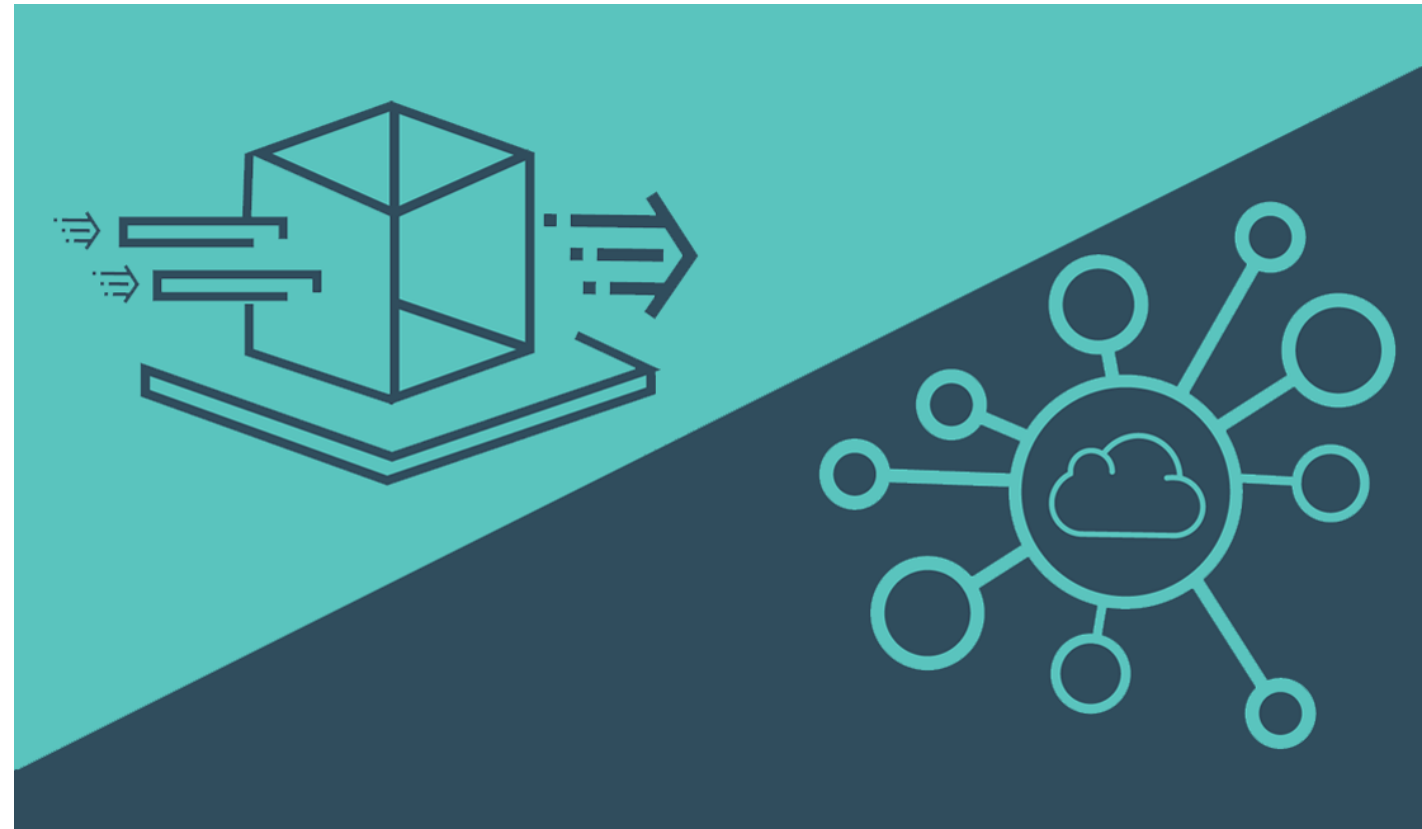
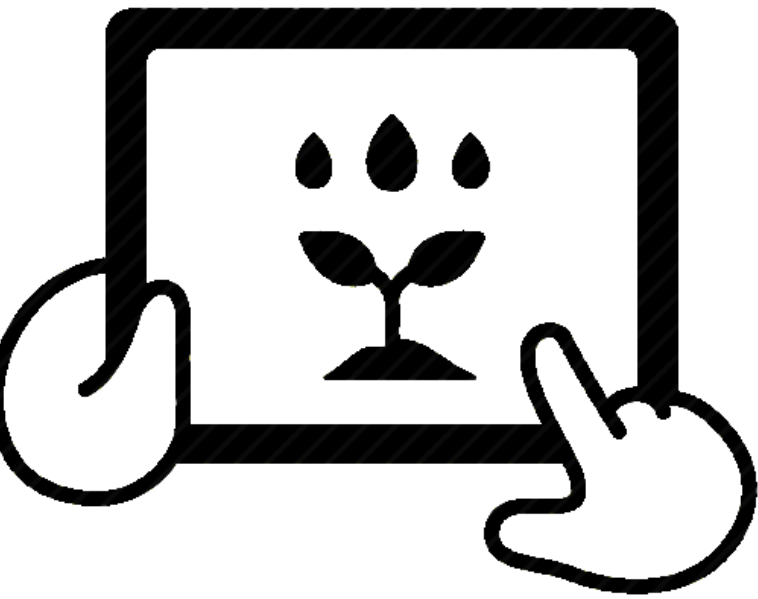


Platform Strategies for Business



Dr. Neeraj Singh
Marketing & Strategy Area
IIM Rohtak
neeraj.singh@iimrohtak.ac.in

Conceptual Foundations

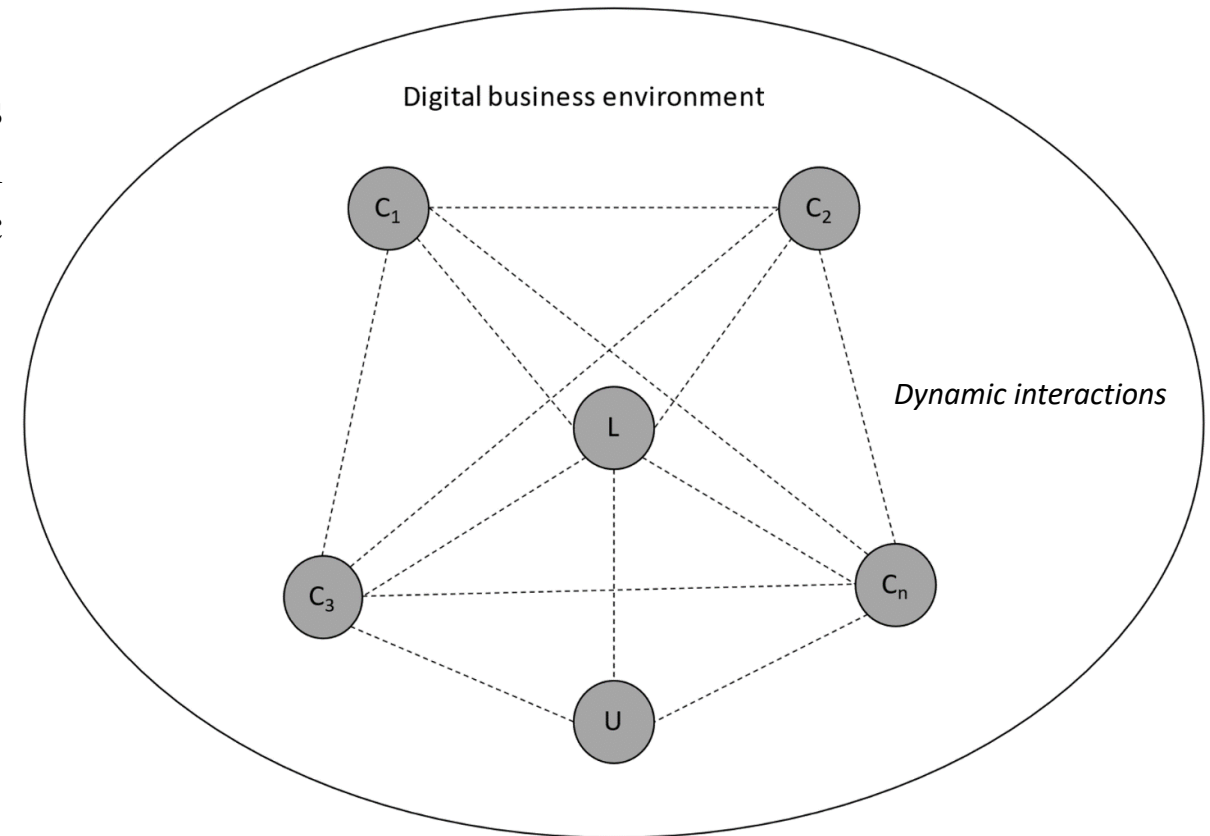
The conceptual schematics of digital platforms

The digital platforms are sociotechnical systems consisting of technical elements, organizational standards, processes, **lead firms** and a **dynamic network of complementors**.^{1,2,3}

Complementors on the food delivery platforms (for instance) include: ^{2,3}

- Physical restaurants
- Hyper-local logistic partners
- Technology developers
- Social media modules
- Banks and payment partners (including mobile wallets)
- Real estate entities (For **Dark kitchens** and **cloud kitchens**)

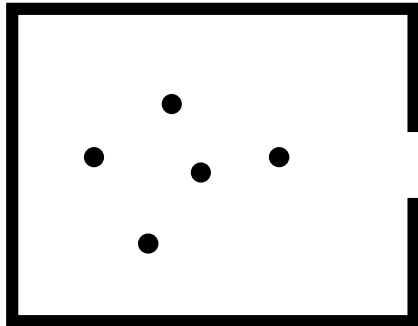
Source: Authors' conceptualization based on literature review.



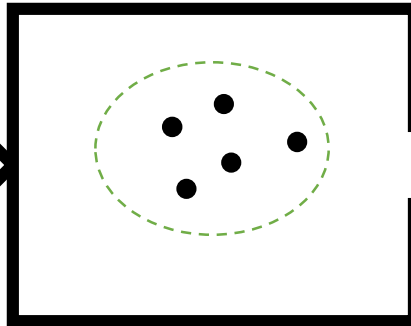
- ✓ $C_1, C_2, C_3 \dots C_n$ are complementors
- ✓ L is the lead firm
- ✓ U is the end users of the platform

1. De Reuver, M., Sørensen, C., & Basole, R. C. (2018). The digital platform: a research agenda. *Journal of information technology*, 33(2), 124-135.
2. Cenamor, J. (2021). Complementor competitive advantage: A framework for strategic decisions. *Journal of Business Research*, 122, 335-343.
3. Cusumano, M., Yoffie, D., & Gawer, A. (2020). *The future of platforms*. MIT Sloan Management Review, 46-54.

