



Fakultas
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Week-2 PLATFORM STRATEGY [design]

Platform Canvas, Core Interaction, Platform Stack, TRIE,
Chicken&Egg Problem

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Scalable and sustainable business models need to be designed before they can be optimized.

So,Designed before you optimize!

It is complex because of:

- **Multiple user roles** (needs to balance value, costs, and incentives across all these user bases)
- **Open architecture** (allow user to contribute and add value)
- **Quality control and relevance** (ensure that a platform offers quality and relevance to ensure that abundance does not overwhelm consumers)
- **User-generated value** (design decision are critical to ensure that platforms attract usage, even at low value.)

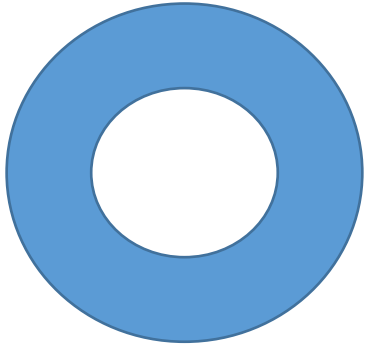
All design decisions should ensure the repeatability and sustainability of the core interaction that the platform enables.

- Physical goods (eBay)
- Virtual goods (Facebook)
- Standardized services (Uber)
- Non-standardized services (Upwork)
- Data (Waze)

Produsen

Value

The goal is enabling interactions



Konsumen

Currency

- Economic currency (money/e-money)
- Social currencies (attention, reputation, influence, or goodwill)

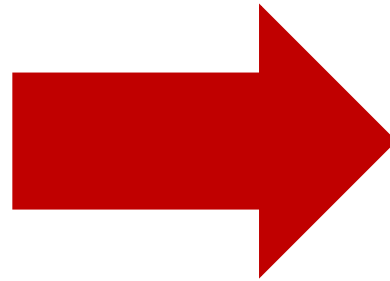
Produsen atau konsumen dalam platform lebih disebut sebagai peran (*role*)

Principle	Platform	Pipes
Plug-and-play business design	Platform should be build to encourage open participation. However, open participation leads to creation of noise. So, platform should have design for access control (to control the behavior of producers) and consumption filters (to help consumers decide which items should be served to which consumers)	Pipes focus on optimizing process flows. Pipes businesses scale by increasing the repeatability and efficiency of value-creation and delivery process
Balancing value creation for both producers and consumers	Focus on the value creation for both producers and consumers	Focus on optimizing the experience for their customers or users
Strategic choice of “free”	Free is strategic if: (1) it increases the repeatability of interactions; (2) It involves the capture of monetizable data. At least one role is subsidized to participate on the platform	Free trials of products (from producers) to encourage consumers to have an experience toward the product.

Principle	Platform	Pipes
Key Processes	Pull-Facilitate-Match	Source-Assemble-Deliver
Layering on new interactions	Platforms scale by adding more interactions and layering on edge interactions around a core interactions (e.g. LinkedIn core interaction is enabling professionals to connect with each other)	Interaction mean transaction
Enabling end-to-end interactions	Efficiencies created in the interaction extend beyond the matching of supply and demand to enable end-to-end interactions (dynamic in nature)	Efficiencies by produce more goods (static in nature)
Creation of persistent value beyond the interaction	Interactions enable the creation of lasting and persistent value beyond the single exchange. Example: Airbnb hosts and guests rate and review each other during every interaction, creating reputation that enables future transactions.	

