June 1, 2019

We're getting closer to the end of the course. Hope you're finding the course material and discussions valuable. And, because it has become challenging for me to construct slides, here is a quick summary of the platforms / products key ideas:

Historically, companies either had manufacturing prowess or had a commodity in which they built some of the largest and most valuable companies. However, in recent times, either by design or even luck, some of the most valuable companies today like Amazon, Apple, Alphabet, Facebook and Microsoft either by design or even luck, have business strategies that leverage the digital economy.

3 factors that stand out of these newer incumbents:
1. Inherently digital - Two common characteristics (a.) they build physical products in service of digital product sales; and (b.) build digital platforms that have incredibly valuable properties.
2. Create digital platforms - When the leadership of these digital companies discovered what they stumbled onto, understood it, solidified it, codified it and then accelerated that particular digital platform creating new, fast-growing and profitable propositions and companies. These platforms enable an eco-system for partners and customers to connect.
3. Experimentation culture - they ride the winners and have the nimbleness to pivot. The intensely data-driven approach and rigorous testing what works, doubling down and accelerating it to make it more deeply integrated into their platform strategy. They are creative and can try bizarre strategies such as giving free products - which is possible when it's a low cost of production and the economics of platforms and two-sided networks. Keep in mind complementaries and network effects when determining the value of giving away products for free.

Digitization enables 3 key properties of free, perfect and instant:
1. Free: Digital goods are free in that, once something is digitized, it's essentially free to make an additional copy of it.
2. Perfect: The copy can be perfect, in that the digital copy is identical to the digital original. Unlike a photocopy of a photocopy, the quality of digital goods doesn't deteriorate with successive copies.
3. Instant: It's possible to make the copy almost instantly and in addition, thanks to technologies like the internet and smartphones, to distribute those copies across almost any great distance almost instantly.

O2O Revolution - Online to Offline revolution is a case of multiple industries leveraging smartphones in accessing customers that were not previously accessible. These businesses can scale rapidly and compete cost effectively with traditional firms that make, rent or use physical goods. Examples that showcase this point are:
• Urban transportation (Uber and Lyft)
• Short -term rentals (AirBnB)
• Food Delivery (UberEats, Grubhub)

Here are the constructs on how to build a thriving digital platform, pricing strategies, building trust in 2-way systems and strategies for non-digital companies:

Platform attributes:

online environments that take advantage of free, perfect and instant;

digital environment characterised by near-zero marginal cost of access, reproduction and distribution;

aggregates supply and demand usually connecting users who may use the same or complementary products building value for all participants including the platform host;

firms can benefit from platforms by building or joining an existing platform.

Types of platforms:

one-sided platforms: These have a single category of participant who benefits from the growth in the number of participants on the platform (for example, WhatsApp, Dropbox and Facebook connecting consumers to consumers).

two-sided platforms: These have two categories of users, each benefitting from members of the other category using a complementary product. For example, ride-hailing services such as Lyft and Uber connect riders and drivers. Riders benefit from network effects of drivers while drivers benefit from network effects of riders. Another example is Facebook in the context of Advertisers and App developers.

n-sided platforms: These platforms have three or more categories of users who each benefit from members of the other complementary categories. For example, the Android system has Android phone buyers, Android app developers, and Android device (hardware) makers – three sides that mutually benefit from the numbers of participants in the other categories.

Apple's example of the App and development community showcases key lessons:

digital complements add value to physical products (Apps to iPhones);

value of open platforms (with balancing the experience and standards set forth by the hosting brand);

self-reinforcing cycle with two-sided network effects where the more consumers use the iPhone and iTunes platform, the more attractive it becomes for developers;

the number of digital complements increases at a much lower cost, essentially providing free work to the platform because of their own interests;

benefits to all participants are clear: app developers can make their offering available to more consumers; the bigger the community of consumers, the more value developers can derive.