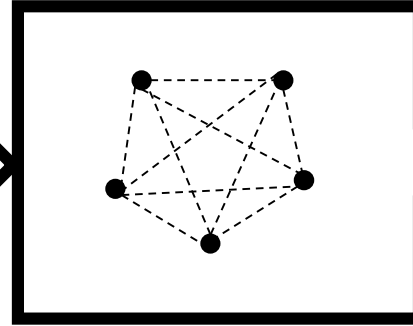
Platforms and other Digital markets



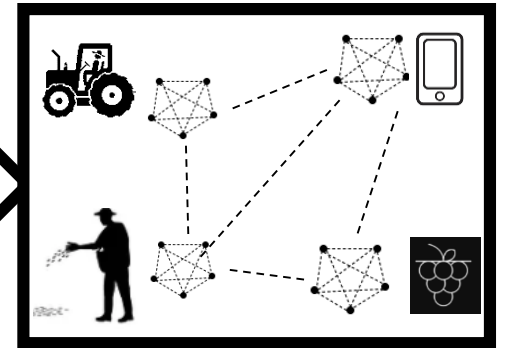
Point solutions



Aggregation



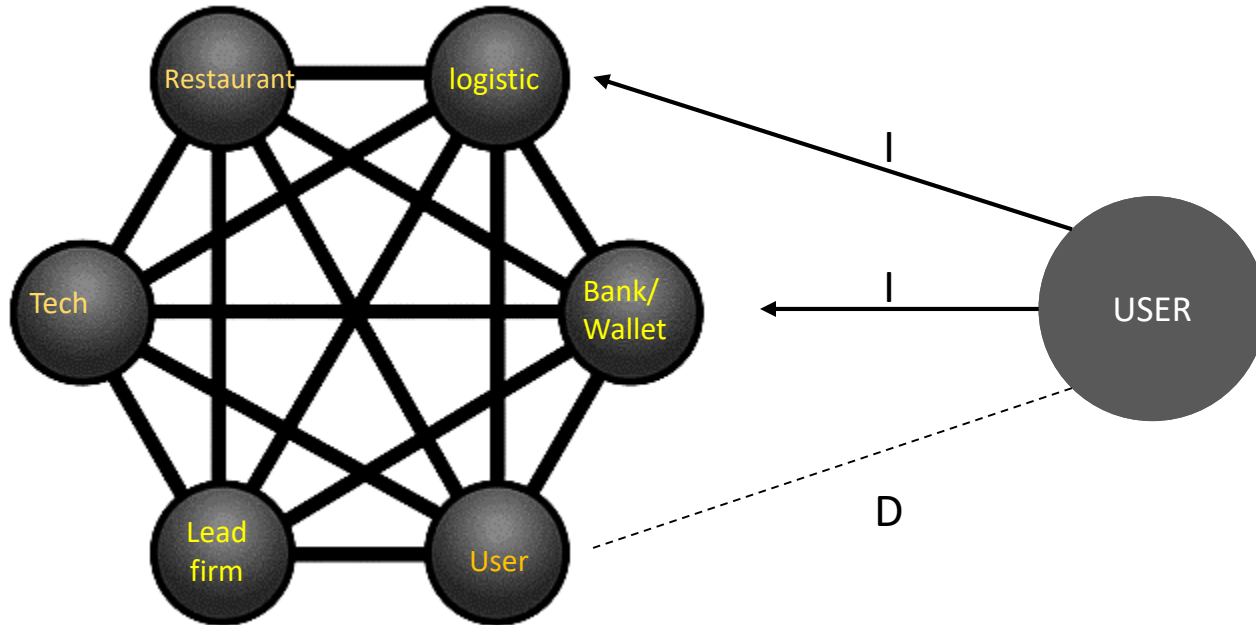
Platform Integration



*Self-organisation
(local-entrepreneurs)*

Network effect make platform an attractive alternative for Users and complementors

- Network effect: Value attached by a **complementor/user planning to join a platform to other participants already onboard**
- The number and type of complementor groups attract the **new users**

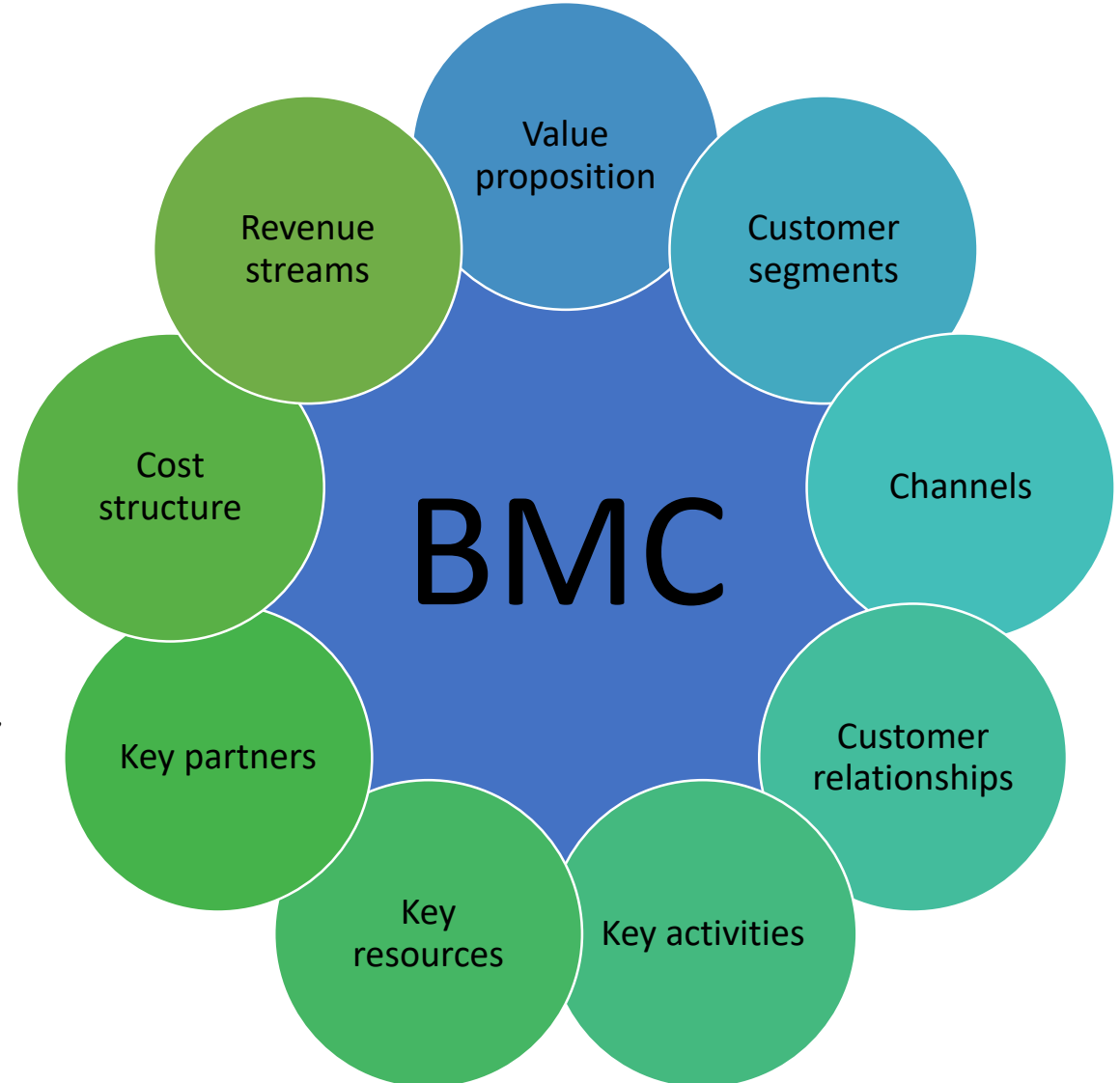


Direct effect (D): Value attached by a user to the same group of complementors

Indirect effect (I): Value attached by a user to the different group of complementors

The Business Model Canvas

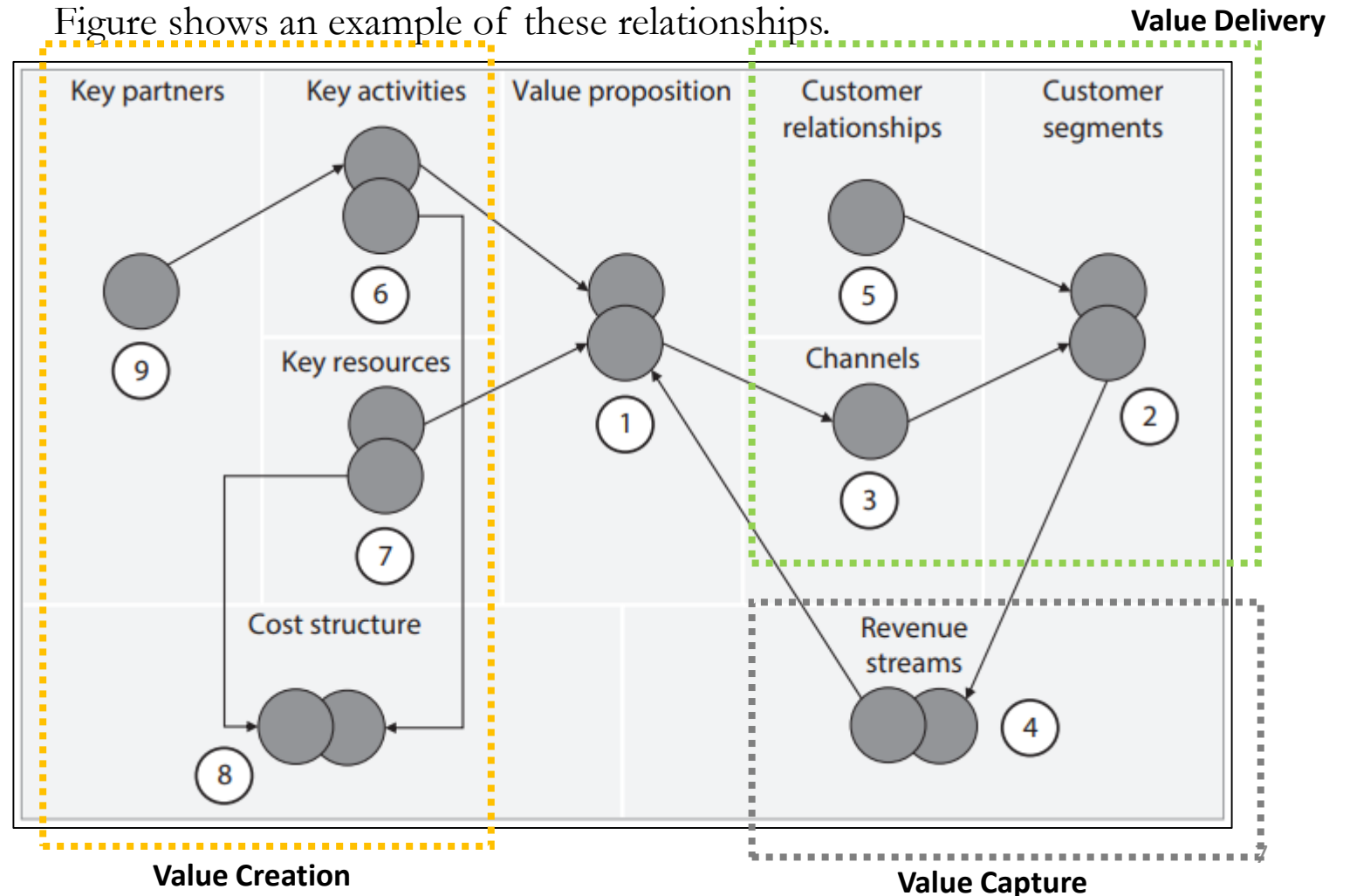
- **Alexander Osterwalder** proposed the business model ontology as part of his Ph.D. thesis in 2005. Later, this **business model** ontology was refined to become the **business model canvas (BMC)**.
- The BMC is based on describing **nine central building blocks** of a business and modeling the relationships between these building blocks.
- **Value proposition** is the **core building block** of the BMC.
- **Value turnover** includes **four building blocks**: *customer segments, channels, customer relationships, and revenue stream*. These building blocks describe how the organization disseminates its value proposition to the customers and how the customers generate revenues for the company



- **Value generation** includes the building blocks of key partners, key activities, key resources, and cost structures. More specifically, it describes what is needed in terms of resources, activities, and partners to create the value proposition and the costs associated with these activities.