PIPES

User-first thinking



PLATFORMS

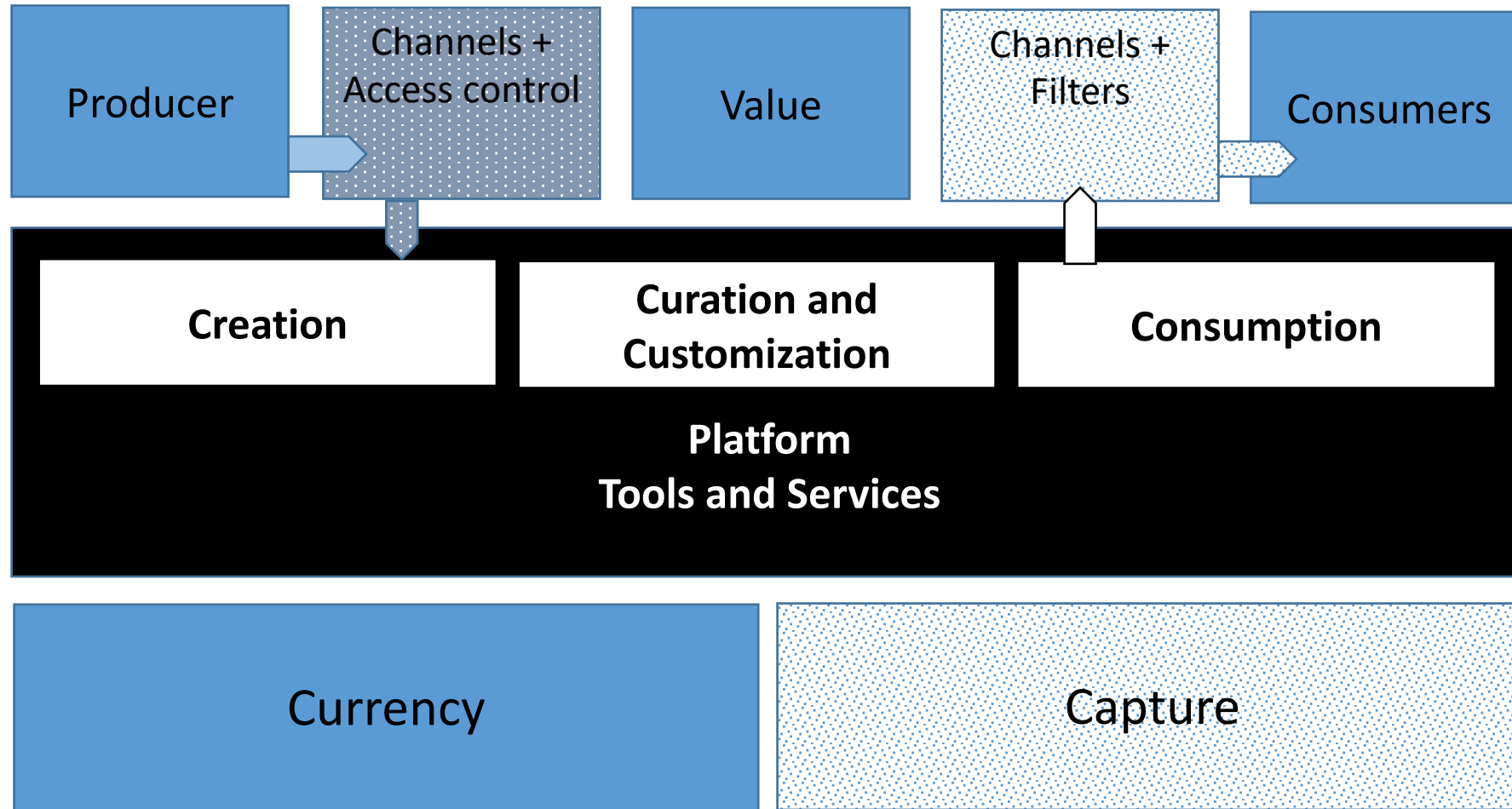
Interaction-first thinking

Not

Technology-first mindset

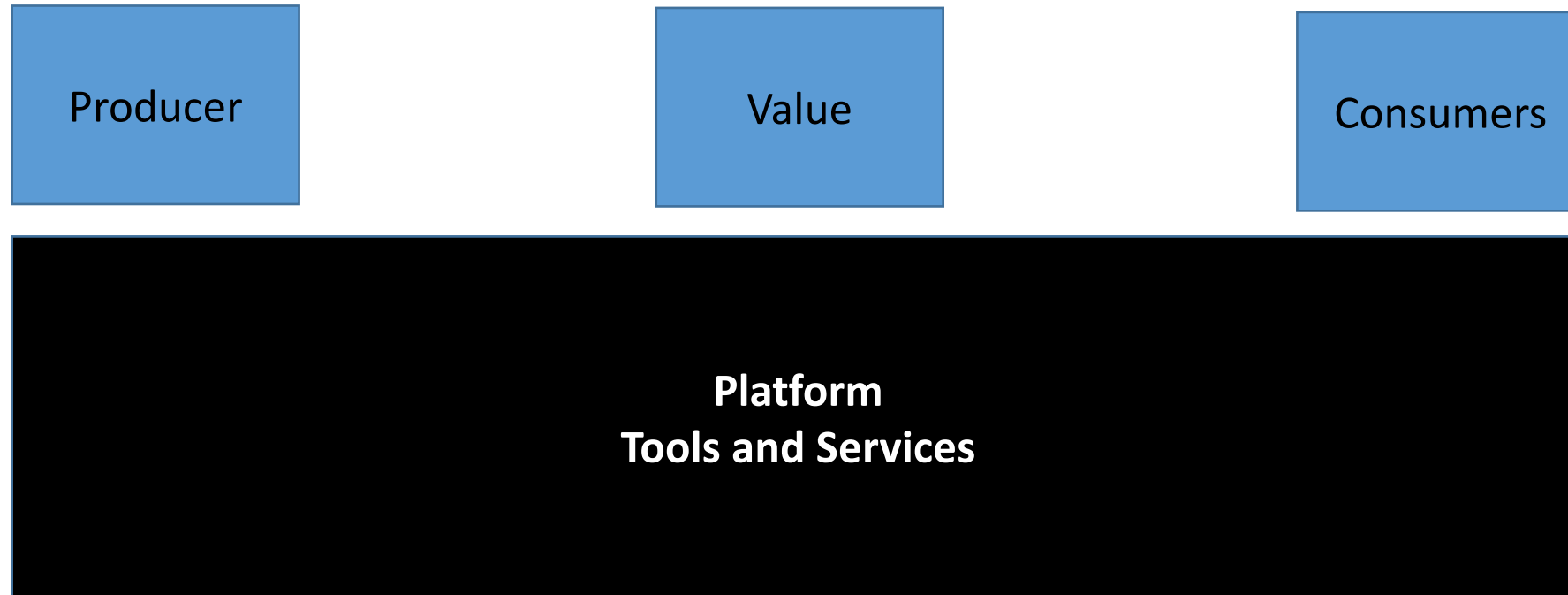
- <https://www.youtube.com/watch?v=PhBVrc5eQ5M> (Digital platforms: Are you a product business or a platform business?)
- https://www.youtube.com/watch?v=tPXwV6FGI_8 (What is the difference between Service vs Product vs Platform business?)

The Platform Canvas



It is a plug-and-play business with participatory as a keyword. It must be design in a manner that encourages desirable and relevance participation. It's about the economy of abundance (creating value with greater abundance). However, beware of diminishing value as consumers hard to find what they are looking for and swim around in a sea of irrelevance.

