

Why and How a Platform Strategy?

Why a section dedicated to platform strategy?

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Plan

- ❑ *A phenomenon to be understood*
- ❑ *A surprising phenomenon
(contradicts the theory)*
- ❑ *From Weak Signals to Strong Signals*



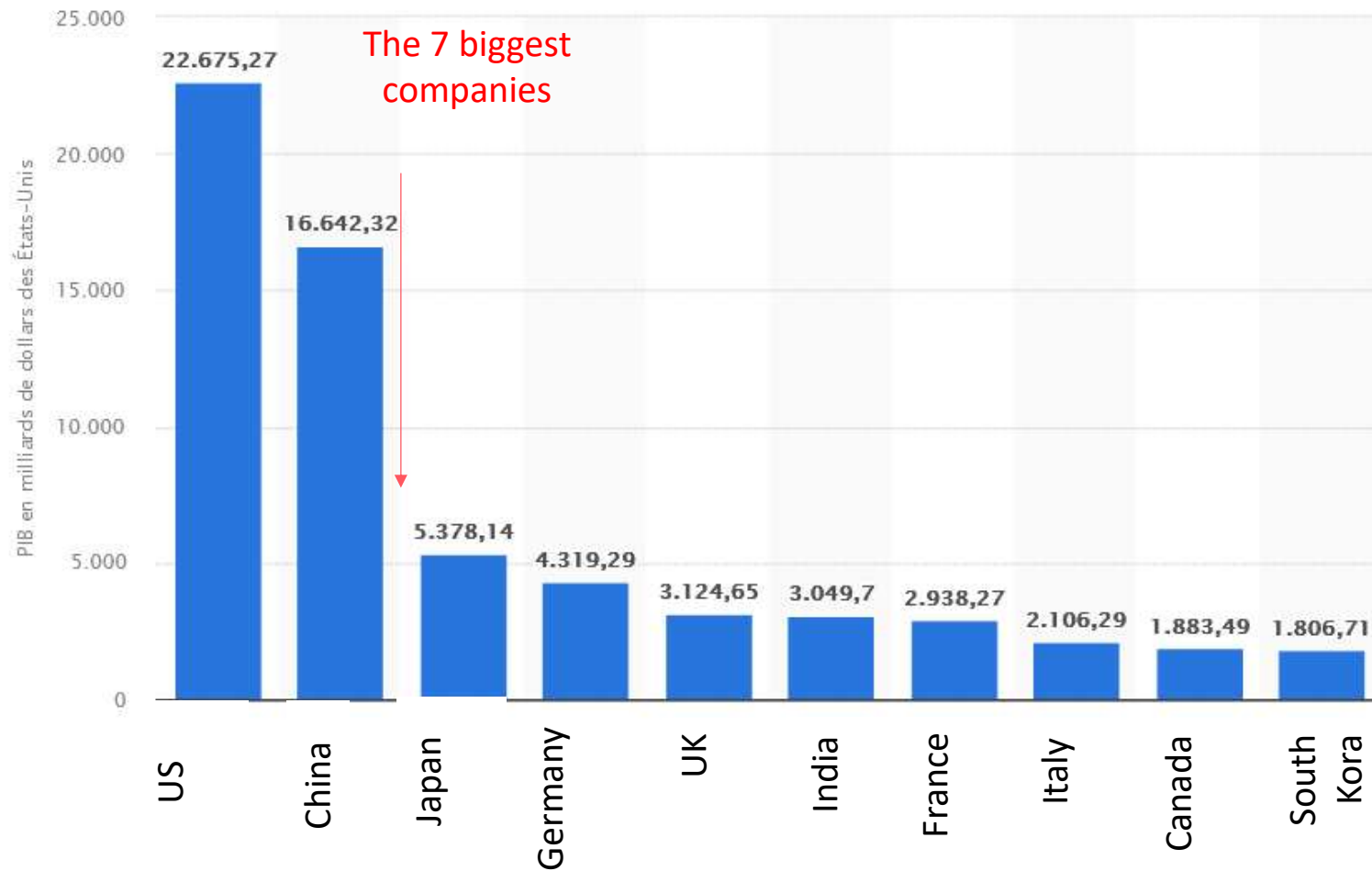
Why a course on platform strategy? *A phenomenon to be understood*

The most powerful and top-ranked companies by market capitalization are Apple, Microsoft, Alphabet, Amazon, Facebook, Alibaba, and Tencent.