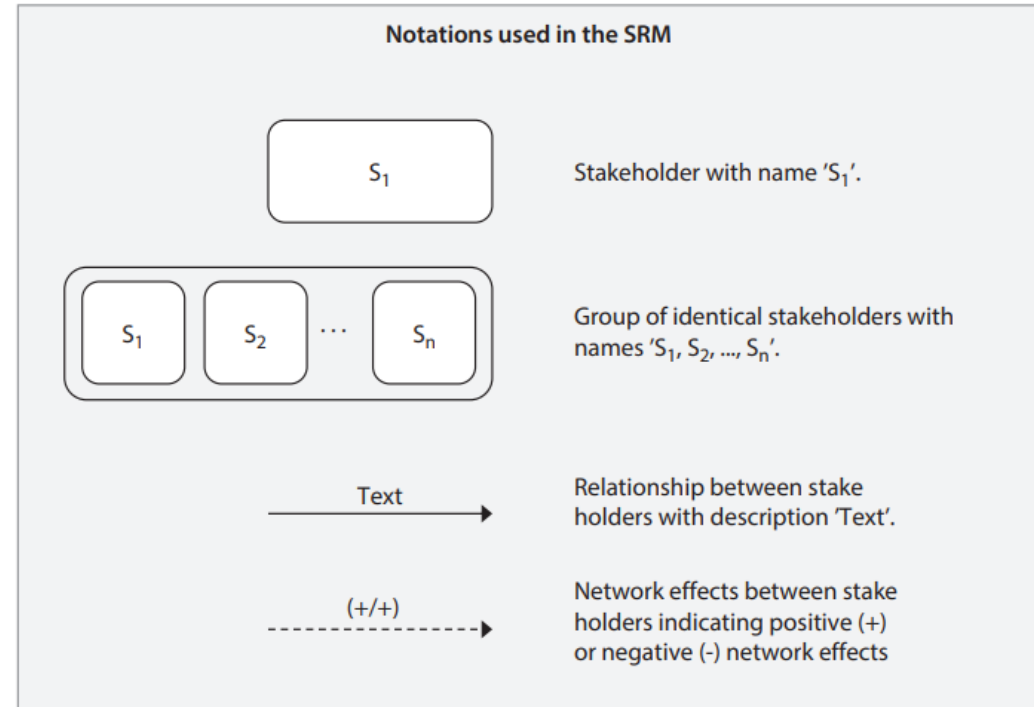
- The BMC of specific organizations is a thorough description of each of the nine building blocks and the relationships between them. .

Figure shows an example of these relationships.



The Stakeholder Relationship Model

- The stakeholder relationship model (SRM) identifies key stakeholders engaged in the organization's business model and the interactions that the organization has with these stakeholders.
- **Stakeholders** in the SRM are the **organization itself, customer segments, and key partners**. One key relationship between stakeholders is **network effects** which can either be positive or negative

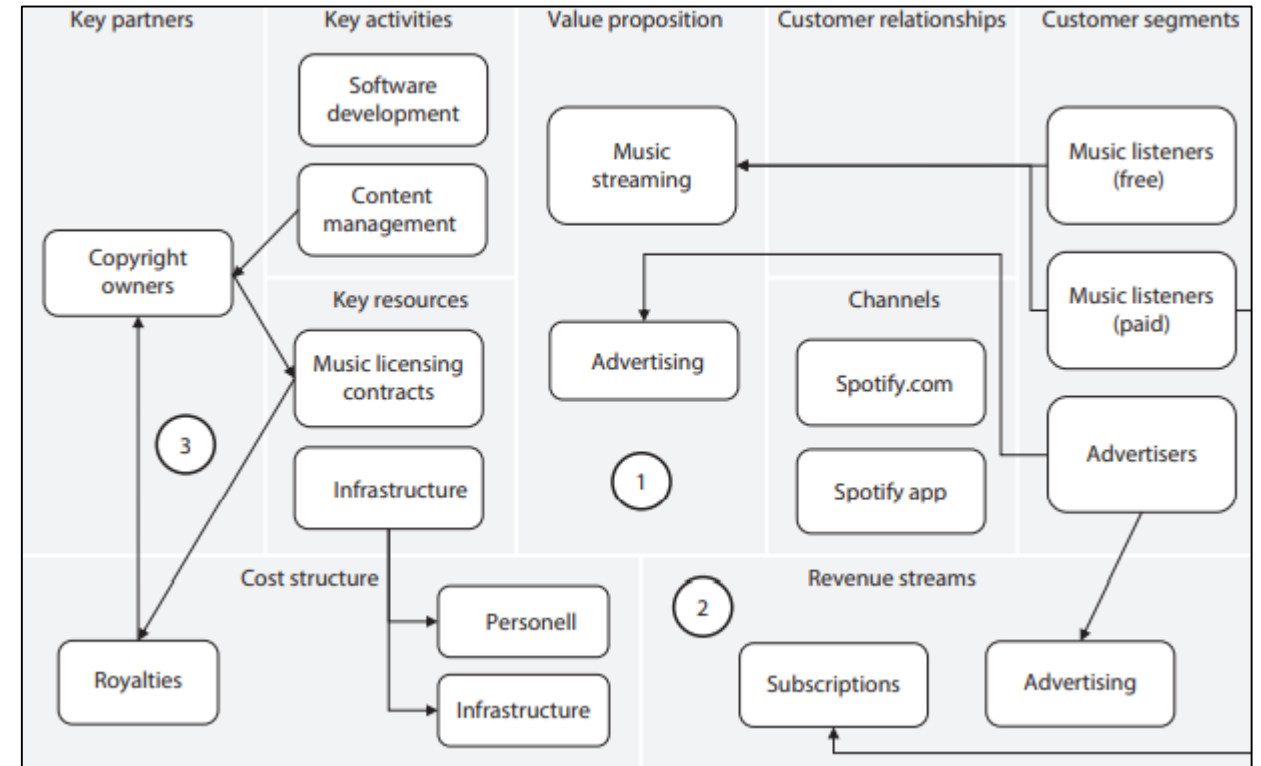
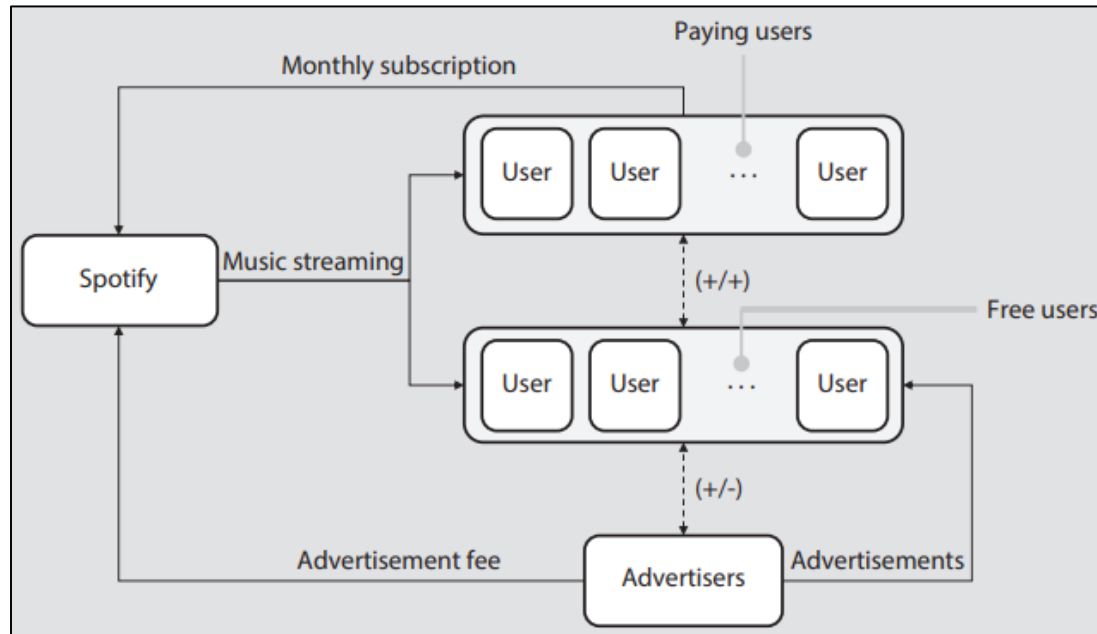


- The SRM models **three different kinds of network effects** between two stakeholders, **A and B: (+/+), (-/-), and (+/-)**. The (+/+) network effect means that stakeholder A induces a positive network effect on stakeholder B and vice versa.
- The purpose of the SRM is illustrating the network effects that may **modify the competitive strength of the organization**

Case Study- Spotify

- Spotify is an example of a digital service that uses the freemium business model. Here, the digital service is offered to two different consumer segments: One gets the service for free and other pays for the service
- Spotify has two value propositions
 1. one for music streaming services and one for advertisements. The subset of listeners paying for the service contributes to the revenue of Spotify
 2. This corresponds to about 90% of the revenue (2017). The other source of revenue—advertisements—constituted about 10% of the income (2017).