1. Start with The Core Interaction

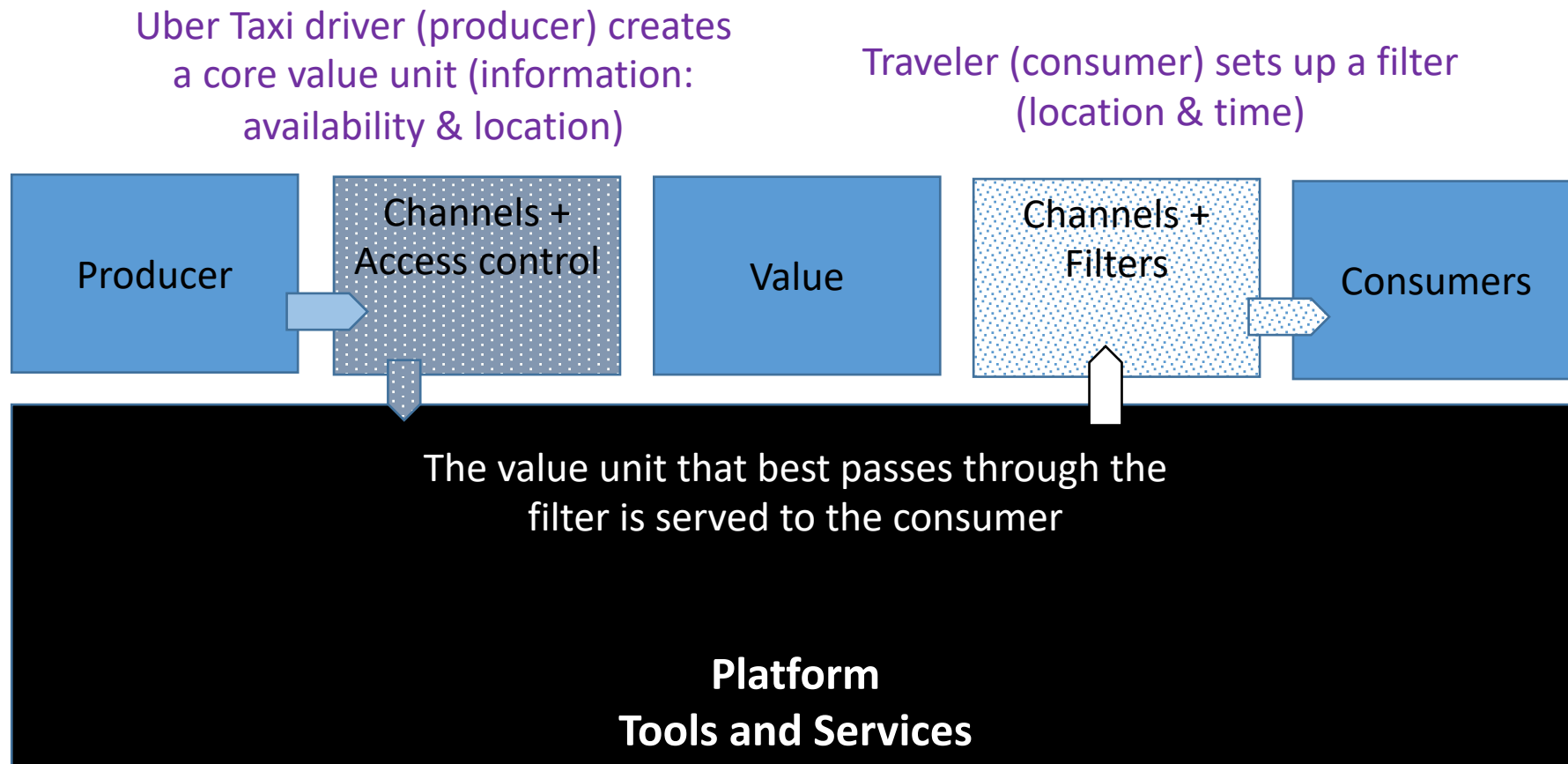


Producer create value on the platform. The platform enables the process of value creation and the transfer of value from producer to consumer. The producer and consumer plug in to the platform to create and exchange value. The same person may act as a producer and consumer but will perform only one role in a particular information.

2. Balance Open Participation with Quality and Relevance

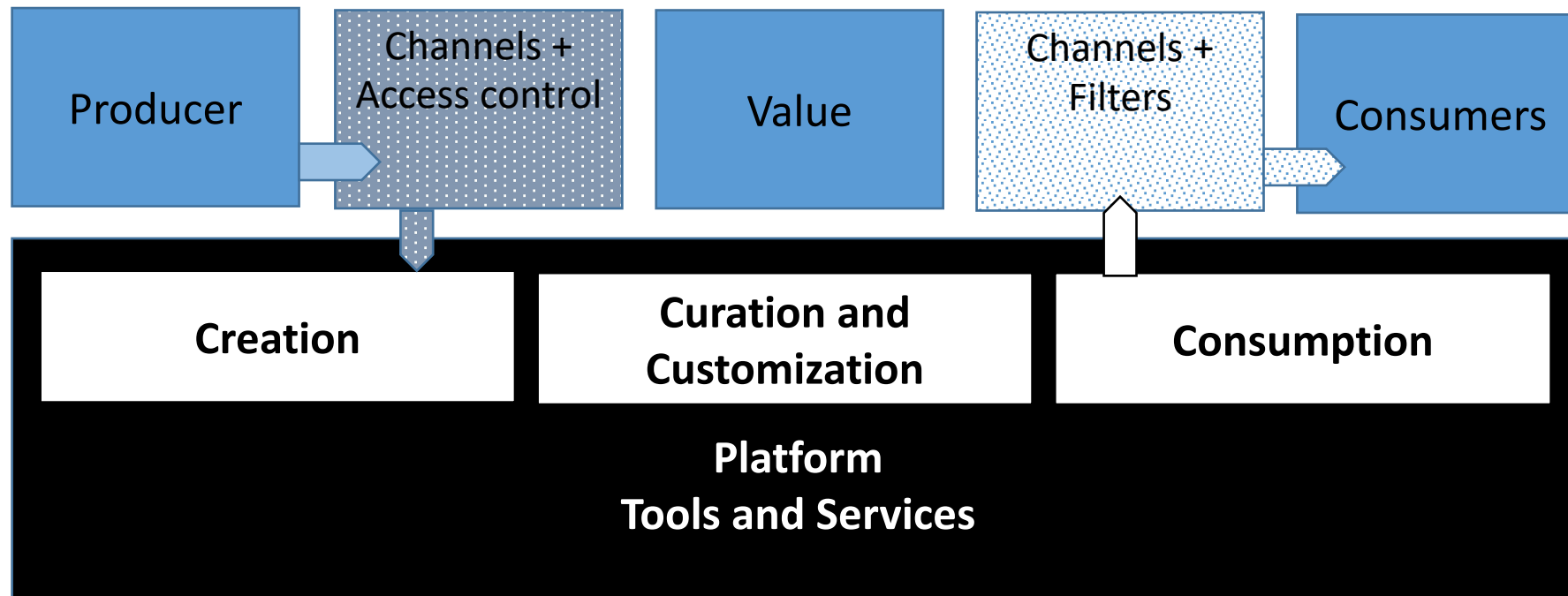
Example: Video on Youtube consists of:

1. The video itself (core value unit).
2. Data associated with it (information of WHAT [title, description], HOW GOOD [indicated by votes], WHO it can be served to).



