

## Competitive Strategies Within and Between Platforms Markets

BMME086

Lecturers:	Dr. Joost Rietveld, Joe Ploog
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Coordinator:	Dr. Joost Rietveld
Structure:	Lectures, workshops
Assessment	Participation (10%), case presentation (30%), term paper (60%)
Conditions for access to tests (yes/no)	No
Period:	February-March, 2018 (block 3)
Examination day:	March 12, 2018
ECTS:	6
Entry requirements or required background knowledge, if applicable:	Undergraduate course in strategy, (digital) economics, or entrepreneurship.
Study level (Master programme):	MSc. SM, SE, BIM
Secretary (Department):	Strategic Management & Entrepreneurship

### Course Overview

The Economist calls it a ‘platformization’ of our modern economy: 70% of all ‘unicorn’ firms operate the platform business model, and the combined market cap of all publicly traded platform companies now exceeds \$3 trillion. Platform companies such as Google, Amazon, and Nintendo differ from traditional firms in that the value of a platform (e.g. video game consoles) to one customer group (e.g. game developers) depends on the participation from another customer group (e.g. gamers), and vice versa. Platform owners that successfully solve this ‘Chicken and Egg’ problem enjoy strong network externalities and structurally outperform their rivals. This course unveils why certain technology platforms win the standards race while others fail. The course also covers competition between providers of complementary goods, the firms that compete within the confines of platform markets such as sellers on Amazon or app developers on Apple’s iOS. The course covers many real-world cases including: video game consoles, the sharing economy (e.g. Airbnb, Kickstarter), ‘killer apps’ on mobile phones, and some canonical examples from modern history including videocassette recorders (VCR) and the QWERTY keyboard.

### Learning Objectives

This course provides a detailed overview of the economic underpinnings and effective management of the platform-based business model. You will be able to:

- Explain why dominant standards arise in markets for technology;
- Analyze how network effects can be created through subsidized pricing strategies;
- Identify governance frameworks platform owners can deploy beyond pricing strategies;
- Understand what market structures look like *within* platform markets...;
- And, how this affects competition and innovation for providers of complementary goods;
- Recognize how platforms change the way people and organizations transact.

## Organization and Assessment

This course has three main components: (1) seminar-style lectures, (2) workshops that involve case presentations, and (3) a term paper project. Each of these components are graded. First, you will be graded on your participation during class. While class attendance is not mandatory, you are strongly encouraged to come to all weekly lectures and seminars in order to maximize your overall learning experience. Throughout our biweekly meetings you will be given the opportunity to earn 10% of your final grade through class participation such as by answering quiz questions or asking questions to presenting students about their case. The remaining 90% of your grade is based on two group projects: (1) a presentation of a business case that relates to the readings of the lecture (30% of your final grade), and (2) a paper project that aims to solve a real-life business case (60% of your final grade). Although these assignments are group projects, you will be graded both on the collective output of your group as well on your individual input to these deliverables. For both the case presentation and the term paper, your individual contribution will be assessed through a mandatory Group Report in which all group members reflect on their individual contribution to the required output and where students can reflect on their colleagues' contributions, if needed. Groups consist of approximately four students and will be formed on the basis of a raking algorithm using students' individual preferences. Groups will likely consist of students from different MSc. programs (e.g. Strategic Management and Business and Information Management). The sections below discuss each of the course's three components in more detail.

Week	Topic	Case(s)	Groups	Date
1	Standard wars	Nintendo	1,9,17	1/2
2	Two-sided markets	VHS vs. Betamax	2,10,18	8/2
3	Platform rules	Facebook	3,11,19	15/2
4	Complementor competition	Killer apps	4,12,20	22/2
5	Superstars vs. the long tail	Spotify	5,13,21	1/3
6	Platforms for the people	Kiva; Yelp; Airbnb; Kickstarter	6-8,8,22-24	8/3
7	Final presentations	Philips Hue	1-24	12/3

### Lectures

At the core of this course are six seminar-style lectures. The table above provides a brief overview of the topics that are discussed during each lecture. In order to prepare for these lectures, you are expected to read a set of academic articles. The reading list and a brief description of each topic is presented at the end of this syllabus. Articles are listed in suggested order of reading. The lectures are run in seminar style; this means that we will engage in dialogue and discuss important matters or things that are unclear. It is therefore important to read the articles **ahead of class**. The reading list also provides suggestions for additional (optional) reading. You can use these when preparing for your assignments, or if a topic has piqued your interest and you want to know more about it.

