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(click to order on Amazon)
BUILDING NETWORK EFFECTS CHICKEN AND EGG PROBLEM
“Here's a thought. Let's get an egg and start our own chicken farm. We'll have all the eggs we can eat.”

“Right. We'll need a chicken.”

“No. We need an egg first. That's where you get the chicken.”

“Cobblers. Without a chicken, where do you get an egg?”

“From the chicken that comes from the egg.”

“But you need an egg to have a chicken.”

“But you get the chicken to get the egg. Then you get the egg... the chicken out.”

“Hang on. Let's go over this again.”

- Chicken Run, 2000

- Hatching the Movie
NETWORK EFFECTS

MORE USERS  MORE VALUE
THE CHICKEN & EGG PROBLEM

NO USERS

NO PRODUCER

NO CONSUMERS

NO VALUE

PRODUCER

CONSUMERS
FIND A COMPELLING BAIT
USE BAIT TO GAIN TRACTION ON ONE SIDE
LEVERAGE TRACTION ON ONE SIDE TO BRING IN OTHER SIDE
LEVERAGE TRACTION ON SECOND SIDE TO BRING IN MORE OF THE FIRST SIDE
CONSUMER-FIRST BAIT
START WITH SUPPLY

A CONSUMER-FIRST MODEL
Fake it ‘til you make it...
CREATE FAKE ACCOUNTS AND FAKE ACTIVITY

DRAW USERS WITH ILLUSION OF ACTIVITY

A CONSUMER-FIRST MODEL

USERS START CONTRIBUTING
PRODUCER-FIRST BAIT
OPEN TABLE

- Low cost
- Get me more
- Inventory
- Management

- Help me reserve a
  table

Restaurant
CONSUMERS COME IN

RESTAURANTS USE SOFTWARE, UPLOAD REAL-TIME INVENTORY

OFFER RESTAURANT MANAGEMENT SOFTWARE
INTRODUCTION: PERSISTENCE CAN PAY

Tried advertising ... too expensive
Tried business development deals with banks ... bureaucratic hilarity
Tried giving $10 to merchants and buyers
Exponentially growing user base ... and costs!
Needed engagement
Faked consumer demand by purchasing and paying with PayPal
Growth went organic and viral
8 LAUNCH STRATEGIES
EIGHT STRATEGIES TO SOLVE CHICKEN-OR-EGG PROBLEM

1. FOLLOW THE RABBIT
2. PIGGYBACK
3. SEEDING
4. MARQUEE USER
5. SINGLE-SIDE STRATEGY
6. PRODUCER EVANGELISM
7. BIG BANG ADOPTION STRATEGY
8. MICROMARKET NICHE
FOLLOW THE RABBIT

Develop 1-2 demonstration projects from space of platform opportunities.
Pick projects with high probability of success and providing highly visible assistance.
Developed USB in intel architecture labs
Partnered with NTT to spread wireless
Others follow after observing success.

Good B2B strategy
2. PIGGYBACK STRATEGY

**YouTube**
RODE MYSPACE. CREATED FLASH-BASED ONE-CLICK VIDEO UPLOAD.

**airbnb**
RODE CRAIGSLIST. ENCOURAGED HOST USERS TO LIST ON CRAIGSLIST.

RODE CREDIT CARD NETWORKS SO ANYONE WITH AN IPHONE OR ANDROID COULD USE. CLEAR SIMPLE VALUE PROPOSITION: TRANSACTION FEES DOWN, MOBILE ACCESS, IMMEDIATE RECEIPT PRESENTATION.
SEEDING STRATEGY

3.

DATING SITES
FAKE PROFILES TO GET ACTIVITY GOING

REDDIT
FAKED SUPPLY OF CONTENT

ADOBE
SIGNED UP IRS TO HOST TAX DOCUMENTS SAVING CONSUMERS SIGNIFICANT TIME AND SAVING GOVERNMENT PRINTING AND POSTAGE COSTS.
4. MARQUEE USER STRATEGY

MALLS

SIGN UP ANCHOR STORES

GAME PLATFORMS (XBOX, PS4, WII)

ALL NEED MAJOR GAME TITLES FROM EA SPORTS

MICROSOFT

BOUGHT BUNGIE FOR HALO

SAP

COLLABORATED WITH ADP
4. SUBSIDY

**NYSERDA**

CUSTOMERS BEFORE 1ST $100M X-ACTIONS GET 0 X-ACTION FEES

**GOOGLE ANDROID**

OFFERED $5.5M IN PRIZES FOR BEST APPS

**DISCOVER**

2% CASH BACK AND NO ANNUAL FEE
5. SINGLE-SIDE STRATEGY

OPENTABLE
SUPPLIED RESERVATION SYSTEM TO RESTAURANTS
OPENED UP TO CONSUMERS ONCE RESTAURANTS ON BOARD

AMAZON
TOOK INVENTORY AND SOLD ONLINE BEFORE OFFERING TO SELL THROUGH

GOOGLE
WENT 2 YEARS OFFERING SEARCH BEFORE ADDING ADVERTISING.

FACEBOOK
OFFERED SOCIAL NETWORKING 35 MONTHS BEFORE SELLING GIFTS.
6. PRODUCER EVANGELISM STRATEGY

SKILLSHARE AND UDemy
SIGN UP INFLUENTIAL TEACHERS; MAKE ONLINE COURSES EASY

KICKSTARTER
TARGET FOUNDERS AND CREATORS; PROVIDE INFRASTRUCTURE

MERCATEO
“BRING US YOUR CUSTOMERS, AND YOU WILL HAVE THE LAST WORD IN ANY BIDDING COMPETITION . . . BUT ONLY FOR THE CUSTOMERS YOU BRING.”
BIG BANG ADOPTION STRATEGY

TWITTER
$11,000 TO INSTALL PAIR OF GIANT SCREENS AT SXSW

TINDER
FRAT PARTY AT USC

FOURSQUARE
SXSW
FACEBOOK

EXCLUSIVE TO HARVARD AT LAUNCH; ALTHOUGH IT SERVED A LIMITED MARKET, THERE WERE VERY STRONG NETWORK EFFECTS

EBAY

STARTED WITH PEZ DISPENSERS AND BARBIE DOLLS
REQUIRES PLATFORM
Platform Envelopment: Bundle content/svc onto existing platform so it feels free

Netflix bundled streaming with its subscription service to get people to use it; very successful.

Amazon bundled services with its Kindle to promote adoption and combat iPad.
**Articulate Whitespaces:** broadcast which parts of the platform you’ll build

**SAP publishes an 18-24 month roadmap**
- New land tells developers where to build
- Old land tells where SAP not competing
TAKEAWAYS FROM CHAPTER FIVE

At launch, most platforms face the chicken-or-egg problem: when both sides of a two-sided network are equally essential—and when each is attracted by the presence of the other—how do you start a platform from scratch?

One difference between platform businesses and traditional pipeline businesses is that, in the world of platforms, pull strategies designed to encourage virality are more important than the push strategies (such as advertising and public relations) used in conventional marketing.

Successful platforms use one of eight proven strategies for solving the chicken-or-egg problem: the follow-the-rabbit strategy; the piggyback strategy; the seeding strategy; the marquee strategy; the single-side strategy; the producer evangelism strategy; the big bang adoption strategy; and the micromarket strategy.

The speed of a platform’s expansion can be accelerated through viral growth. This depends on four key elements: the sender, the value unit, the external network, and the recipient.
Platform Revolution: Chapter 6 – Monetization

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