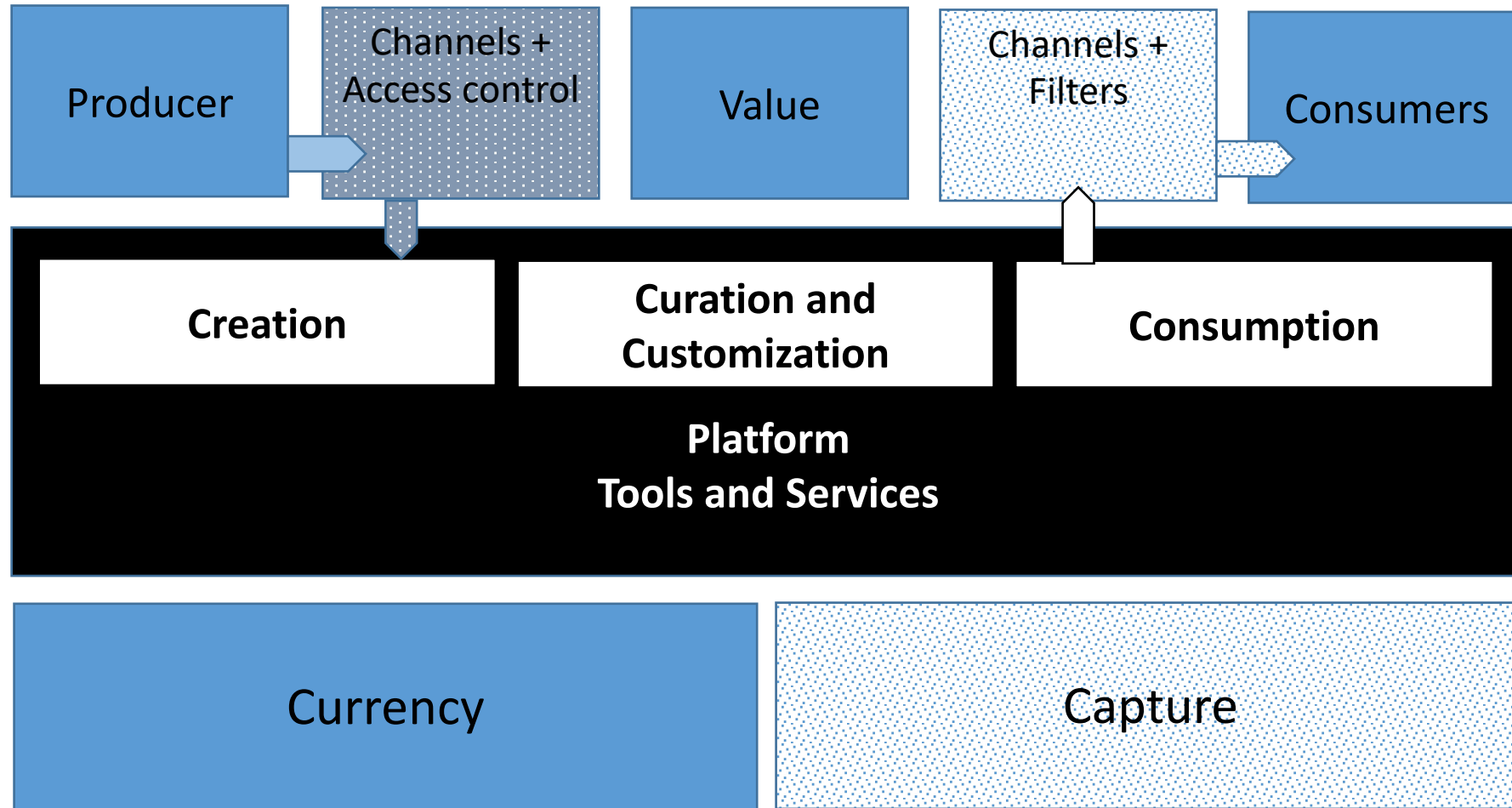
Channels must be created to enable open participation between producer and consumer (i.e.: websites, apps, widgets, browser plug-ins, share buttons, channel partners, etc.). Access control for producers create check and balances that determine what kind of producers are allowed and which types of production actions can be encouraged (editorial, algorithmic, or social). Filter creation for consumers should ensure that content served to the consumers is highly relevant to them. Filter could be: location, search queries, newsfeed, network. Filter: point-in-time vs cumulative; standalone vs collaborative)