### Workshops

Each lecture is followed by a workshop that focuses on a single case (see table above). These well-known cases are linked to the topic of the lecture and encourage you to apply the course's theory. Every week, one student group presents a canonical case using the description and materials provided in the reading list below. The goal of this exercise is to demonstrate (1) that you have studied and understand the topic of the lecture, (2) you can acquaint yourself with a relevant

platforms-related business case, and (3) that you can apply the theory of the lecture to solve a practically relevant question pertaining to the case. Note that the problem statement in the syllabus (rather than as stipulated in some of the case materials) is leading in your preparation of the case.

Your solution to the problem should result in a 30 minute presentation. Using PowerPoint, PDF, or Prezi, you will have to prepare a deck of slides and upload this onto your group's file exchange on Canvas on the day before the presentation is due, before midnight! Once slides are uploaded, no further amendments are allowed. Late submissions result in failing this segment of the course. The evaluation of your group's slides and the presentation account for 30% of the final grade. You will be assessed on how well you have mastered the topic of the lecture, your understanding of the case, and your solution to the problem (as conveyed through your slides and presentation). You will also be assessed on presentation style and the contents of your slides.

### ***Paper project: Philips Hue Case***

[Philips Hue](#) is a product platform that integrates hardware and software components into a single value proposition of connected lighting. With Hue, Philips strives to improve consumers' lives by offering confident security (e.g., controlling lights when out of home), creating personalized moments (e.g., lighting recipes that help to relax, concentrate, read, etc.), and tapping into consumers' imagination by offering immersive lighting experiences (e.g., connected lighting for video games and TV shows such as *The Voice of Holland*). As part of the Hue value proposition, Philips has commercialized an array of connected LED light bulbs and luminaires that can be centrally operated via the Hue smartphone app. In addition Philips introduced complementary products such as switch peripherals and motion sensors.

In addition to these proprietary products, Philips has put in place a number of strategic partnerships that build on and complement the Hue platform. First, Philips allows for third party app developers to release applications that build on the Hue lights' functionality. Currently there are over 400 third party apps available for Hue. These apps are launched onto mobile operating systems (e.g. iOS and Android) and can be downloaded by consumers to explore additional use cases with the Hue system (e.g., sync the lights' color and intensity with music through a Hue disco app). A small selection of the apps are featured in the official Philips Hue app under '[Apps we like](#)', which makes the apps easier to find for consumers and thereby boost downloads for developers. In addition to the open local API (application programming interface), some 'star' developers are granted access to the cloud API to extend the functionality of their apps by offering out of home control as well. Taking it one step further, Philips has partnered with selected connected home platforms such as Nest and [Apple Home](#) that integrate Hue functionality into their platforms. These long-term partnerships are labeled '[Friends of Hue](#)', and include guaranteed seamless inter-operability between the Hue and partner's products and platforms.

As Philips tries to maintain and further establishes Hue's position as the go-to lighting provider in the connected home it faces a number of strategic challenges that relate to the topic of platform competition, platform governance, and complementor strategies. Four of these challenges are:

1. *Competitive dynamics*. Philips Hue has been, and still is, the leading firm in the global consumer market for connected lighting. Notwithstanding market entry by numerous

smaller firms over the past few years, there has not really been a significant threat to Philips' market dominance, until now. Last summer Ikea entered the consumer market for connected lighting with a range of competitively priced smart lighting products (*Trådfri*). Not only does Ikea possess of a well-established distribution network for its smart lightbulbs, its product range is also made fully [compatible with Apple Home, Google Assistant and Amazon Alexa](#) aiming for a tight integration with consumers' digital platforms of choice (Ikea has even expressed intentions to make the lightbulbs compatible with the Philips Hue smartphone app). While Philips' product offering is arguably superior to Ikea's (a wider range of products, offering greater functionality) it also comes at a significantly higher price. While consumer heterogeneity may justify both firms to exist profitably alongside, it is inevitable that Philips and Ikea are competing for overlapping consumer segments. How should Philips respond to Ikea's entry into the connected lighting market? Formulate a competitive response that will ensure Hue will remain dominant and profitable, consider changes in product offering and positioning among others.