As of January 2020, these seven companies accounted for more than **\$6.3 trillion in market value**, and all of them are platform companies (MIT Press 2021 report, "9 The Future of Platforms").

















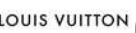

















Ranking of countries per GDP in 2021 (source : Statistica)



Why a course on platform strategy?

A phenomenon to be understood

01  +9% 234,241 \$m	02  +8% 167,713 \$m	03  +24% 125,263 \$m	04  +17% 108,847 \$m	05  -4% 63,365 \$m	06  +2% 61,098 \$m	07  +5% 56,246 \$m	08  +5% 50,832 \$m
09  +4% 45,362 \$m	10  +11% 44,352 \$m	11  +1% 41,440 \$m	12  -6% 40,381 \$m	13  -7% 40,197 \$m	14  -12% 39,857 \$m	15  +3% 35,559 \$m	16  +7% 32,376 \$m
17  +14% 32,223 \$m	18  +1% 26,288 \$m	19  -22% 25,566 \$m	20  +10% 25,092 \$m	21  +3% 24,422 \$m	22  +11% 22,134 \$m	23  +13% 21,629 \$m	24  -1% 20,488 \$m
25  +8% 19,044 \$m	26  +5% 18,407 \$m	27  +7% 18,072 \$m	28  +9% 17,920 \$m	29  -3% 17,175 \$m	30  -3% 16,345 \$m	31  +14% 16,205 \$m	32  +3% 16,018 \$m

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Interbrand - Best Global Brands













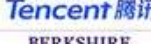









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Why a course on platform strategy?

A phenomenon to be understood

- In 2008, no company with a "platform strategy".
- The companies with the highest market capitalization, 7 out of 10, have a platform strategy (Apple, Alphabet, Microsoft, Amazon, Facebook), while in 2008 none was a platform

LARGEST GLOBAL COMPANIES IN 2018 VS 2008:
SEVEN OUT OF TEN ARE NOW BASED ON PLATFORM
BUSINESS MODELS

2018					2008				
RANK	COMPANY		FOUNDED	US\$bn	RANK	COMPANY	FOUNDED	US\$bn	
1.		*	1976	890	1.	 PetroChina	1999	728	
2.		*	1998	768	2.	 EXXON	1870	492	
3.		*	1975	680	3.		1892	358	
4.		*	1994	592	4.		1997	344	
5.		*	2004	545	5.		1984	336	
6.		*	1998	526	6.		1989	332	
7.			1955	496	7.		1975		
8.		*	1999	488	8.				
9.			1886	380	9.				
10.			1871	375	10.				

* Companies based on the platform model



Why a course on platform strategy?

A phenomenon to be understood

Firm	Year	Employees	Market Cap
BMW	1916	116,000	\$60B
Uber	2009	12,000	\$62B
Marriott	1927	226,000	\$35B
Airbnb	2008	5,000	\$31B
Walt Disney	1923	195,000	\$178B
Facebook	2004	20,000	\$489B
Kodak	1888	145,000	\$30B (heyday)
Instagram	2010	13	\$1B (acquisition)

The particularities that warrant attention:

- EXTRAORDINARY results
- Do it FAST
- With FEW employees



Plan

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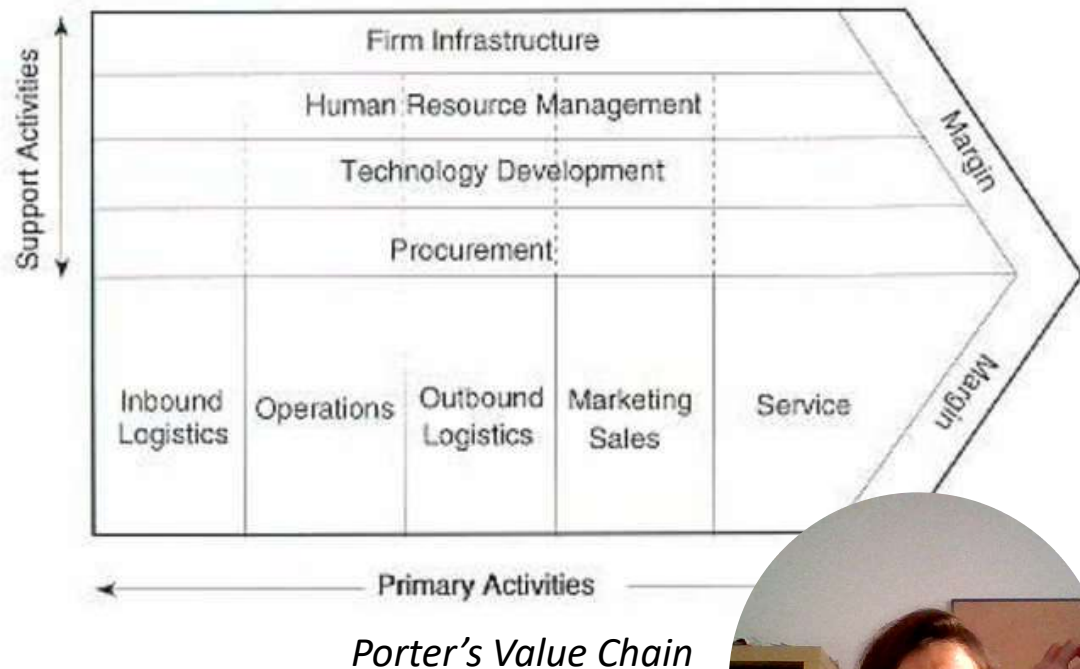
☐ *From Weak Signals to Strong Signals*



Why a course on platform strategy?

A surprising phenomenon

- Value chain : considers the firms as a *pipeline*, because it captures a linear view of a company's business activities with producers at one end (that do the logistic of raw material, design, manufacture and then sale) and consumers at the other (that buy or use the product or service)
- Until now, companies' strategy or competitive advantage relied on focusing mainly on businesses that operate at one or more stages of the linear value chain (that begin with raw materials and ending with retailing and after-sales service and support).





**Largest taxi
company owns
no taxis**



**Largest accommoda-
tion provider owns
no hotel rooms**



**Leading retailer
owns no retail or
book stores**



**Largest phone
companies own no
telco infrastructure**



**New solutions
provider has no
own modalities**



**Largest movie
house owns no
cinemas**



**New navigation
leaders own no
hardware sensors**



**Largest music strea-
ming company owns
no physical records**



**New CNC production
supplier owns
no machines**

How or why is the way these companies operate different from the traditional linear "pipeline" just described?



Why a course on platform strategy? *A surprising phenomenon*

- Their strategies do not consist of transforming raw materials into finished products and therefore positioning themselves on one or more links in the Porter chain
- Their strategies create value by acting as an intermediary between external actors (often producers and consumers).
- Their strategies aim to facilitate and take advantage of a network effect (i.e. the phenomenon whereby the real usefulness of participating in the platform depends on the number of its users)



Plan

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☐ *From Weak Signs to Strong Signs*



Why a course on platform strategy?

Strong signs

- Strong signs

“Linear business models have dominated our economy for over a hundred years, but the 21st century will be the century of the platform. Platforms will come to dominate almost every existing industry and will also create entirely new industries.”

“At a recent conference focused on platforms, Zeng Ming, Chief Strategy Officer at Alibaba, said that his biggest challenge is hiring people who understand how platform businesses work.”

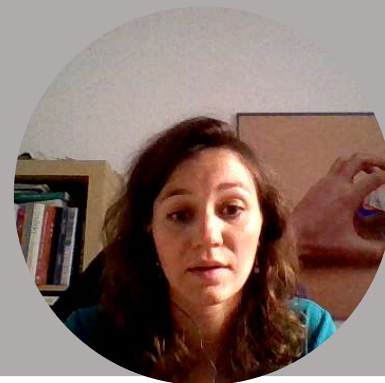
<https://www.applicoinc.com/blog/platform-professional-services-industry/>





Takeaways

We understand why many managers see platforms as the holy grail of strategy and therefore the new strategy to be put in place





Check list

- ☐ Why Platform Strategies are a critical and “Scary” traditional businesses
- ☐ The difference between platform strategies and traditional strategy (i.e. Porter's value chain)
- ☐ An initial definition of a Platform strategy