3. Build the Infrastructure to Enable the Interaction

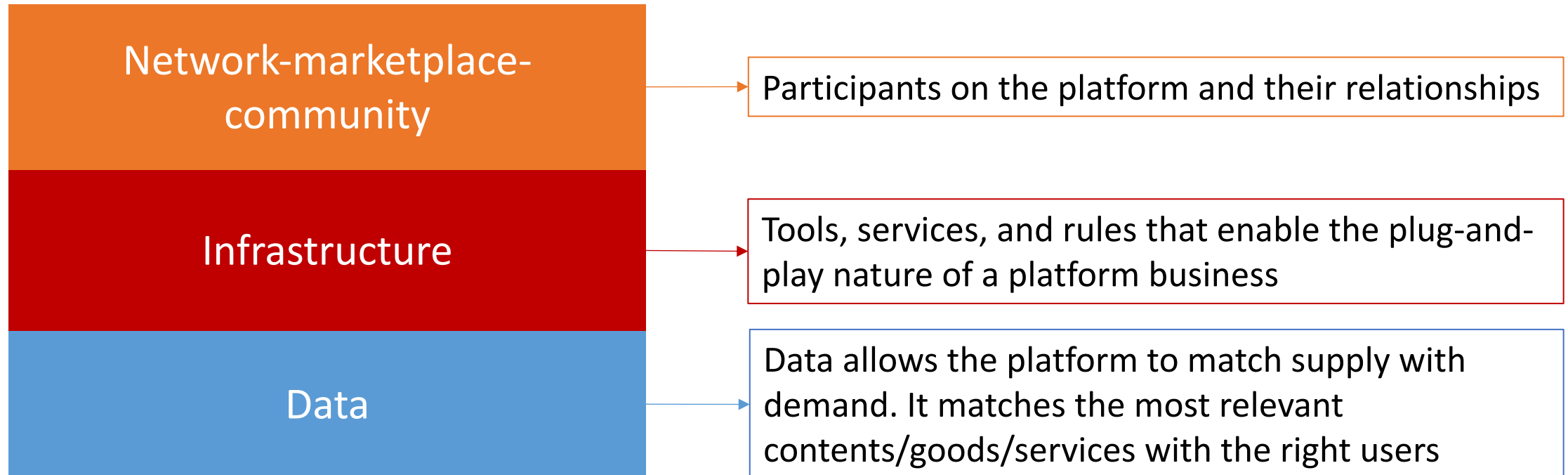


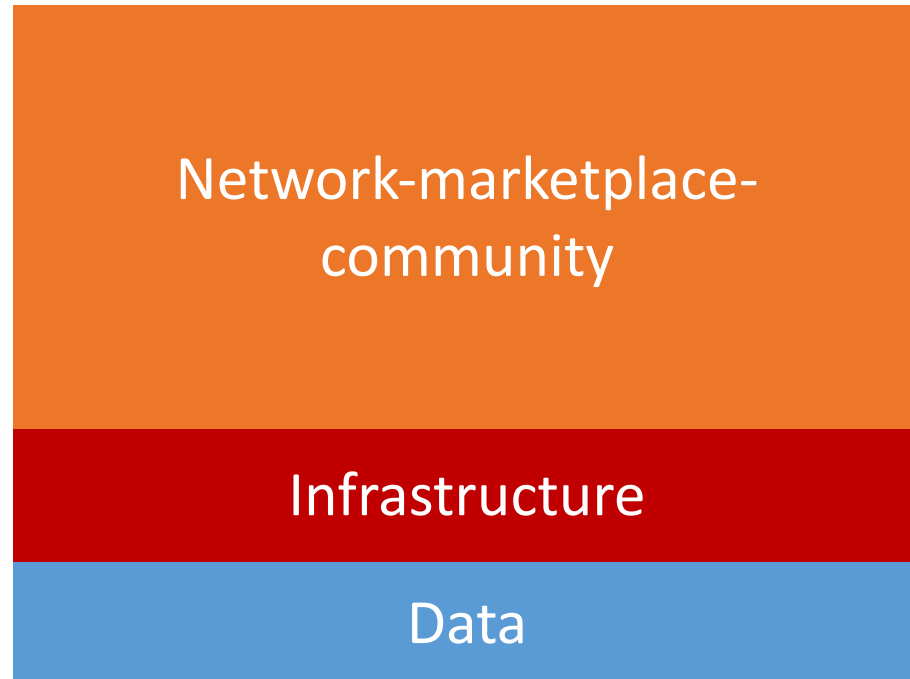
In order to enable the interaction, platform must provide the right set of tools and services that producers and consumers can leverage. Creation: platform that enable the exchange of virtual goods (content) and remote services typically have the most sophisticated tools and creation. Curation and Customization: in-house or partner-driven services as well as internal or external algorithms and social feedback mechanisms. Consumption: set up of consumption interfaces, newsfeeds, external widgets, and other such consumption tools, that serve value to consumers. All the tools and services help the platform to pull, facilitate, and match.

4. Focus on Value Capture

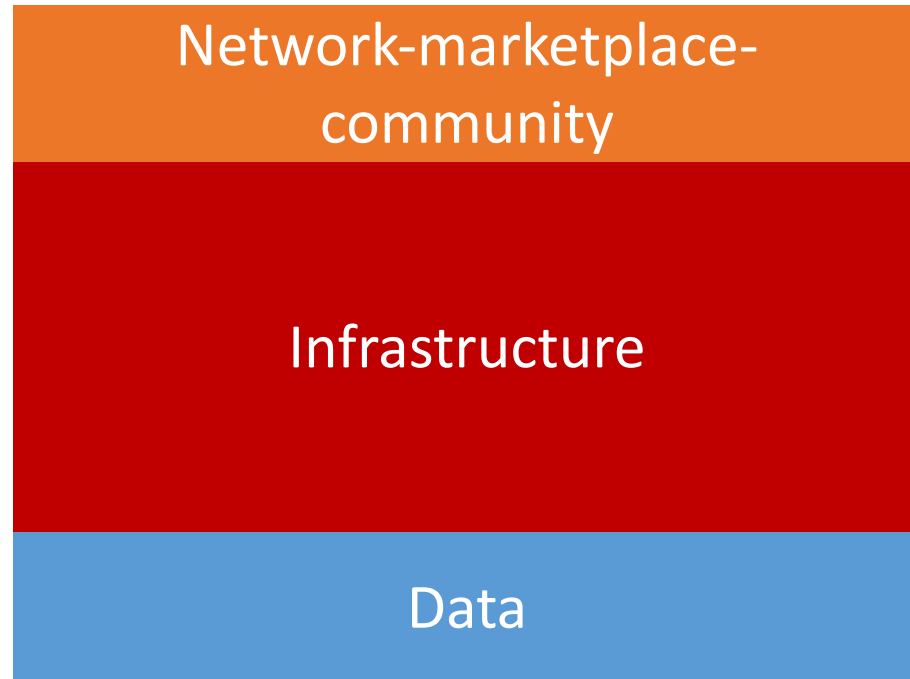


Value capture by the platform involves: currency and capture. (1) Currency: money, attention, reputation, influence, or some other form of non-monetary currency. (2) Capture: a cut of transaction (% of transaction), charging one side for access the other, charging a third party for advertising, charging both side for premium tools and services, charging consumers for access to high-quality, curated producers, and charging producers for an ability to signal high quality.

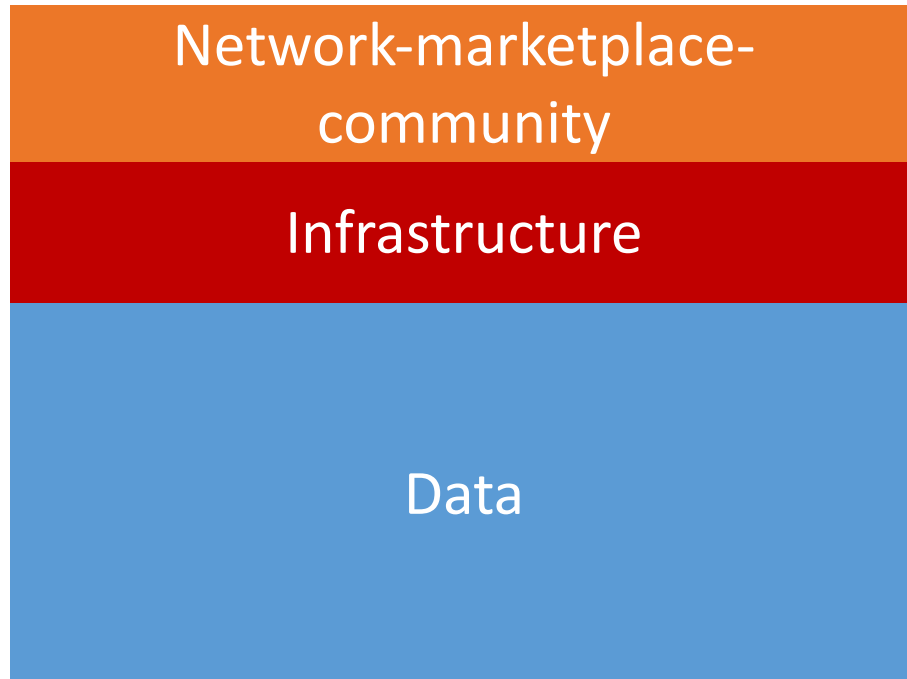




Airbnb, Uber, Reddit,
Twitter, Youtube



Android, Apple IOS,
Wordpress, Medium



Facebook, Wearables, Nest
thermostat, industrial
internet, Enterprise 2.0,
omnichannel customers
journey