2. *Value capture and platform dynamics.* Philips currently generates the bulk of its Hue related income by selling hardware products (i.e. light bulbs, luminaries, and peripherals). As such, it treats complementary software products including the Hue smartphone app, its cloud service, as well as third-party applications as complementary services that create value for the consumer but not directly for Philips. In other words, consumers are the money side and value is captured through selling tangible products, while complementors are the subsidy side as app developers can freely enter the platform and sell their apps without paying a licensing or royalty fee to Philips. As the production costs for LED lights go down, competition in the market for hardware increases, and demand for LED lights becomes saturated one could challenge the assumptions underlying the current pricing structure of the Hue platform. As the Hue platform matures and becomes more widely adopted, would you make any changes to Hue's current pricing structure? If so what changes would you make? Consider new avenues for revenue generation such as services and data monetization, but be mindful of consumer experience and privacy issues.
3. *Immersive entertainment proposition.* One way of tapping into consumers' imagination by using connected lighting is via entertainment products. The Hue team has [recently announced its immersive entertainment capability](#) that will enable Philips Hue to sync perfectly with all manner of entertainment content, bringing users thrilling immersive experiences when gaming, watching movies or listening to music. The main idea of the immersive entertainment capability is that the connected lights react to a light script (similar to a soundtrack but with light). For new content these light scripts are created by the content owners. For existing content the light scripts are automatically generated by algorithms and if needed modified manually. The tools to create scripts are supported and provided by Philips Hue. The entertainment industry is a complex market where the value system is comprised of wide variety of stakeholders (content owners such as studios, media platforms such as Netflix, hardware manufacturers such as 4K and HDR TV producers, subscription companies offering set top boxes, second screen platforms, etc.) each with their own set of challenges. Philips Hue aspires to be a structural part of any content

producer's toolkit and to be an integral part of an immersive entertainment experience. How can Philips best attain this long term goal? How should the Hue team address this market? With whom should Philips partner and integrate its platform to deliver a great consumer experience and rapid market penetration? Who should Philips collaborate with in order to create the most value for consumers but also capture a portion of that value?

4. *Complementor governance and the risk of envelopment.* Looking at the Hue app and the third-party apps that are being developed for Hue, Philips is in the peculiar position of being both a platform leader and a complementor. On the one hand does Philips facilitate a platform with Hue for which third-party app developers can create content that is sometimes promoted in the Hue app under 'Apps we like'. On the other hand is the Hue app merely one of hundreds of thousands of apps that compete on the Apple iOS and Google Play app stores. Moreover, third party apps for Hue are similarly offered and monetized via these platforms making it difficult for Philips to monitor, govern, and create value from these apps. Adding insult to injury, Apple has started to gradually absorb Hue functionality into its connected Home app (as have Google and Amazon). Should Philips revise its current strategy with regards to mobile operating systems and third-party apps? Should Philips look for ways to reduce its dependencies on mobile operating systems? How can the firm entice third-party developers to keep innovating and improving the Hue platform? Can Philips Hue stay differentiated by focusing its investments on the lighting part of the smart home rather than investing in the overall smart home platform?

You and your group are tasked address one of these strategic challenges faced by the Philips Hue team. To formulate an answer to this question you can use the course readings, company documentation, and the information provided at the business case presentation by Philips. Needless to say, you are encouraged to draw from external sources, too. The following output is expected:

- A short academic style paper (max 4,000 words, all included);
- A pitch-like presentation of your findings (20 minutes, including Q&A);
- And, a one-pager accompanying your pitch (printed in fivefold).

Papers and presentations are due on **Sunday March 11 at midnight** and have to be submitted via Canvas. Any late submissions result in failing this segment of the course. Papers have to contain a title page carrying the paper's title, student names and student numbers of all group members, and a date of submission. An abstract should follow the title page and precede the paper's main body. You are to adhere to the RSM style guide for MSc. theses for your layout and referencing style. Pages have to be numbered. Papers can be written in the Word or OpenOffice formats. Every group has 20 minutes (including time for questions) to present their ideas for Philips. Group presentations are attended by a Philips company delegation and you will be judged on how well you apply the theory to the case, your understanding of the case, and how well you solve the strategic challenge (originality, feasibility, and sustainability). The best pitch will be rewarded with a high grade (comprising 60% of the final grade), a small gift, and any good ideas may actually be implemented into the development and future roadmap of the Hue platform.

