

Multi-Sided Digital Platforms

PMDE

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Outline (For the next 4 sessions)

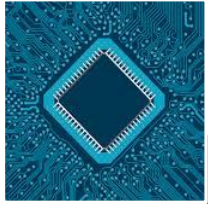
- Digital Products vis-a-vis Platforms
- Digital Platforms
 - Market & Environment
 - Platform Architecture, Launch
 - Platform Monetization & Metrics
 - Platform Governance (Time permitting!)

Products versus Platforms

- Pipeline versus Platform Businesses: In the digital and non-digital context
- Digital Products enabling/facilitating both – Later are termed Digital Multi-sided Platforms!
- Are all digital platforms, digital products?
- Are all digital products, digital platforms?

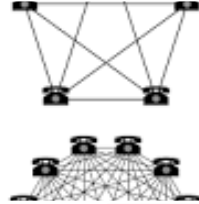
- *When and how will an organization decide on whether to develop a digital product or digital platform?*
- *How to manage such digital products (which enable multi-sided platforms)?*

Paradigm Change: From IT Doesn't Matter



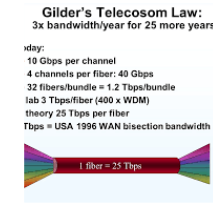
Moore's Law

- Exponential increase in computing power at lower and lower cost



Metcalf's Law

- Effect/Value of network is proportional to the square of the network size



Gilder's Law

- Bandwidth grows at least 3 times faster than computing power –Data Reliability

Largest Companies (Market Cap)

Company	Market Cap	Rank: 2024	Rank: 2014	Rank: 2006
Microsoft	2.89 T	1	3	4
Apple	2.63 T	2	1	82
Nvidia	2.16 T	3		
Alphabet (Google)	2.05 T	4	4	
Saudi Arabian Oil Company	1.94 T	5		
Facebook				
Amazon	1.82 T	6		
Meta Platforms	1.09 T	7		
Berkshire Hathaway	861.89 B	8	5	19

Rise of the Platform: Across domains

TRANSPORTATION

HOSPITALITY

MOBILE
COMPUTING

MEDIA

ADVERTISING

RETAIL

FINANCE

FREELANCE
WORK

PHILANTHROPY

RECRUITMENT &
JOB SEARCH

EDUCATION

GAMING

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Definition: Platform Business Model

- Business model based on enabling value-creating interactions between external producers and consumers
- Overarching purpose:
 - To consummate matches among users and facilitate the exchange of goods, services, or social currency, thereby enabling value creation for all participants

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

The Continuum: Pipe to MS Platform

BigBasket

Amazon

Airbnb

Network Effects: A Key Feature

- Direct (Same-side) Network Effects
- Indirect (Cross-side) Network Effects
 - Reciprocal effects

How to predict a platform market?

- When a market is ready to transform?
 - Any enterprise that grows by adding value through information or through community
 - Higher the proportion of value added by information/community, the sooner it will transform, e.g., News, Video
 - Highly fragmented industries – Legal firms, Architects etc.
 - Spare capacity – Cars (Transportation), Rooms (Temporary Stay)
- When it is not ready to transform?
 - High proportion of hard or physical assets – Mining, construction
 - Highly regulated markets – Banking
 - Product complexity or Fault intolerant systems – Aircraft manufacturing

Similarity Across Platform Firms

- Asset-light, promoting interactions
- Mostly disruptive in nature
- Industry Characteristics
 - Information is the main ingredient
 - Reduced information asymmetry helps
 - In most cases, value in moving from ownership to access

Role of Digital Technologies in Platform Business Models

Technologies

- Digital Goods
- Web-based Internet, SDKs, APIs
- On-demand cloud computing
- Mobile computing devices
- Social media

Impact

- Free, Perfect & Instant – Near zero marginal cost of access, reproduction and distribution
- Frictionless acquisition of an additional partner
- Scalable growth – Cloud Computing
- On-demand access and speed – Mobile computing
- Trust – Dominant Social Networks