- **Minimal marginal costs of production and distribution**

Case: Chain hotels vs Airbnb; traditional newspaper vs online news

- **Network effects powered by positive feedback**

Case: Uber, GoJek, e-Bay (the presence of more buyers attract more sellers)

- **Behavior design and community culture**

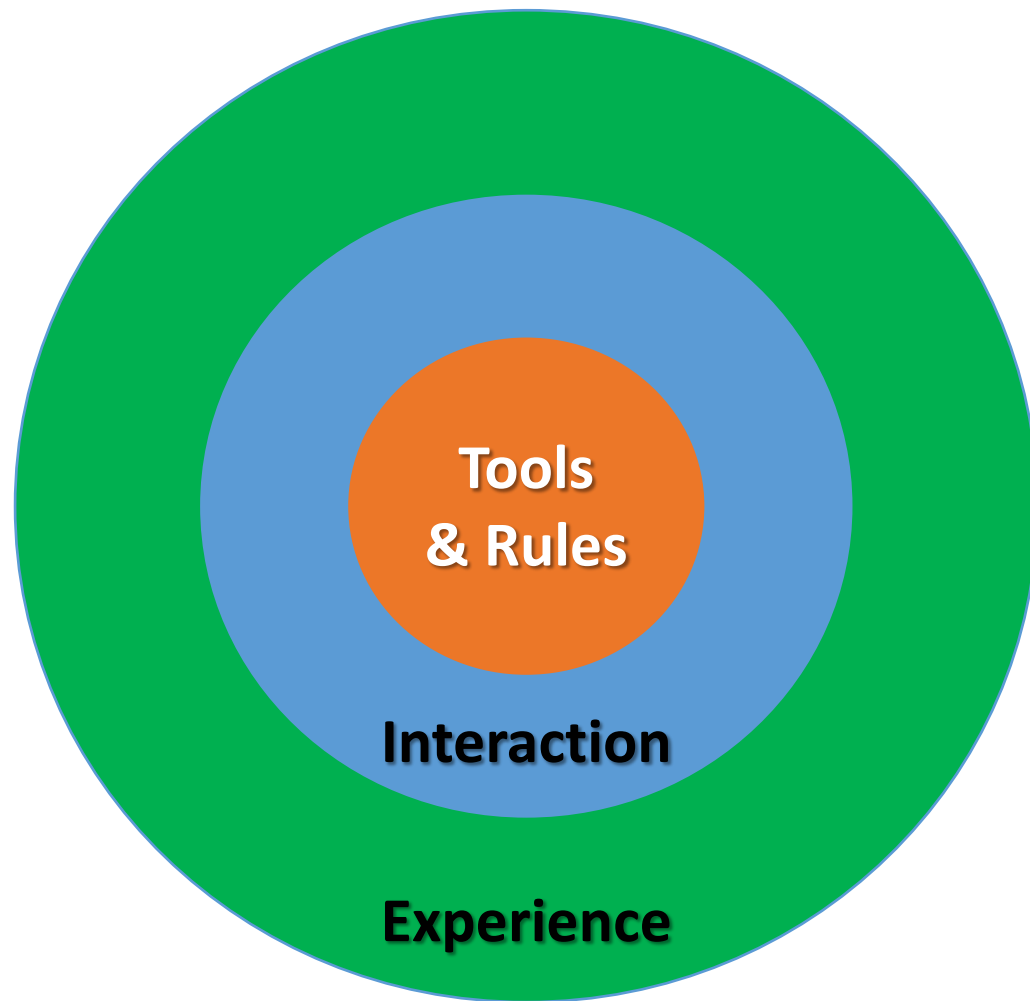
Case: Abuse reports in Facebook that make unwanted behavior will be restricted appear in future interactions (community feedback)

- **Learning filters**

Case: The newsfeed filters in Facebook

- **Virality**

Case: Instagram



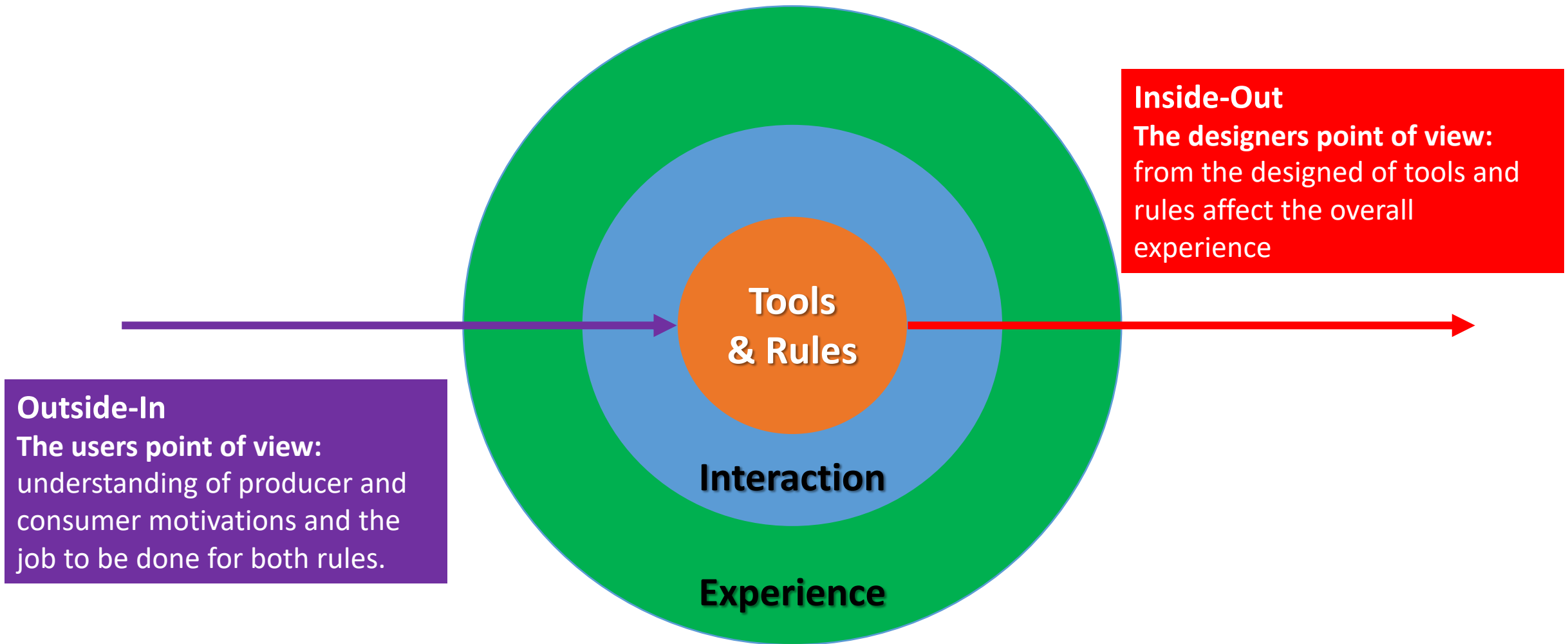
Tools (& services, mostly technology) involves the infrastructure of the platform (e.g.: Youtube: video uploading & hosting capabilities)

