acquisition of an additional partner
- Scalable growth - Cloud Computing
- Trust - Dominant Social Networks
- On-demand access and speed - Mobile computing



References

- Digital Transformation Playbook - Rogers
- Platform Revolution - Parker, Alstyne, & Paul Choudary
- <https://hbr.org/2013/03/do-you-really-want-to-be-an-ebay>