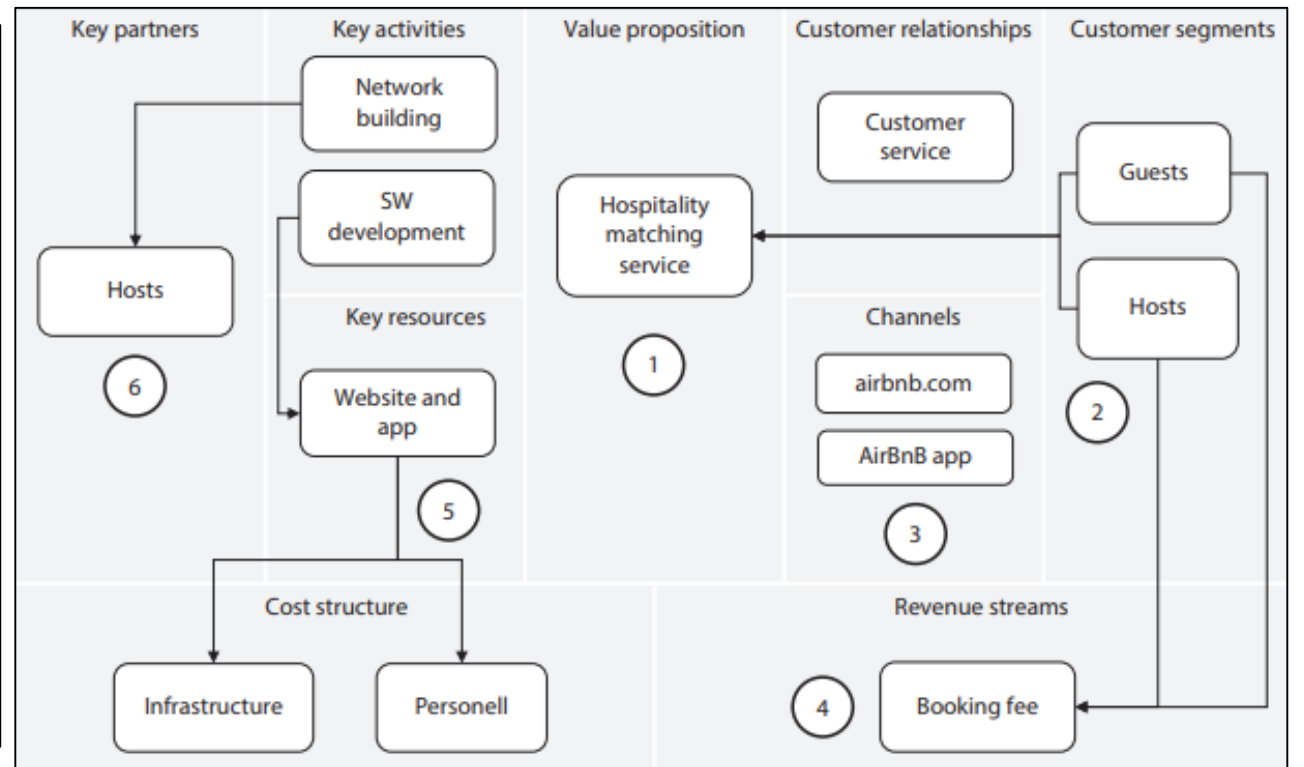
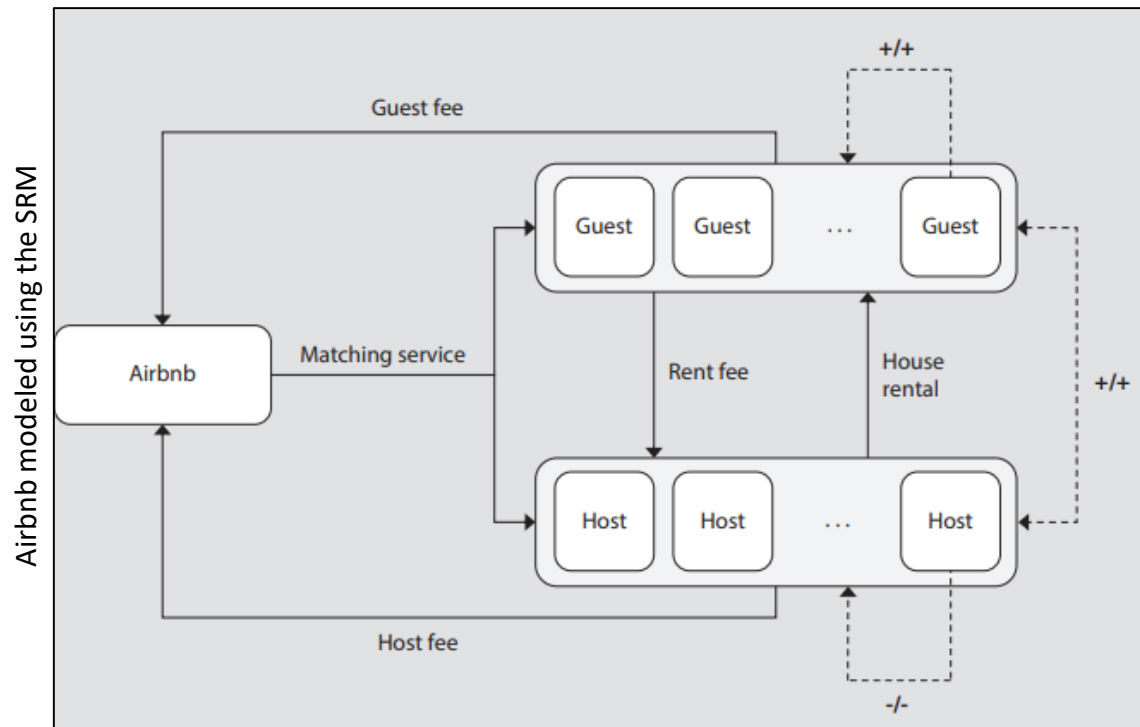
Spotify modeled using the SRM



Spotify modeled using the BMC

Case Study Airbnb

- Airbnb is an example of an organization using the multisided platform business model
- The main value proposition of Airbnb is to offer a mediation service between the two customer segments hosts and guests . This is done on the website or mobile app

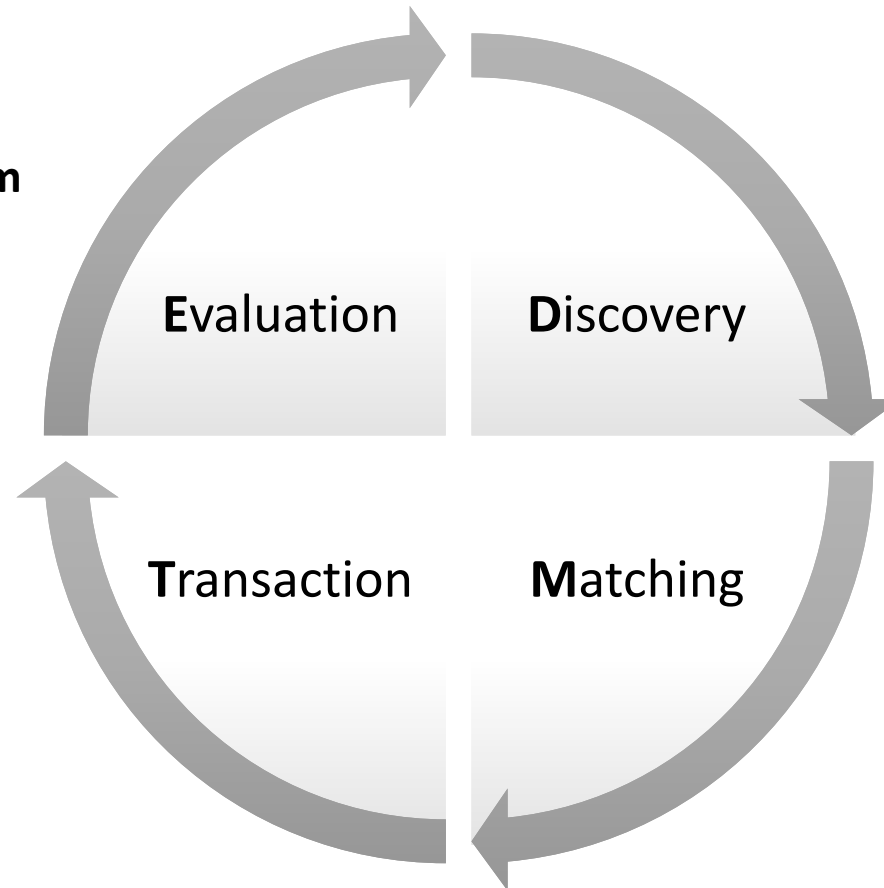


Value proposition of platform

DMTE as a cycle

4. The platform provide mechanism for evaluation and feedback of product and services offered

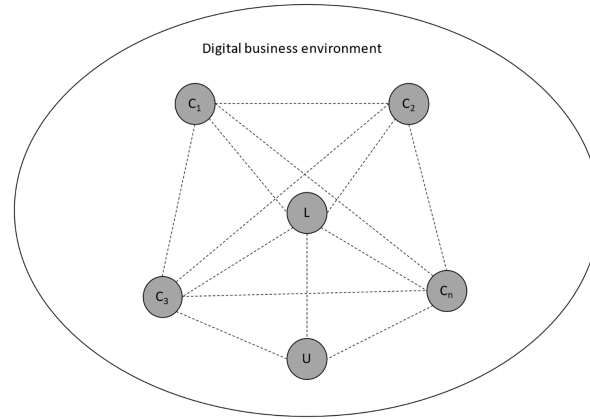
3. The transactions are subsumed in the platform



1. Reduce search cost for one entity, transaction may not occur on platform.

2. Reduce search cost for both interested entities, transaction may not occur on platform

1. Srinivasan, R. (2021). *Platform Business Models*. Springer.
2. Kanoria, Y., & Saban, D. (2021). Facilitating the search for partners on matching platforms. *Management Science*, 67(10), 5990-6029.
3. Hänninen, M. (2020). Review of studies on digital transaction platforms in marketing journals. *The International Review of Retail, Distribution and Consumer Research*, 30(2), 164-192.
4. Bonina, C., Koskinen, K., Eaton, B., & Gawer, A. (2021). Digital platforms for development: Foundations and research agenda. *Information Systems Journal*, 31(6), 869-902.



Designing the platforms: From the user's Perspective

Case study of AgTech Platform

Link: <https://doi.org/10.1108/JADEE-09-2022-0204>

Designing the platforms

- The literature discusses the agricultural platforms from the theoretical perspective of technological determinism, where the **platforms are developed and promoted by firms in a top-down manner** to be accepted by farmers.
- However, this approach results in **poorly configured platforms with limited utility and suitability for farmers.**
- It is evident from the existing literature that the mere creation of digital technologies, including the agricultural platform, is **not sufficient to guarantee adoption.**
- Hence, this theme explores *how to make the agricultural platform more attractive to farmers.*

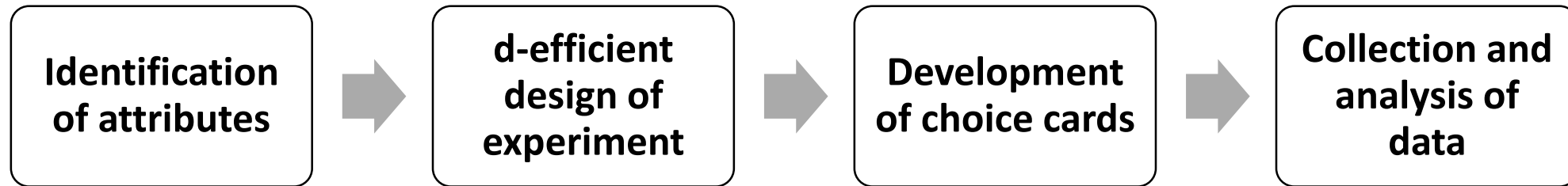
Designing the Platform: Discrete Experiment Approach

- How do we design the **AgTech platform** that can attract the farmers?
- Which **attributes** to focus on?
- In this theme, we aim to elucidate the **principal attributes that maximise the utility** of digital platforms for farmers.
- Understanding the **contribution of an attribute** to the **composite utility** will help the practitioners design and develop the platform that meets the farmers' expectations and attracts them to join it.