Rules: structure the constraints and algorithms that facilitate behavior.

Interaction: is determined by the tools and rules of the platform that make interactions between producers and consumers.

Experience: it illustrates the value that users get out of using the platform. Producers and consumers participate on a platform repeatedly if they get value out of using it.

Success can be planned for but not guaranteed



The interplay between These two perspective should be balanced

- “You know you have a platform when **the users can shape their own experience** – not just accept the makers’ ideas” (Jeff Jarvis -journalist)
- A well designed platform should, ironically, also work against its design to encourage emergence.
- Users should be provided **guidelines** (tools & rules) but be allowed to take the platform in new directions.
- A successful platform **enabling interactions** is taken in new directions as users figure out new ways of using the platform.
- In turn, experiences that prove rewarding are repeated more often in the interaction layer.
- Successful platform **“pivot”** after gaining initial adoption.

- **Twitter has a simple set tools and rules (compared to Wikipedia, Uber, etc.):**
 1. Post must have less than 140 characters,
 2. Hashtags (proposed by Chris Messina/Actor as a user) are clickable and reorganize the feed,
 3. Users must be mentioned by using @,
 4. What you get is determined by who you follow,
 5. The stream is reverse-chronological (though it now allows for threading),
 6. Favorites, retweets, and mentions will drive notifications.
- **A simple rules: user tweet, retweet, and favorite.**
- **Experiences should evolve and lead to new experiences (by using the same interaction structures). Example: Hashtags, StockTwits, etc.**

- <https://www.youtube.com/watch?v=a4vqaSTz2PM> (Platform Revolution - the new engine of success in the automotive industry)

- Unlike a traditional, linear startup, a platform doesn't need to acquire just one group of customers. At a minimum it needs two, its consumers and its producers. But a new platform doesn't initially create enough value to attract new users. *It's not economical for consumers to join the platform when there are no producers, and vice versa.* (http://www.huffingtonpost.com/alex-moazed/7-strategies-for-solving-b_6809384.html)
- One day when you start the site, how do you first get more and more sellers when the buyers have not yet arrived (because nothing is listed on the site), BUT then how do you get enough buyers to come and checkout stuff here (because not enough listed to choose from). So, *who comes first and how* ...similar to the chicken and egg problem, right !! (<https://www.quora.com/What-is-the-chicken-and-the-egg-problem>)

Platform Launching

8 Launch Strategies



FOLLOW-THE-RABBIT

Open your existing business to external suppliers



PIGGYBACK

Build off of another platform



SEEDLING

Produce your own value units first



MARQUEE

Initial members that will attract others & encourage core interaction



SINGLE-SIDE

Start with a one-sided product business



PRODUCER EVANGELISM

Create a platform for producers that will bring their customers



THE BIG BANG

Attract both at once with traditional marketing

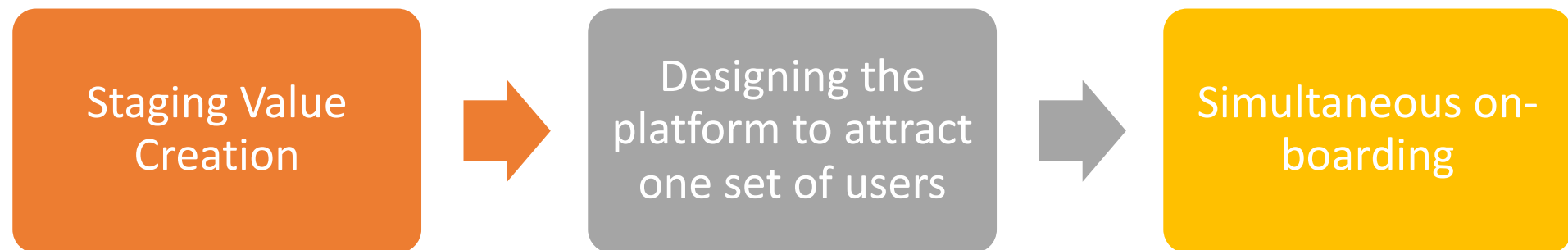


MICROMARKET

Target a tiny market consisting of members already engaging in interactions

Eight Strategies for Beating the Chicken-or-egg Dilemma

1. The Follow-the-rabbit strategy: Use a non-platform demonstration project to model success



Eight Strategies for Beating the Chicken-or-egg Dilemma

2. The Piggyback Strategy: Connect with an existing user base from a different platform and stage the creation of value units in order to recruit those users to participate in our platform.



YouTube takes over MySpace



Eight Strategies for Beating the Chicken-or-egg Dilemma

3. The Seeding Strategy: create value units that will be relevant to at least one set of potential user



Quora first started, the editors would ask questions and the answer the questions themselves, to stimulate activities on the platform.

Eight Strategies for Beating the Chicken-or-egg Dilemma

4. The Marquee Strategy: provide incentives to attract members of key user set onto the platform



Eight Strategies for Beating the Chicken-or-egg Dilemma

5. The Single-side Strategy: create a business around products or services that benefit a single set of users; later, convert the business into a platform business by attracting a second set of users who want to engage in interactions with the first set.