## READING LIST

### ***01. Standard Wars and Competition in Technology Platforms (standards perspective)***

Prior to the existence of platforms in management research, scholars studied the factors that drove certain technologies to become the ‘dominant standard’ in their fields. Oftentimes, these scholars found, it was not the most superior technology to win the standards battle, but rather an inferior technology standard. The QWERTY keyboard is one such example. What drives markets to congregate around a certain (inferior) technology standard, and not others?

David, P.A. (1985). Clio and the economics of QWERTY. *The American Economic Review*, 332-337.

Schilling, M.A. (1998). Technological lockout: An integrative model of the economic and strategic factors driving technology success and failure. *Academy of Management Review*, 23(2), 267-284.

Suarez, F.F. (2004). Battles for technological dominance: An integrative framework. *Research Policy*, 33(2), 271-286.

#### Case: Nintendo

Video game consoles are the quintessential example for platforms-related empirical research. As we will later see, video game consoles meet all the criteria technologies need to qualify as platform-based markets. One firm that has been in business since the inception of the industry as we know it today, is Nintendo. Using the frameworks presented in the readings, provide an overview of, and an explanation for, Nintendo’s market position throughout the various generations of video game consoles. Do you believe the Switch will become dominant?

Rietveld, J. (2014). Nintendo: Fighting the video game console wars, *The Strategy Process* (in ed. Mintzberg, H. et al.), Fifth Edition, FT Press. [\[CLICK\]](#)

Nintendo Wii U: Lessons learned for new strategic directions – *HBR* (W14682-PDF-ENG)

#### **Optional readings:**

Arthur, W.B. (1989). Competing technologies, increasing returns, and lock-in by historical events. *The Economic Journal*, 116-131.

Schilling, M.A. (2002). Technology success and failure in winner-take-all markets: The impact of learning orientation, timing, and network externalities. *Academy of Management Journal*, 45(2), 387-398.

Schilling, M. A. (2003). Technological leapfrogging: Lessons from the US video game console industry. *California Management Review*, 45(3), 6-32.

## ***02. Two-Sided Markets: How (In-)Direct Network Effects work (economics perspective)***

Economists were first to point to platforms as a standalone phenomenon with its own set of economic rules and dynamics. Platforms are multi-sided; they require more than one customer group to function and generate income. The value of a platform (e.g. newspapers) to one customer group (e.g. advertisers) depends on participation from another customer group (e.g. readers), and vice versa. How do platform owners solve this classic ‘Chicken and Egg’ problem?

Eisenmann, T., Parker, G., & Van Alstyne, M.W. (2006). Strategies for two-sided markets. *Harvard business review*, 84(10), 92.

Brynjolfsson, E., & Kemerer, C.F. (1996). Network externalities in microcomputer software: An econometric analysis of the spreadsheet market. *Management Science*, 42(12), 1627-1647.

Seamans, R., & Zhu, F. (2013). Responses to entry in multi-sided markets: The impact of Craigslist on local newspapers. *Management Science*, 60(2), 476-493.

### Case: VHS vs. Betamax

Another epic battle between technology platforms is the case of videocassette recorders (VCR). VCRs paved the way for DVDs, TiVo, and streaming services such as Netflix. When VCRs were first introduced in the 1970s, Sony’s Betamax format was superior to JVC’s VHS format and was first to market. Still, VHS won. Using the strategies for two-sided markets framework, provide a detailed account of how the battle between VHS and Betamax unfolded, and why VHS won.

Cusumano, M.A., Mylonadis, Y., & Rosenbloom, R.S. (1992). Strategic maneuvering and mass-market dynamics: The triumph of VHS over Beta. *Business History Review*, 66(01), 51-94.

Ohashi, H. (2003). The role of network effects in the US VCR market, 1978–1986. *Journal of Economics & Management Strategy*, 12(4), 447-494.

### **Optional readings:**

Clements, M.T., & Ohashi, H. (2005). Indirect network effects and the product cycle: Video games in the US, 1994–2002. *The Journal of Industrial Economics*, 53(4), 515-542.