Platform	Attribute ₁	u_1	Composite utility function $\Sigma(u_1, u_2, u_3, u_4 \dots u_n)$
	Attribute ₂	u_2	
	Attribute ₃	u_3	
	Attribute ₄	u_4	
	Attribute _n	u_n	

Methodology

4 Fundamental Steps



Attribute selection for DCE

Attributes	Mean Garrett's Score	Rank	Inclusion in DCE (Y/N)
Ownership of the digital platform	73.20	1	Yes
Maximum credit provided by platform for purchasing agri-inputs and allied services (INR/bigha)	71.13	2	Yes
Connecting farmers with the output buyers	65.33	3	Yes
Time duration to deliver the services (days)	64.40	4	Yes
Price advantage on inputs, information and consumer services (on MRP or open market price)	59.07	5	Yes
Means of providing agricultural information and consultancy	58.47	6	Yes
Local facilitation centre facility available or not	50.20	7	No
Distance of the local facilitation centre from village	38.73	8	No
Reviews of product, services, and platform itself on the social media	37.20	9	No
Time lag in receiving the payment of output sold on the platform	36.53	10	No
Number of farmers recommending the platform	32.07	11	No
The minimum amount (Kg) of agri-output that can be sold on facilitation centre	30.07	12	No
Purchase option for buying agricultural inputs (single product or entire bundle of product/services sold for individual crop)	28.53	13	No

Based on Garret's ranking, the 6 attributes were selected, the levels were also decided after discussion with farmers (15 FGDs)

Final List of attributes and their levels

Based on Garret's ranking, the 6 attributes were selected, the levels were also decided after discussion with farmers (n=15)

Level	6 Attributes X 3 Levels						Codes ¹
	Ownership of the digital platform/Key entity which controls the platform	Max credit provided by platform for purchasing agri-inputs and allied services (INR/bigha)	Time duration to deliver the services (days)	Means of providing agricultural information and consultancy	Price advantage on input, information and consult services (On MRP or open market price)	Connecting farmers with the output buyers	
Level 1	Cooperative owned	4000	2	Call center representative	0%	The platform provides a commodity wise list of nearby output buyers with contact details	0
Level 2	Government owned	6000	5	Digitally by user interface or messaging	10%	The Platform has integrated feature of connecting the farmers with nearest output buyer	1
Level 3	Private firm owned	8000	7	Face to Face through a local facilitation center	20%	The Platform digitally connects the farmers with buyers and provide a mechanism of price negotiation and bargaining	2

1. Ryan, M., Kolstad, J. R., Rockers, P. C., & Dolea, C. (2012). *How to conduct a discrete choice experiment for health workforce recruitment and retention in remote and rural areas: a user guide with case studies* (No. 74489, pp. 1-94). The World Bank.

Problem with Full factorial design

- Number of attribute = 6
- Number of Levels in each attribute = 3
- Total combinations possible = $3 \times 3 \times 3 \times 3 \times 3 \times 3 = 729$!
- If we provide 2 alternative in a choice set = $(729 \times (729-1))/2$
= 2,65,356 choice cards for one respondent !!

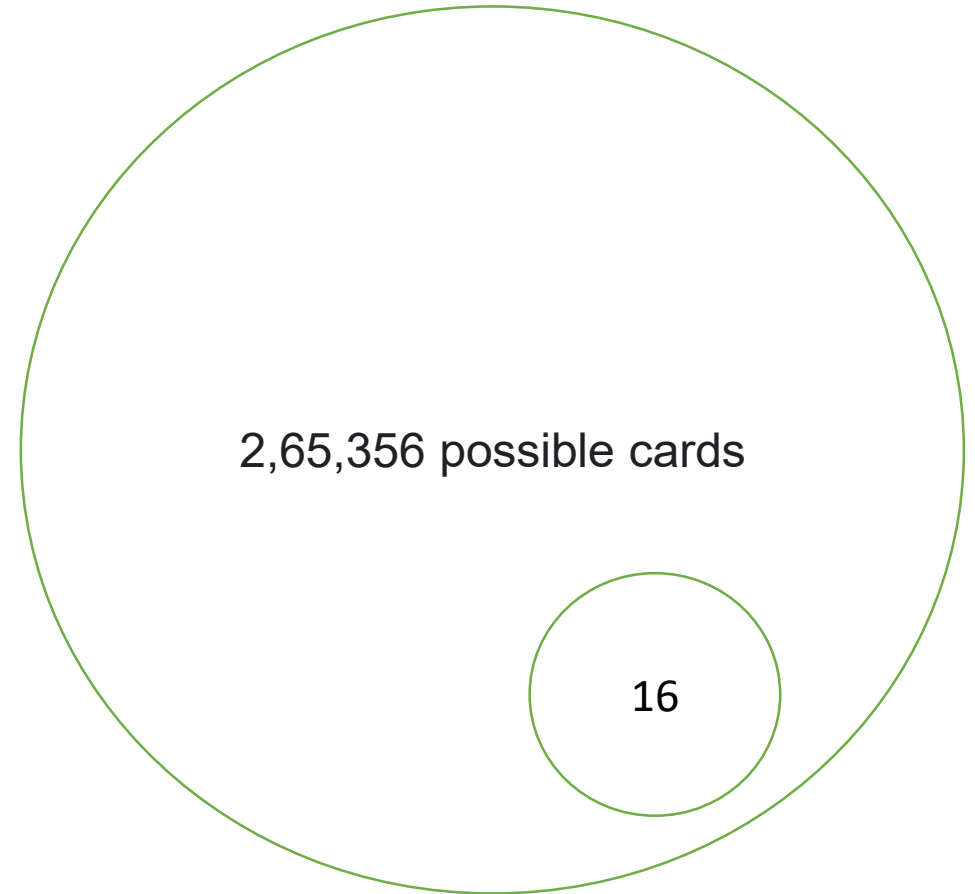
This is not a practical situation.

Hence we did fractional factorial design using d-efficient algorithm.

All choice cards are not needed → Fractional factorial Design

D-efficiency

- This approach maximizes D-efficiency, the standard metric in DCE design.
- This algorithm makes the choice set design **orthogonal and balanced**.



Fractional Factorial Design

Checked for:

- **Sufficient orthogonality:**

Based on correlation matrix. The correlation coefficients between attributes were fairly low (≤ 0.2) and not significant.

The design is sufficiently orthogonal

- **Level balance:**

Based on percent frequency of levels in the choice cards. The values were closer to 33.33 % for all the attribute (between 31-34%).

A good level balance was achieved in the design.

- **Minimum overlap:**

No overlapping found in the design i.e. no repeated attribute level within a choice set/choice card.

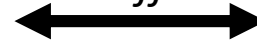
1. Ryan, M., Kolstad, J. R., Rockers, P. C., & Dolea, C. (2012). *How to conduct a discrete choice experiment for health workforce recruitment and retention in remote and rural areas: a user guide with case studies* (No. 74489, pp. 1-94). The World Bank.

S.No	Owner	Credit	Time	Consult	Price	Output	Choice card	Alt
1	2	0	0	0	0	0	1	1
2	0	1	2	1	2	2	1	2
3	0	1	1	0	1	1	2	1
4	2	2	0	1	2	2	2	2
5	2	1	0	2	2	2	3	1
6	1	0	2	1	1	0	3	2
7	0	2	0	0	2	1	4	1
8	2	1	1	1	1	2	4	2
9	1	0	0	2	1	2	5	1
10	2	2	2	0	0	0	5	2
11	2	0	1	1	2	1	6	1
12	1	1	2	0	1	2	6	2
13	2	2	1	0	1	2	7	1
14	1	1	0	1	0	1	7	2
15	2	1	2	1	2	1	8	1
16	1	2	1	2	0	2	8	2
17	1	0	2	0	2	2	9	1
18	0	2	1	2	1	1	9	2
19	2	1	0	1	0	0	10	1
20	1	2	2	2	2	1	10	2
21	0	2	0	1	2	0	11	1
22	2	0	2	2	0	1	11	2
23	0	0	1	0	0	2	12	1
24	2	2	2	2	1	0	12	2
25	1	2	1	0	0	1	13	1
26	0	0	0	2	1	0	13	2
27	1	1	1	0	2	0	14	1
28	0	2	2	1	0	2	14	2
29	0	0	2	2	2	0	15	1
30	1	2	0	1	1	1	15	2
31	1	1	1	2	0	0	16	1
32	2	0	0	0	1	1	16	2

One choice card has two alternatives * 0,1,2 are the level code (dummy coding was used)

A sample choice card

Horizontal tradeoffs between levels



Choice_set	1	1
Alternative	<i>a</i>	<i>b</i>
Owner/ Key player of the platform	Private firm owned	Cooperative owned
Maximum Credit offered per bigha	4000	6000
Maximum service time in days	2	7
Mode of farm consultation and agri-advisory	Call center representative	Digitally by messaging or video call
Price advantage on agri-input and information	0%	20%
Type of market linkage for crop output	The platform provides a commodity wise list of output buyers with contact details	The Platform connects the farmers with buyers and provide a mechanism of price negotiation bargaining



Vertical tradeoffs between attributes

Your Choice



The User Choice is proxy for Utility function →

The utility of the *n*th farmer associated with the platform can be expressed as:

$$U_n = V_n + \epsilon_n = \alpha_1 + \beta_1 x_{1n} + \beta_2 x_{2n} + \dots + \beta_m x_{mn} + \epsilon_n$$

Results

Variable	Coeff.	Bootstrap Std. err.	Odds ratio	WTA [#]	Lower level of 95% C.I.	Upper level of 95% C.I.
Private owned platform ^a	-0.34399***	0.075	0.709	21.968	9.886	34.050
Cooperative owned platform ^a	0.00731	0.075	1.007	-0.467	-9.932	8.998
Credit Facility	0.00008***	0.000	1.000	-0.005	-0.008	-0.002
Time duration to deliver product/service	-0.06129***	0.015	0.941	3.914	1.250	6.578
Consultancy and farm advisory service through VLE ^b	0.50852***	0.076	1.663	-32.475	-49.559	-15.391
Consultancy and farm advisory service through call centre ^b	-0.04056	0.074	0.960	2.590	-6.734	11.915
Price advantage on agri-inputs and information	0.01566***	0.004	1.016			
Developing market linkages and bargain for crop output through platform ^c	0.23608***	0.065	1.266	-15.077	-26.101	-4.052
List of market linkages for crop output ^c	-0.51723***	0.070	0.596	33.032	16.707	49.356
Constant	0.00982	0.059	1.010			
Number of farmers		126				
Number of observations = (126*32)=		4032				
Wald Chi ² (10)		273.4200				
Prob>Chi ²		0.0000				
Pseudo R ²		0.1119				
Log likelihood		-1241.025				