• OpenTable®

Recommendation

Create Positive Same-Side Network Effect On Its Subsidy (Diner) Side

• OpenTable®

Bill-Splitting Function!

Eight Strategies for Beating the Chicken-or-egg Dilemma

6. The Producer Evangelism Strategy: design the platform to attract producers, who can induce their customers to become users of the platform.



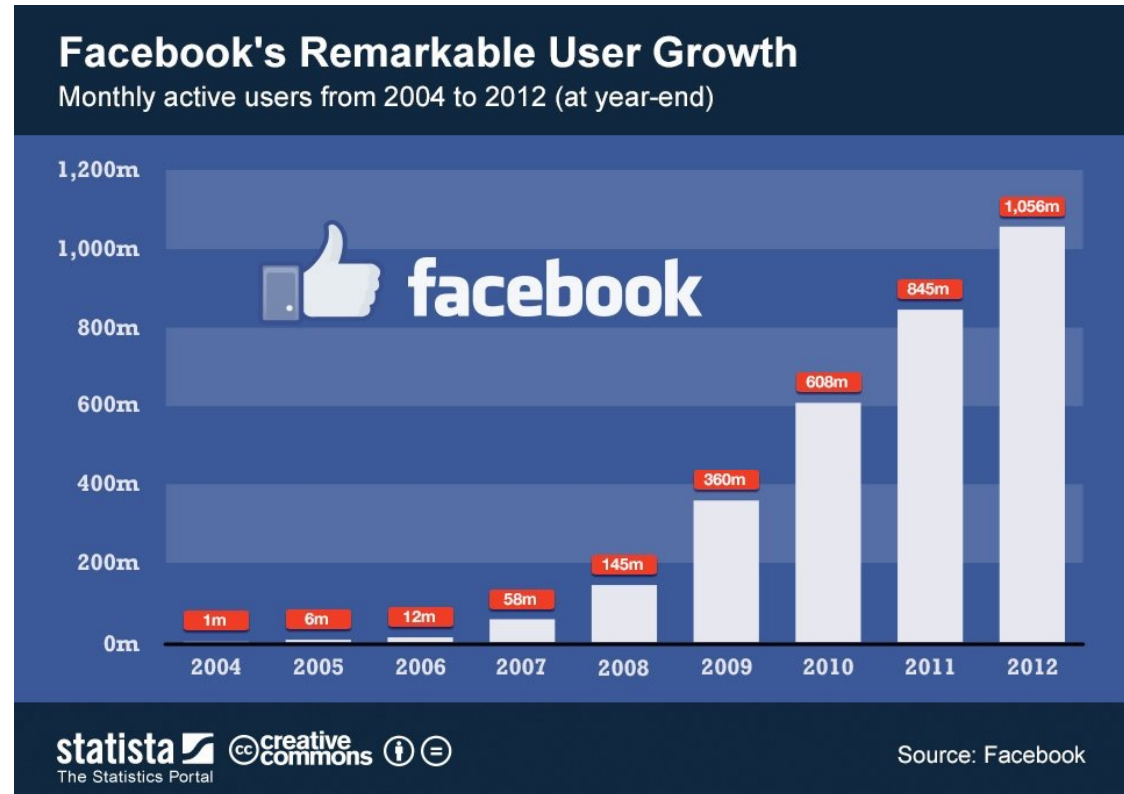
Eight Strategies for Beating the Chicken-or-egg Dilemma

7. The big-bang adoption Strategy: use one or more traditional push marketing strategies to attract a high volume of interest and attention to your platform.



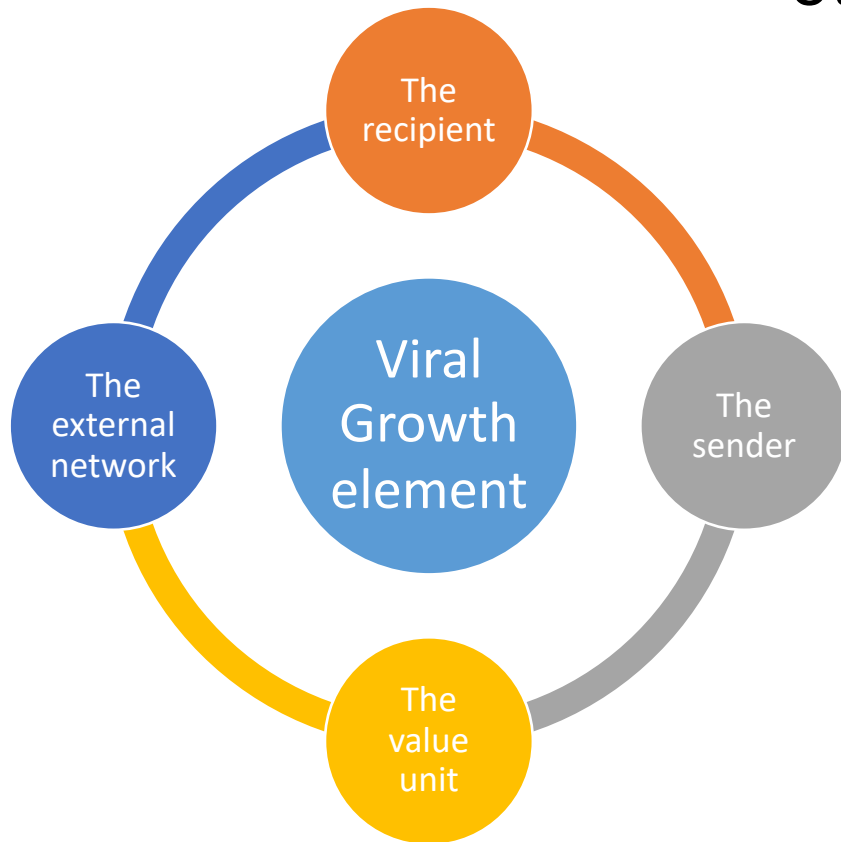
Eight Strategies for Beating the Chicken-or-egg Dilemma

8. The micromarket Strategy: start by targeting a tiny market that comprises members who are already engaging in interactions.



Viral Growth

A pull-based process based on encouraging users to spread the word about the platform to others potential users.



Modularity in Platform Design

<https://www.mckinsey.com/business-functions/operations/our-insights/platforms-and-modularity-setup-for-success>