Boudreau, K. J., & Jeppesen, L. B. (2015). Unpaid crowd complementors: The platform network effect mirage. *Strategic Management Journal*, 36(12), 1761-1777.

Kaiser, U., & Wright, J. (2006). Price structure in two-sided markets: Evidence from the magazine industry. *International Journal of Industrial Organization*, 24(1), 1-28.

### ***03. Beyond Pricing: Platform Rules (ecosystems perspective)***

While subsidized pricing and network externalities may be essential drivers for platform growth, scholars were quick to point out that it takes more for platforms to be successful. Platform owners are governors of ecosystems, and these ecosystems need to be regulated to ensure future growth and profits. What are the (dis-)advantages of opening up platforms to external participants? And, what governance strategies can platforms deploy to regulate competition between complements?

Iansiti, M., & Levien, R. (2004). Strategy as ecology. *Harvard business review*, 82(3), 68-81.

Adner, R., & Kapoor, R. (2010). Value creation in innovation ecosystems: How the structure of technological interdependence affects firm performance in new technology generations. *Strategic Management Journal*, 31(3), 306-333.

Eisenmann, T.R., Parker, G., & Van Alstyne, M. (2009). Opening platforms: How, when and why? *Platforms, Markets and Innovation*, 131-162.

#### Case: Facebook

Facebook's 1 billion plus user-base is a key asset for attracting advertisers, application developers, celebrities, as well as support from outside actors including web-pages and apps. Governing such a multifaceted ecosystem of stakeholders is a non-trivial task and new challenges (e.g., fake news, discrimination) present themselves almost every day. Provide an overview of the governance challenges Facebook faces and the strategies the firm implements to create and capture value.

Facebook – *HBR* (808128-PDF-ENG)

Case flash forward: Facebook – *HBR* (6061-PDF-ENG)

#### **Optional readings:**

Boudreau, K. J., & Hagiu, A. (2009). Platform rules: Multi-sided platforms as regulators. *Platforms, Markets and Innovation*, 163-191.

Ceccagnoli, M., Forman, C., Huang, P., & Wu, D.J. (2012). Co-creation of value in a platform ecosystem: The case of enterprise software. *MIS Quarterly*, 36(1), 263-290.

West, J. (2003). How open is open enough?: Melding proprietary and open source platform strategies. *Research policy*, 32(7), 1259-1285.

Boudreau, K. (2010). Open platform strategies and innovation: Granting access vs. devolving control. *Management Science*, 56(10), 1849-1872.

#### ***04. Platform Competition and the Product Lifecycle (evolutionary perspective)***

Platforms evolve over time. Not only does the platform technology change over time, there may also be important dynamics on both the platform's demand- and supply-sides. Eventually, a platform is supplanted by a superior next generation platform. How can complementors best cope with the changing competitive dynamics over the platform lifecycle? And, how do changing competitive dynamics in platform markets affect complementors' innovation incentives?

Yoffie, D.B., & Kwak, M. (2006). With friends like these: the art of managing complementors. *Harvard business review*, 84(9), 88-98.

Rietveld, J. & Eggers, J.P. (2017) Demand heterogeneity in platform markets: Performance implications for complementary goods. *Organization Science*. [\[CLICK\]](#)

Boudreau, K.J. (2012). Let a thousand flowers bloom? An early look at large numbers of software app developers and patterns of innovation. *Organization Science*, 23(5), 1409-1427.

#### Case: Mobile killer apps

There's an app for that! In January 2016, there were over two million active apps on Apple's App Store, and this statistic is equally impressive for Google's Play Store. While platforms greatly benefit from having so many apps, apps that generate profits for their developers are more exception than rule. Develop a profile of apps with the highest chance of becoming a killer app. Consider the choice of platform and the platform lifecycle stage as contingency factors.

Kapoor, R., & Agarwal, S. (2017). Sustaining superior performance in business ecosystems: Evidence from application software developers in the iOS and Android smartphone ecosystems. *Organization Science*.

Ghose, A., & Han, S.P. (2014). Estimating demand for mobile applications in the new economy. *Management Science*, 60(6), 1470-1488.

Yin, P.L., Davis, J.P., & Muzyrya, Y. (2014). Entrepreneurial innovation: Killer apps in the iPhone ecosystem. *American Economic Review: Papers & Proceedings*, 104(5), 255-259.