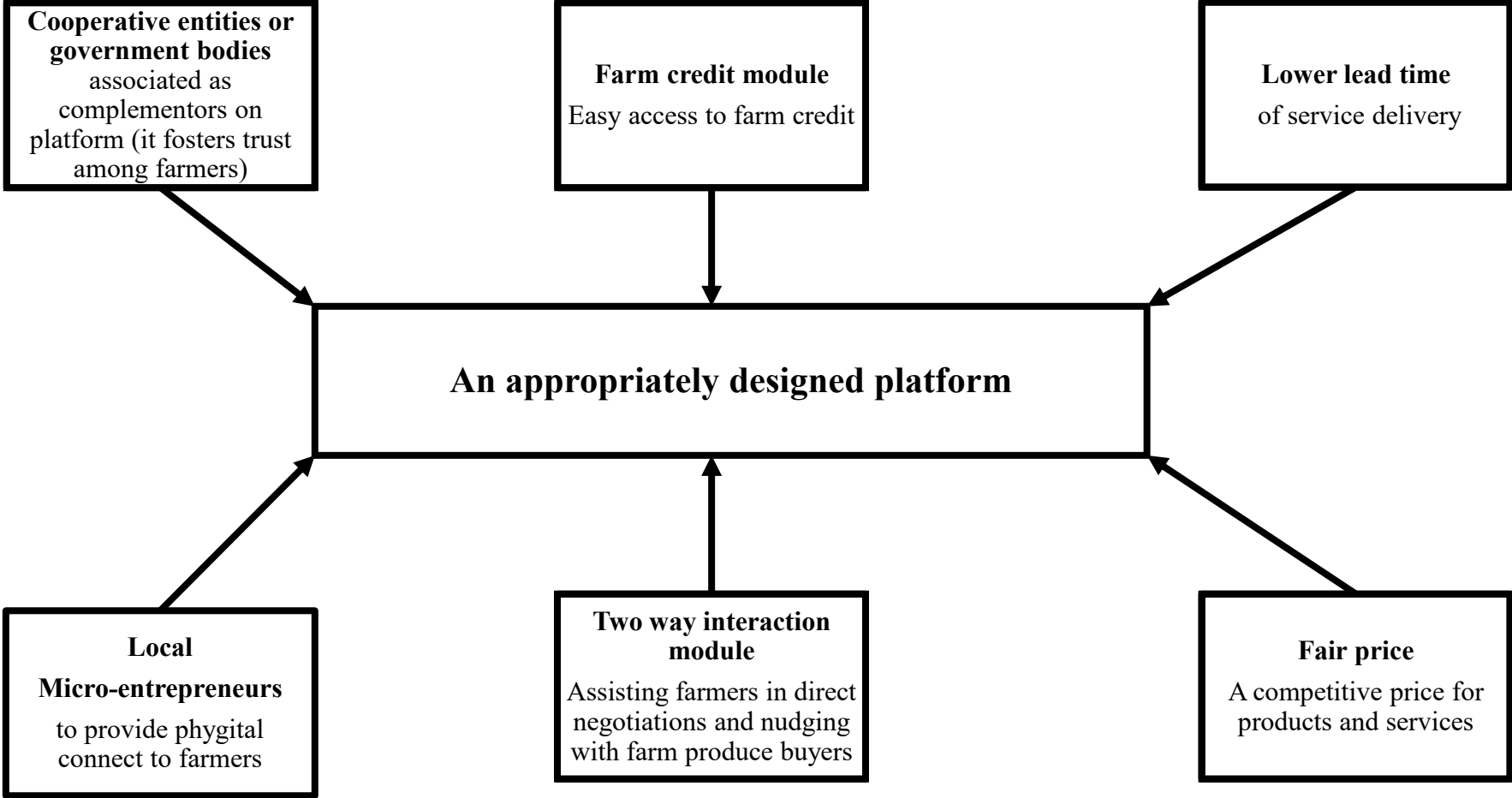
[#]WTA is the willingness to accept (higher expected price advantage) for improvement in other attributes of the platform.

^a Relative to the **government-owned** agricultural platform.

^b Relative to the **digital assisted consultancy and agro-advisory**.

^c Relative to the platform providing only the **digital linkage** between produce buyer and farmer.

Conclusion



Legal Strategies for Platform Business

Consumer/ Citizen Data

Should digital platforms store consumer/citizen data?

To What extent? Discuss.

General Data Protection Regulation → 'GDPR'

- Many small and big businesses have been accused of not taking care of **customer data** and **exposing it to third-party companies**.
- There are not one or two occasions where aggressive marketers targeted users with **spam campaigns**, and customers cried for change.
- The **European Parliament** heard their calls and introduced **GDPR**.
- GDPR is **globally relevant**. It forms the **gold standard** for best practices regarding consumer data sharing.
- Along the same lines India is in process of developing 'Digital Personal Data Protection Bill, 2022'

General Data Protection Regulation → 'GDPR'

- GDPR is the acronym that stands for “General Data Protection Regulation,” and it is a law that concerns all European citizens.
- It has implications for Indian firms. Digital markets go beyond **national boundary**.
- The initial idea was approved in April 2016, but GDPR took effect on the 25th of May 2018.
- An important thing to note about the latest data protection act is that **it concerns all types of collecting data** – regardless of it being **data on paper** or **digital records**.

General Data Protection Regulation → 'GDPR'

- It is a general law that **doesn't target a single area or type of business.**
- It is a **blanket regulation,**
- Since its launch, every single bookstore, hospital, ecommerce business, government institution, etc., should comply with the processing data rules for European Union citizens.

Why is the GDPR Important?

- GDPR is highly important in digital commerce, as **online stores process data daily. Lots of data.**
- As we mentioned earlier, the GDPR law was passed because of multiple customer complaints heavily targeted with **spammy campaigns** to which they have never subscribed.
- Among the most critical things after the introduction of GDPR is that **customer data can no longer be sold and mishandled.**
- If there were a way to escape **massive financial charges** in the past, authorities would now sanction **data breaches** regardless of whether they are intentional.

GDPR for Customers

- The law gives customers **extra data security** and **control** of their personal information.
- Nowadays, **users can decide if they want their IP addresses** (location) to be tracked and which companies to share data with.
- When the European Parliament passed the GDPR law,
 - It gave **customers the option to provide or deny access to their private data**
 - The **right to be erased from a database** if they have changed their minds
 - Most importantly, the **right to have control of their data at all times.**
- And it's not valid just for online companies, and the **GDPR applies to all types of data, whether digital storage or paper.**

GDPR for Ecommerce

- Ecommerce businesses weren't that happy with the introduction, as they needed to **change their existing means of data processing**.
- For example, each company nowadays should have a **dedicated data protection officer**.
- All company executives who have access to private information will now have to follow strict GDPR requirements.
- It's also important to know that every e-commerce store selling goods and services with European citizens has to be **GDPR-compliant, regardless of their location (it has an extraterritorial effect)**.

Scam Filtering- Benefits of GDPR

- If you're a legitimate e-commerce business, you know how bad it is to compete with scammers.
- They know all the tricks of black-hat marketing and often target customers with exceptional offers that don't exist and offers that you have no chance of matching.
- **Scammers put a dark stain on the whole e-commerce industry and its reputation.**
- Although GDPR hasn't put an end to cruel practices, as some people will always find loopholes in regulations, it has significantly raised **customer awareness and made shoppers more conscious.**

Targeted Marketing- Benefits for platforms

- Instead of paying for ads that will reach everyone who enters your website, **you will only reach out to those willing to share their data.**
- And **if users are proactive**, they probably have **some initial interest** that you could use.
- That's especially valid for email/Whatsapp/SMS marketing.
- GDPR law could save you thousands in terms of marketing costs (provided that you follow the rules).

Benefitting from GDPR

- That's odd at first sight, but you can promote your ecommerce store by **stating how strong your data protection policies** are and **how customers' personal data is safe with you**.
- A report shared in TechRepublic states that 47% of respondents fear their data can be hacked, so **promising a safe user experience will be welcomed with open arms**.

GDPR- The specifics

- **Change the cookie policy from opt-out to opt-in:** one of the biggest things to consider is the cookies' policy.

Beforehand, users were provided content by default, and they had to opt-out of receiving emails and other information from businesses. After the GDPR law enforcement, **companies have to include a double opt-in to ensure customers know what they are doing.**

- **Ensure 3rd party services are also GDPR-compliant:**

According to [Art.6\(1B\)](#) of the GDPR law, **every single service provider of yours should also be compliant.**

- **Assign people with access:**

Another essential thing is to check **which employees from your company will have the right to store and collect data.** Typically, people who are not in direct contact with customers (like janitors and office managers) should not have access to the database.

GDPR- The specifics

- **Have a dedicated data protection officer (DPO):**

If you process large amounts of data (although there is not a clear explanation of how much is “large”), you should hire a DPO who will:

1. Implement the GDPR policies.
2. Oversee how the company complies with them.
3. Train employees on how to process personal data.
4. Answer questions from data subjects in case of a request.

GDPR- Guidelines for Digital Businesses

- **Minimize Data Collection**

- ✓ To ensure your store will stay compliant with the new regulations, it will be best to **minimize data collected from customers.**

Your customer service, marketing, and sales teams will most probably be the ones that will need more personal information from customers.

You have to provide them with all the data they need to work with, **but make sure that people who churn or are unsuccessful leads are erased from your database to avoid issues in the future.**

- **Restrict Access to Databases**

- ✓ To avoid data theft, you should restrict the access of anyone who won't operate with personal data.
- ✓ This includes creating a **company access hierarchy** and **protecting information** with hard-to-guess passwords and reliable antivirus software.

- **Provide a Proper GDPR Education to Company Executives**

- ✓ Most companies of large size **deliver dedicated training to their employees**, but even if you are a small business, ensure **you provide all the necessary information before they start processing customer data.**

GDPR- Guidelines for Digital Businesses

- **Hold Your Employees Accountable**

- ✓ Many companies force employees to sign **non-disclosure agreements (NDAs)** to ensure there won't be data leaks. If you're a business owner, ensure you have secured a clause that will hold **employees accountable in case of a data breach, whether caused intentionally or due to negligence.**

- **Check all Service Providers**

- ✓ One crucial task is to **check all service providers** – including **payment processors** and **cloud services**. The GDPR law clearly states that **all data controllers (you) should ensure any third-party data processors are also compliant.**

- **React Quickly in Case of a Breach**

- ✓ If a data breach happens, you should **notify supervisory authorities within 72h** after the incident has happened and you have identified it.
- ✓ Another vital thing to do is **let all affected customers know immediately.**
- ✓ **Reporting to customers and authorities should be thorough**, including **the date and time of the incident, what type of data has been stolen, why it happened, etc.**

- **How to Create a Compliant Privacy Policy**

- ✓ Creating a compliance policy is not a challenging task to do, and all you need to remember is that you should follow honest and transparent business practices.

GDPR for eCommerce Checklist

1. Use Clear and Plain Language When Asking for Consent

When asking for consent, ensure you use simple language and avoid using words that can be misinterpreted.

2. Do Not “Help” Users with Shortcuts

By “assisting” users, I mean ticking the checkboxes for them, assuming things, and navigating them. Any of these things can be considered an “opt-out” policy, which is banned. According to the GDPR rules, consent should be **“freely given, specific, informed and unambiguous.”**

3. Clear Data Privacy Policy

Ensure your **privacy policy and terms & conditions** are visible. Do not hide anything with small print, as in case of a data breach, this could be an aggravating factor that could lead to a more significant penalty.

4. Collect Only Necessary Information

According to the GDPR law, you should only be collecting data required to run your operations. Any unneeded fields you should skip. For example, **if you don't sell alcoholic beverages or any products that are forbidden for non-adults, you should not ask for the date of birth.**

Non-Compliance Consequences

Non-compliance with the GDPR could potentially lead to severe penalties. Of course, this is a delicate matter, and no one can decide how much money the organization will pay in case of data breaches.

Many things are taken under consideration, like:

- **Magnitude and nature of the data breach:** how much information was leaked, number of people affected, what type of data has been stolen, how much damage it caused to users, and how much time it took to resolve the issue?
- **Cooperation with authorities:** did someone notify the supervisory authority as soon as possible, and did the organization fully cooperate with authorities to resolve the issue as quickly as possible?
- **Previous records of GDPR infringements:** did the company have previous records of mishandling personal data, and how long ago did it happen for the last time?
- **Precautionary measures:** did the company ensure it had protected customers' data before the breach?
- **Potential benefits from the infringement:** did the company or any company executive benefitted from the data infringement?

In the worst-case scenario, companies can be fined up to €20 million or 4% of the global annual revenue (whichever is higher).

Anti-Piracy legal frameworks

'SOPA' → Stop Online Piracy Act

- It aims to crack down on **copyright infringement** by restricting access to sites that host or facilitate the trading of **pirated content**.
- SOPA's main targets are "rogue" overseas sites like the **torrent hub** and the Pirate Bay, which are a trove for illegal downloads.
- Go to the Pirate Bay, type in any current hit movie or TV shows like "Glee," and you'll see links to download full seasons and recent episodes for free.