#### **Optional reading:**

Tiwana, A., Konsynski, B., & Bush, A.A. (2010). Research commentary-Platform evolution: Coevolution of platform architecture, governance, and environmental dynamics. *Information Systems Research*, 21(4), 675-687.

Hann, I.H., Koh, B., & Niculescu, M.F. (2016). The Double-Edged Sword of Backward Compatibility: The Adoption of Multigenerational Platforms in the Presence of Intergenerational Services. *Information Systems Research*, 27(1), 112-130.

Kretschmer, T., & Claussen, J. (2016). Generational Transitions in Platform Markets: The Role of Backward Compatibility. *Strategy Science*, 1(2), 90-104.

### **05. Platform Market Structures: Superstars vs the Long-tail (information goods perspective)**

Digital platforms such as Amazon, iTunes and Spotify are increasingly pervasive. Ever since their inception, scholars have been tied up in a debate about what the distribution of sales *within* these platforms looks like. Do digital platforms allow consumers to truly find what they are looking for? Or, do these platforms facilitate winner-take-all effects leading to a few blockbuster complements generating the bulk of all revenues? As with most debates, the answer is in the middle.

Anderson, C. (2004). The long tail. *Wired*, 12 (10). October. [\[CLICK\]](#)

Brynjolfsson, E., Hu, Y.J., & Smith, M.D. (2006). From niches to riches: Anatomy of the long tail. *Sloan Management Review*, 47(4), 67-71.

Elberse, A. (2008). Should you invest in the long tail? *Harvard Business Review*, 86(7/8), 88.

Fleder, D., & Hosanagar, K. (2009). Blockbuster culture's next rise or fall: The impact of recommender systems on sales diversity. *Management science*, 55(5), 697-712.

#### Case: Spotify

Spotify has become the world's preeminent music streaming service with over 20 million songs and 40 million active users (of which 10 million are paying users). That said, the firm is struggling to make a profit from its revenues which are mostly driven by subscription fees. Furthermore, blockbuster artists such as Taylor Swift and Adele are increasingly challenging the service's open access model. To what extent does Spotify's success hinge on support from superstar artists?

Spotify – *HBR* (516046-PDF-ENG)

Spotify: Face the Music - *IESE* (IES473) \*also available via HBR\*

Datta, H., Knox, G., & Bronnenberg, B.J. (2017). Changing their tune: How consumers' adoption of online streaming affects music consumption and discovery. *Marketing Science*.

#### **Optional readings:**

Rosen, S. (1981). The economics of superstars. *The American economic review*, 71(5), 845-858.

Brynjolfsson, E., Hu, Y., & Smith, M.D. (2010). Research commentary - Long tails vs. superstars: The effect of information technology on product variety and sales concentration patterns. *Information Systems Research*, 21(4), 736-747.

Oestreicher-Singer, G., & Sundararajan, A. (2012). Recommendation networks and the long tail of electronic commerce. *MIS Quarterly*, 36(1), 65-84.

## ***06. Platforms for the People (sharing economy perspective)***

Platforms are increasingly facilitating direct exchanges between people and between non-employees and organizations. Such exchanges have the power to change the nature of the firm and affect the entrepreneurial venture process, some say. Here we look at four peer-to-peer platforms that provide alternatives to existing markets and traditional offerings: Yelp, Airbnb, Kickstarter, and Kiva. Given that this week's topic is all about sharing, all cases will be prepared and presented by students. Note that readings with an asterisk (\*) are required readings for all students!

### Case 1: Yelp

Expert ratings used to be the dominant way for consumers to obtain an independent product evaluation. Digital platforms and social media, however, have made it easier for consumers to voice their opinions. Yelp, the crowdsourced restaurant-rating platform, is changing the way people eat. How do Yelp reviews affect restaurant revenues, and which restaurants are most affected by Yelp reviews? And, what factors lead restaurants to committing 'review fraud'?