'SOPA' → Stop Online Piracy Act

- Content creators have battled against piracy for years, but it's hard for U.S. companies to take action against foreign sites.
- The Pirate Bay's servers are physically located in Sweden.
- So SOPA's goal is **to cut off pirate sites' oxygen** by requiring **U.S. search engines, advertising networks and other providers** to withhold their services.

“That means sites like Google wouldn't show flagged sites in their search results, and payment processors like eBay's (EBAY, Fortune 500) PayPal couldn't transmit funds to them.”

'SOPA' → Stop Online Piracy Act

- Let's say a YouTube user uploads a copyrighted song.

Under the SOPA, that song's copyright holders could send a "takedown notice" to YouTube. YouTube is protected against liability as long as it removes the content within a reasonable timeframe.

SOPA has replace DMCA- 'Digital Millennium Copyright Act '

When it gets a DMCA warning, YouTube has to notify the user who uploaded the content. That user has the right to file a counter-motion demonstrating that the content doesn't infringe on any copyrights. If the two sides keep disagreeing, the issue can go to court.

DMCA is useless against the overseas website.

'SOPA' → Stop Online Piracy Act

- SOPA tackles the issue by moving up the chain.
- If you can't force overseas sites to take down copyrighted work, you can at least stop U.S. companies from providing their services to those sites.
- You can also make it harder for U.S. Internet users to find and access the sites.

PROTECT IP Act- 'PIPA'

- The PROTECT IP Act is designed to curb copyright infringement and counterfeiting.
- The full name of the bill is the **Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act.**

*PIPA provides a mechanism for preventing online copyright infringement by allowing the Department of Justice (DoJ) or copyright holder to **block access to domains with alleged infringed content**, including social networking websites and domain name services.*

SOPA/PIPA

- SOPA and PIPA originally included two methods of protection.
- SOPA involves the United States Department of Justice filing for court orders to **force ISPs to block the domain names of sites committing infringement**. An ISP, like Comcast, might *block customers from accessing a particular website* reported for infringement of intellectual property, though the IP address would still be available through another ISP.
- The PIPA allows the **owner of the intellectual property to get a court order to prevent advertisers, search engines, and payment providers from doing business with an offending entity**. The link would then disappear from search results and money would stop flowing to the company. The penalised site has five days to appeal.

Differences Between SOPA and PIPA

- SOPA and PIPA have slightly different focuses.
- SOPA applies to "foreign infringing sites" that "commit or facilitate" infringement on copyrighted media.
- PIPA is aimed at sites with "no significant use other than" committing **acts of infringement**.
- Between PIPA and SOPA, the SOPA is the more aggressive of the two.

The First Sale Doctrine

- Manufacturers can create material differences and quality controls
- Manufacturers often look to trademark law to stop unauthorised online sales of their products.
- However, online resellers are typically immune from liability for selling genuine trademarked products.
- This is due to what is known as the First Sale Doctrine.

The First Sale Doctrine

- Many manufacturers contract with **authorised sellers** to help control the distribution of their products.
- They can hold the authorized distributors accountable through, among other things, potential breach of contract claims.
- However, **manufacturers do not have such recourse against unauthorized sellers who obtain their products and resell them online.**
- Further, many of the unauthorized sellers benefit from the aforementioned First Sale Doctrine.

The First Sale Doctrine

- The First Sale Doctrine generally provides that someone who purchases a trademarked product acquires the right to resell that same product.
- Stated differently, *someone who buys a product usually can resell that product online, without incurring any liability.*
- Fortunately, for manufacturers, there are exceptions to the **First Sale Doctrine**.
- These exceptions are significant, as they can serve as the basis for manufacturers being able to stop widespread unauthorised sales.

The First Sale Doctrine- Material difference exception

- The Material Difference exception can give brands a legal claim for **trademark infringement against gray market sellers** who rely upon the First Sale Doctrine for their defense.
- Resellers are not immune from **trademark liability** when they offer “**trademarked goods materially different than those sold by the trademark holder.**”
- Thus, based on this “material difference” exception, manufacturers can work to distinguish their genuine products from the diverted goods sold outside the authorised distribution channels.

The First Sale Doctrine- Material difference exception

- Material difference is defined as **“one that consumers consider relevant to a decision about whether to purchase a product.”**
- Moreover, courts have established that only a single material difference is necessary to give rise to trademark infringement. Further, a material difference does not have to be “physical” to give rise to a trademark infringement claim.

The First Sale Doctrine- Material difference exception

- One example of a material difference is a **difference in warranty, guarantee or return policy.**
- For example, **many manufacturers use language indicating that warranties only apply to purchases through authorized channels.**
- Thus, *a non-genuine product not subject to the same warranty as a genuine product constitutes a material difference.*
- Material differences can also include an absence (on a reseller's part) of certain offerings of **customer service and repairs; certain promotions, discounts** or other programs; or certain **post-sale services**

The First Sale Doctrine-Quality Control Exception

- A manufacturer's product is not considered truly "genuine" unless it is manufactured and distributed under quality controls established by the manufacturer.
- Thus, courts have held that trademark holders have the right to control the quality of their distribution.
- In other words, **unauthorized resellers who do not follow a manufacturer's quality controls can be liable for trademark infringement.**

There are a number of potential quality controls that a manufacturer can implement.

For example, this list includes certain policies or practices for:

1. vetting potential retailers;
2. checking on/monitoring authorized sellers to ensure compliance;
3. retailers removing (from the internet) or returning damaged/defective products;
4. prohibiting anonymous online sales;
5. product recalls;
6. reporting customer complaints; and
7. storage conditions.

Key take away

- Manufacturers can potentially overcome the First Sale Doctrine by establishing **potential material differences** and **certain quality controls** (and enforcing them).
- In other words, manufacturers can (and should) position themselves to have strong legal claims (i.e., trademark infringement).
- This is critical to **effectively stopping product diversion** and **limiting the effects of unauthorized online sales**.

Doctrine of Fair Use

- Fair use is an affirmative defense that can be raised in response to claims by a copyright owner that a person is infringing a copyright.
- Fair use permits **a party to use a copyrighted work** without the copyright owner's permission for purposes such as criticism, comment, news reporting, teaching, scholarship, or research.
- These purposes only illustrate what might be considered as fair use and are not examples of what will always be considered as fair use.

Doctrine of Fair Use

Copyright laws establish four factors that must be considered in deciding whether a use constitutes fair use:

1. The purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
2. The nature of the copyrighted work;
3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
4. The effect of the use upon the potential market for or value of the copyrighted work.

Factor 1: The Purpose and Character of the Use

- The first factor mostly focuses on whether the use is commercial or non-commercial and whether the use is transformative.
- If a use is commercial it is less likely to be fair use and if it is non-commercial it is more likely to be fair use.
- Transformative uses are those that add something new, with a further purpose or different character, and do not substitute for the original use of the work.
- If the use is transformative it is more likely to be fair use and if it is not transformative it is less likely to be fair use.

Factor 2: The Nature of the Copyrighted Work

- The second factor considers the nature of the underlying work, specifically whether it is more creative or more factual.
- Use of a more creative or imaginative underlying work is less likely to support a claim of fair use, while use of a factual work would be more likely to support a fair use claim.
- This factor also looks at the publication status of the copyrighted work.
- When the copyrighted work is unpublished the use is less likely to be a fair use.

Factor 3: The Amount Used

- The third factor considers the amount of the copyrighted work that was used compared to the copyrighted work as a whole.
- Where the amount used is very small in relation to the copyrighted work, this factor will favor a finding of fair use, but where the amount used is not insignificant, this factor will favor the copyright owner.
- This factor also considers the qualitative amount of the copyrighted work used.
- If the portion used was the “heart” of the work, this factor will likely weigh against a finding of fair use even if that portion was otherwise a very small amount.

Factor 4: The Effect of the Use on the Market

- The fourth factor not only considers whether the defendant's activities may harm the current market but also whether the use may cause any harm to potential markets that could be exploited by the copyright owner if the use were to become widespread.
- If the use harms the copyright owner's current or potential market, it will weigh against fair use.
- Along with the first factor, this factor is one of the most important in the fair use analysis.

Online Reviews

Myths about online review importance

Reviews are only written by angry people

85% of reviews are positive

Reviews are out of my control

Reviews are “user-generated” content but you can control your business listings, menus and services, contact information, website links and conversation-changing review responses

Most reviews are fake, unreliable or unreasonable and they won't effect my business

Growing thought process that there are increased numbers of online reviews that are fake or paid for by companies – doesn't mean real people have stopped posting, sharing, reading reviews.

In fact, 80% of online purchases are influenced by online reviews

Myths about online review importance

Nothing good ever comes from bad reviews

- Negative reviews can be harsh, cruel and anger fueled, but read carefully and learn how to mine the good stuff from the negativity
- Negative reviews can help you identify and resolve customer issues, compare your performance to competitors and establish or increase your credibility

Managing Online Reviews

Research

Respond

Negative AND Positive


Don't give in to pressure from negative reviews

Don't be held hostage by online "assassins" looking for free services





Encourage


Customers who have positive experiences are more likely to post comments or reviews when asked




Positive Review Responses


 reviewed Bowser Nissan — 5★
July 11 · 🌐

I called yesterday and needed an appointment to have a diagnosis for my check engine light being on, very accommodating at getting me in the next afternoon (today) and my concerns, two recalls, and a car wash were all done in an hour! Everyone was so nice and helpful and thank you, Paul, for going the extra mile! I will definitely be back!!





 Like  Comment  Share 



 Bowser Nissan



 **Bowser Nissan** 
Thank you for your review! Our staff works hard each day to provide the best customer service and we're so glad to see that you had a great experience with us. We will be sure to pass this along to Paul! Thank you for coming to Bowser!
Like · Reply ·  1 · Commented on by Sprout Social [?] · July 12 at 8:40am


 reviewed Bowser Cadillac — 3★
September 28 · 🌐

I am a REPEAT customer to Bowser Cadillac and would not be without PAUL POLLOCK. He is a great gentleman and understands my busy schedule and accommodates me ALWAYS.

 Like  Comment  Share 

 **Bowser Cadillac** 
Thank you for continuing to come back to us and working with Paul. We are very lucky to have him as a part of our team. We noticed that your rating for us is a 3 out of 5. Is there anything in particular that you feel we can improve on? We appreciate our customer's feedback and hope we can continue to grow and improve our customer service.
Like · Reply · Commented on by Reputation.com [?] · September 28 at 12:29pm

  I do not recall a 3 DESERVING OF A 5.
Like · Reply · September 28 at 6:04pm

 **Bowser Cadillac** Thank you, Nancy. We appreciate your feedback!
Like · Reply · Commented on by Sprout Social [?] · September 29 at 8:50am

- Thank the customer for taking the time to review
- Make it more personal – highlight what sets you apart from others, and be sure to acknowledge staff if mentioned

Negative Review Responses

Changing the Conversation

1# Bowser 1# Mistake

You picked the wrong the one to lie to!

I have been having the worst first 12 months of leasing a vehicle that I have ever had! I was promised and told specifically that I would receive 2 free oil changes a year and included with my sign and drive lease was 0\$ down and my first months payment was to be taken care of by the dealership. Now, into my lease by 1 year--still NO first payment made to GMC Financial and I was only given 2 free oil changes in total for the lease--not the 2 per year as promised. My sales person even admittedly told me he mistakenly told me wrong and the dealership will still not honor the oil changes. Unbelievable!