Luca, M. (2011). Reviews, reputation, and revenue: The case of Yelp.Com. *Harvard Business School NOM Unit Working Paper*, (12-016). [\[CLICK\]](#)

Luca, M., & Zervas, G. (2016). Fake it till you make it: Reputation, competition, and Yelp review fraud. *Management Science*, 62(12), 3412-3427.\*

### Case 2: Airbnb

Airbnb has repeatedly stated not to be in competition with the hotel industry. Still, the peer-to-peer room sharing service is facing a lot of adversity from traditional hotels. This begs the questions: to what extent does Airbnb substitute for traditional hotels? And, which hotels are mostly affected by Airbnb? Also, to guarantee future growth of the platform Airbnb needs to put in place elaborate trust mechanisms. Discuss the governance policies that Airbnb uses to regulate its platform.

AirBnB (A) – HBR (912019-PDF-ENG)

Zervas, G., Proserpio, D., & Byers, J. W. (2017). The Rise of the Sharing Economy: Estimating the Impact of Airbnb on the Hotel Industry. *Journal of Marketing Research In-Press*.\*

### Case 3: Kickstarter

Crowdfunding is rapidly evolving into a legitimate source of (seed) funding for all sorts of early stage ventures and projects. Owing to Kickstarter, creators are neither tied to venture capitalists nor geographical location in their quest for funding. Which projects stand the highest chances of being successful, and why? Also discuss the governance challenges the Kickstarter platform faces in terms of dealing with information asymmetries between backers and creators.

Agrawal, A., Catalini, C., & Goldfarb, A. (2014). Some simple economics of crowdfunding. *Innovation Policy and the Economy*, 14(1), 63-97.

Mollick, E. (2014). The dynamics of crowdfunding: An exploratory study. *Journal of Business Venturing*, 29(1), 1-16.\*

### Case 4: Kiva

Kiva combines microfinancing and peer-to-peer lending to create a platform where entrepreneurs, often from developing countries, can post entrepreneurial ideas for individuals, often from developed countries, to fund in the form of small short-term loans. Oftentimes loans are posted by microfinancing institutions, or MFI's, which manage a portfolio of loans. How does Kiva govern its platform to ensure its mission is fulfilled, and that both lenders and borrowers are satisfied?

Carrick-Cagna, M.A., & Santos, F. (2009). KIVA versus MYC4: Business model innovation in social lending. INSEAD (INS080).

Ly, P., & Mason, G. (2012). Competition between microfinance NGOs: evidence from Kiva. *World Development*, 40(3), 643-655.\*

### ***Books for further reading***

For those interested to learn more about platform markets here are some recommended books:

- Platforms, Markets and Innovation (A. Gawer, *Edward Elgar*)
- Platform Revolution (G. Parker, M. Van Alstyne, S. P. Choudary, *Norton*)
- Platform Ecosystems (A. Tiwana, *Morgan Kaufmann*)
- The Sharing Economy (A. Sundararajan, *The MIT Press*)
- Blockbusters (A. Elberse, Henry Holt and Co.)
- The Winner-Take-All Society (R. H. Frank, P. J. Cook, *Penguin Books*)
- The Long Tail (C. Anderson, *Hachette Books*)
- Free (C. Anderson, *Hachette Books*)
- The Wide Lens (R. Adner, *Portfolio Penguin*)
- The Second Machine Age (E. Brynjolfsson, A. McAfee, *Norton*)
- Staying Power (M. A. Cusumano, *Oxford University Press*)

<b>Course: Competitive Strategies Within and Between Platforms Markets (BMME-086)</b>	<b>Assessment formats</b>			
<b>Educational goals per course</b>	<b>Participation</b>	<b>Case presentation</b>	<b>Philips term paper</b>	<b>Total</b>
After following this course, the student is able to:				
Explain why dominant standards arise in markets for technology	X	X		
Analyze how (in-)direct network effects can be created through subsidized pricing strategies	X	X		
Understand what governance frameworks that platform owners can deploy beyond pricing strategies	X	X	X	
Explain what market structures look like within platform markets...	X	X	X	
And, how this affects competition and innovation for providers of complementary goods	X	X	X	
Recognize how platforms change the way people and organizations transact	X	X		
<b>Weighting</b>	10%	30%	60%	100%
Minimum grade required (5.5 or Pass)	No	No	5.5	
Opportunity to resit within the academic year (Yes/No)	No	No	Yes	
Form of examination (e.g. MC, Open-book, etc.)		Presentation	Paper; presentation	
Group / Individual assessment (Group/Individual)	Individual	Individual/group	Individual/group	