(My lease is a 2 year lease.) I have made several phone calls--and spoke to several people and I was offered no resolution! I have received horrible customer service. I will never buy or lease a vehicle with Bowser again and I will now make sure I get everything in writing in future with any dealership! Horrible experience overall--they are quick to make promises and sales to get you out the door but then act as though they don't even know you or any of the issues you brought forward once things get escalated.

You lose my business when you lie to me and then have the audacity to blame it on me! Who you need to blame are the incompetent sales people making promises that they can't keep and informing consumers of incorrect information. If you don't know what you are selling or what is included in your "deal" then don't offer it. And a "sign and drive" with 0\$ down and the first months payment should entail exactly what is told to me. I'm afraid to do business with you again and I am humiliated that I was talked down to today by your general sales manager Mr. Ross. Mr. Weston and Mr. Ross must take lessons from one another because they are both confused, misinformed, unprofessional, and just irrelevant to anything that the GMC brand stands for or sells.



Bowser Buick GMC Mr. [REDACTED], we understand that leasing a vehicle can difficult for some people to understand. We know that you have already spoken to Mr. Ross regarding the issues you have stated previously and he explained everything in detail during that conversation. In regards to your maintenance, Buick offers customers their first 2 oil changes for free, while GMC offer the first 2 years or 20,000 miles of maintenance - whichever comes first. Unfortunately this is a General Motors policy not a Bowser policy. In regards to your lease, the first payment is always made at the time of purchase. Whether it is included as a down payment or the dealer agrees to pay it, the first payment is sent in to the bank with the financing paperwork. Therefore, the first statement received by the customers is actually the 2nd payment and is the customer's responsibility.

[Like](#) · [Reply](#) · Commented on by Megan Erney [?] · October 17 at 11:59am



[REDACTED] Nice try to turn the confusion and blame back on the consumer. No, I am not confused on leasing. This is the fourth vehicle I have leased and I am only 29. However, this is the first lease I am confused on with why I would be told something by your dealership and that not be followed through with. You stated, "GMC offer the first 2 years or 20,000 miles of maintenance - whichever comes first." I only have 10,000 miles on the vehicle; so does that mean that the oil changes are still covered?

[Like](#) · [Reply](#) · October 23 at 11:13pm



Bowser Buick GMC Mr. [REDACTED], it is 2 years or 20,000 miles whichever comes first however, General Motors' recommendation is for oil changes to be completed every 7,500 miles, therefore during the 2 years, General Motors will cover 2 oil changes and 2 tire rotations. Once those are completed, the program ends regardless of term and mileage. Should you like to discuss this further, you are welcome to give us a call or certainly reach out to General Motors at 1 (888) 988-7267.

[Like](#) · [Reply](#) · Commented on by Megan Erney [?] · October 24 at 10:25am



[REDACTED] Unfortunately that's the other issue. The GMC technicians were not changing the oil on the schedule of 7500...but much sooner. What a mess.

[Like](#) · [Reply](#) · October 24 at 3:44pm



Bowser Buick GMC Did you have those oil changes completed here at Bowser? If so, we certainly need to bring that to the attention of our service management team.

[Like](#) · [Reply](#) · Commented on by Sprout Social [?] · October 24 at 4:22pm



[REDACTED] No. It was at Cochran in Monroeville. Could you look into that for me?



Bowser Buick GMC The only thing we could do is to bring it to the attention of the GMC Service Representative and hope they discuss it with Cochran. We would still recommend you reach out to their service manager or GM Customer Service at 1-888-988-7267

[Like](#) · [Reply](#) · Commented on by Sprout Social [?] · October 25 at 8:40am

Review Responses – Online “Assassins”

☆☆☆☆ 6/5/2017

We Picked up a last minute pedicure here. The space is clean and inviting. But the pedicure was only so-so. They didn't even clean our toenails. Or scrub our legs like every other basic pedicure does. No massage. No cream on feet. I also asked for a manicure with no polish, and they didn't even soak my nails. I also had to ask the woman to clean the dirt from under my nails. Which is weird, it feels odd to have to ask people who are taking care of your nails to clean them.



Comment from Supatida L. of AEY Nail Bar
Business Owner

6/5/2017 · Dear K.M.

Thank you for your review! We understand that you may not feel like your service is meeting to your expectation and value. Based on your review I believe you and your friend might have received a simple and sweet pedicure, which only give grooming nails, cuticles, callus service and polish. If you are looking for massage and scrub I would recommend a signature service which includes the organic sugar scrub, and massage. Keep in mind, we do not charge extra for callus remover like other salon (\$10) we includes it every pedicure service because we don't believe in up charge on French manicure, callus remover, matte top coat, etc. Our menu posted everywhere inside the salon and our website have all the service listed with detail description of each service offers, so our guest can see all the pricing before their service start. For your manicure, we only do the dry manicure service, if you would specified that you would like your nails to be soak we would oblige to your request. I will definitely discuss with our staff to ensure that the next guest would receive standardize service with us. We really appreciated your feedback which it will only help us improve from here.

Thank you,

Aey Supatida [Read less](#)

The curious case of fake reviews

Fake Reviews- Impact of Business

- It's a crime story fit for the digital era.
- It was recently reported that a number of restaurants in New York had been targeted by internet scammers threatening to leave unfavourable "one-star" reviews unless they received gift certificates.
- The same threats were made to eateries in Chicago and San Francisco and it appears that a vegan restaurant received as many as eight one-star reviews in the space of a week before being approached for money.

Fake Reviews- Impact of Business

- It's surprising this sort of thing hasn't emerged before. An over-reliance on the "wisdom of the crowd", whereby many people measure things by the approval of the rest of the community, leaves us vulnerable to this kind of fraud.
- It's all about numbers.
- Products and companies are measured online by the number of stars they get on a five-star scale, influencers are measured by numbers of followers, posts are measured by the numbers of likes or retweets.

Fake Reviews- Impact of Business

- But why are these systems considered to be of value, and why do we consult them almost blindly?
- In an age of information overload, feedback and reputation systems enable fast decision-making, providing us with the sense (or illusion) that we are in control as the decision taken is perceived to be informed.

Fake Reviews- Impact of Business

- Another idea at play here is the "attention economy paradigm". Under this way of thinking, human attention is a scarce commodity and - as with all resources that are limited on this planet - it is of high value.
- Businesses compete for a high as possible place on the first page of Google's search results in order to capture this attention. And user feedback is one of the many parameters that influence the search engine's secret ranking algorithms.
- The notable success and acceptance of such reputation systems is grounded in the idea of the wisdom of the crowd comes in. If a sufficiently large sample of the population is asked to estimate something, the average of these estimations is expected to be very close to the actual value.

Fake Reviews

- There are several reasons and motivations for fake reviews. Business competitors may try to flood a business target with negative reviews in order to harm their competitor.
- Others may attempt, by creating fake profiles or "bribing" customers with free or discounted products, to engineer positive reviews and misrepresent the quality of their products.
- But extortion via threats of negative review is particularly insidious.
- A surge of negative reviews on a business's Google profile not only affects its search engine ranking, but significantly influences the potential customers' purchase decisions.

Fake Reviews → What can be Done?

- The abuse of online feedback and reputation systems has grown to epidemic proportion.
- Countering it will require the coordination of everyone involved.
- Google and other feedback and reputation service providers need to invest more resources into the prevention, detection and removal of fake reviews.
- Machine learning technologies have made impressive leaps in recent years and could help in weeding out fake content.

Fake Reviews → What can be Done?

- Businesses also need to embrace the system for reporting problem reviews and use it responsibly.
- They should not report negative feedback if it is genuine, as this affects the relationship with the feedback platform, which will understandably be more distrustful to the business.
- And consumers should be more alert and educated about this rather than following these rankings religiously.
- It's also instructive to check whether the reviewer produces a lot of negative reviews across many and seemingly unconnected products in a short time.

Counterfeits

- To counterfeit means to imitate something authentic, with the intent to steal, destroy, or replace the original, for use in illegal transactions, or otherwise to deceive individuals into believing that the fake is of equal or greater value than the real thing.
- Counterfeit products are fakes or unauthorized replicas of the real product.

Alibaba: the battle against counterfeits

Nancy Jyani and Harbhajan Bansal

Context

- Counterfeit products constitute more than 3% of world trade.
- Manufacturing and selling of counterfeits have become easier than ever with the wide and easy reach of technology.
- The fakes manufactured in today's era matches original products in terms of quality and performance.
- In addition to that, internet has smoothened the sale of such fake replicas around the globe.

Context

- Alibaba Group, which owns a multitude of e-commerce platforms, faced serious problem of counterfeit selling across its various websites.
- The various challenges were degrading global image, rising number of fake products and numerous lawsuits filed against the company.

Discuss

- Why selling fakes is easy over the internet?
- Comment on the role of e-commerce marketplaces such as Alibaba in “accidental promotion” of counterfeiting.

Why selling fakes is easy over the internet?

- According to a report by Organisation for Economic Co-operation and Development and the Intellectual property Office of the European Union published in the year 2019, 3.3% of the total global trade constitutes counterfeits (OECD & EUIPO, 2019).
- Technology and internet had changed the way markets operate and has certainly brought sellers and consumers together.
- Technology is the reason counterfeiters are able to produce products which are similar in quality and appearance to the original brands. Counterfeiters are able to copy the minute details due to technological advancement, and it becomes impossible to judge the authenticity with a simple effortless glance.
- The use of technology, i.e. internet, in supplying such products have further aggravated the problem due to wider reach and easy accessibility.

Why selling fakes is easy over the internet?

- Although technology is the reason counterfeiting thrived, it is also the medium to control it.
- Methods like radio frequency identification and quick response codes (QR codes) are used by brands to prevent counterfeiting.
- Alibaba, too, used the means of technology to detect and remove fake product listings from its websites.

Why selling fakes is easy over the internet?

- With technology, there is a temporal and physical separation of consumers and buyers and selling fakes have become easier than ever.
- Third party selling over e-commerce platforms have further aggravated the problem.
- Third party selling is a system prevailing one-commerce platforms which function as “marketplace” constituting numerous sellers, known as “third-party sellers” who list their products on the platform for consumers to buy.
- Simply put, the platform itself is not the seller but just a facilitator where products are listed. In such a scenario, it becomes really difficult for the e-commerce platform to look into the quality or authenticity of the products listed.
- The mere images and descriptions used by the sellers may not suffice the information to judge the authenticity of the product. On the one hand, the consumers might get deceived by the information and make the purchase, known as deceptive counterfeiting.
- On the other hand, the consumer might buy the product knowing it is fake. This is because the consumer was unable to buy the original version and seeks the intangible benefits associated with originals. This phenomenon is called non-deceptive counterfeiting and is more prominent in fashion goods.

Accidental promotion of Counterfeits on Alibaba

- Counterfeiting over the e-commerce marketplaces, whether deceptive or non-deceptive (Grossman & Shapiro, 1988), harms the credibility of the platform.
- This is because consumer buys the product from the platform and loses the trust after receiving a product which is not up to the expectations.
- Even if the consumer knowingly purchases a fake product and sees no harm, the brand suffers significant losses in terms of lost revenue and depleting exclusivity.
- The products are listed on the e-commerce platform, and hence, in either case, the platform is seeking consumers to buy it.
- Therefore, accidentally it promotes counterfeits.
- There is a dire need to rigorously monitor the platform to wipe out such listings to protect the intellectual property stakeholders.

Thank You