

M ARKETING

I NTELLIGENCE

R EVIEW

Platform Business

PLATFORM STRATEGIES > PLATFORMS AND BRANDS > BUSINESS INNOVATION >
BIG TECH PLATFORMS > DIGITAL REGULATION > PLATFORM DECENTRALIZATION >
RESPONSIBLE PLATFORMS > SOCIAL VALUE

Nürnberg Institut für Marktentscheidungen e. V.
Founder of GfK
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FROM ACADEMIC RESEARCH TO PRACTICAL USE



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FROM ACADEMIC RESEARCH TO PRACTICAL USE

NIM Marketing Intelligence Review

The Journal of the Nuremberg Institute for Market Decisions

The NIM Marketing Intelligence Review is directed at managers and all decision-makers who are interested in new research findings,
> [current marketing topics](#) and emerging marketing trends.

The journal is published twice a year and is designed as a themed issue. Each issue features a current topic in marketing and market decision-making. The articles present > [academic research and findings that are translated for practical use](#). They provide marketing knowledge and impulses from top international experts for the marketing business – also with the aim of improving market decisions.

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Editorial



Platform businesses have dramatically reshaped the global economy. Their interconnected ecosystems facilitate interactions between consumers, developers and service providers and create new value. Companies like Amazon, Apple, Alibaba and Uber have led this transformation, expanding their platforms beyond their original offerings. In 2019, the top 43 publicly listed platform companies achieved nearly double the operating profits, growth rates and market capitalizations compared to the 100 largest traditional firms in the same sectors over a 20-year span, all while employing only half the number of workers. In 2024, Alibaba's two retail arms, Taobao and Tmall, are expected to reach over \$1.47 trillion in third-party web sales, while Amazon is projected to account for 40.4% of the entire US e-commerce sales.



But where there is light, there is also shadow. On the one hand, various platforms such as Airbnb and YouTube offer unparalleled convenience and a wide range of goods and services at potentially lower prices, as well as employment opportunities, to millions of consumers worldwide. On the other hand, these powerful platforms raise privacy concerns, may lead to unfair terms for small businesses and developers, and can influence public opinion and behavior, posing risks to democratic processes and societal norms.

In this issue of the NIM Marketing Intelligence Review, leading scholars discuss opportunities as well as challenges around platform business. They cover prevention of commoditization and identification of the right level of decentralization on a platform. They also delve into how dominant platforms should be regulated and how to limit their surveillance and influence. Furthermore, key differences between Chinese and US digital platforms are highlighted, and social value creation is advocated as the core objective for responsible platforms. This is complemented by industry insights: Our interview with Julie Roth Novack, the CEO and cofounder of PartySlate, shows how to create value by connecting various parties in the event business with consumers.

As technology such as generative AI advances, innovations will keep popping up, and platform businesses will continue to evolve. Let's embrace these changes and leverage the power of platforms to better serve all the communities around the world.

Enjoy reading this issue!

Andrei Hagiu and Bobby Zhou

Boston, July 2024

Platform Business



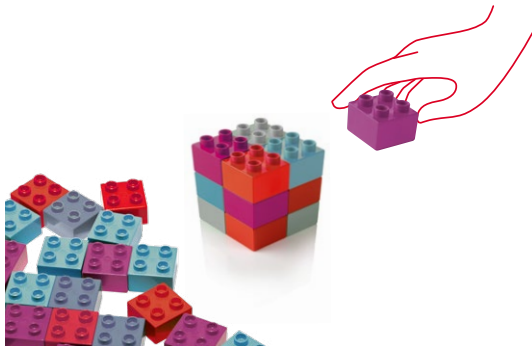
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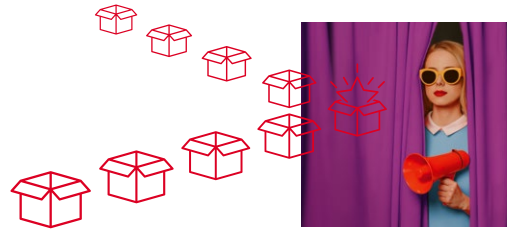
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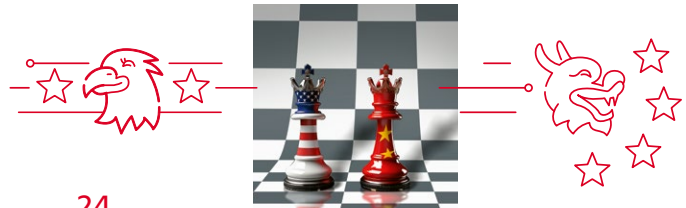


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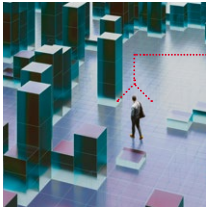
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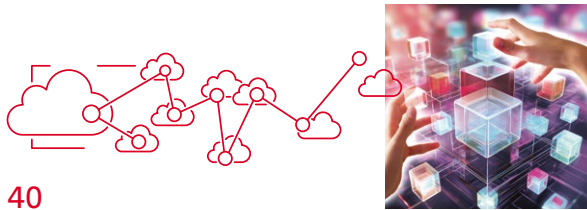
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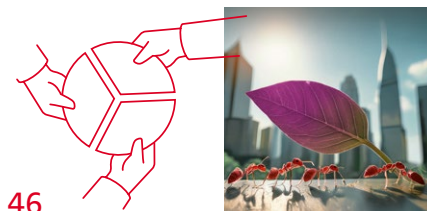


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Executive Summaries



Transforming Products into Platforms: Unearthing New Avenues for Business Innovation

Andrei Hagiu and Bobby Zhou

It is impossible for brands to ignore digital platform opportunities. Network effects are one of the strongest sources of power and defensibility ever invented and underlie some of the most valuable businesses in the world. Managers and entrepreneurs can leverage the power of platforms by adding some platform elements to their existing products or services, by distributing their brands via existing platforms or by developing their own new platforms. Using one's own brands as platforms requires creativity but can help businesses unlock new value and build resilient ecosystems around their products. There are three key methods. The first is to invite third-party sellers to enhance existing products. Examples include selling advertising space around products or creating app stores to extend offers. The second is to connect one's customers by enabling interactions among users to add value. Third, brands might reach out to customers' customers by enhancing the end-user experience in a way that benefits both themselves and their direct customers. If thoughtfully implemented, any platform strategy will create self-reinforcing feedback loops, sparking growth and keeping competitors at bay.

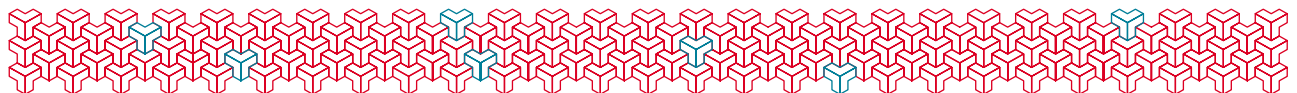
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Stepping Up Your Brand Game in the Platform Age: How to Build a Commoditization SHIELD

Hemant K. Bhargava, Jan Krämer and Abhinav Kishore

Digital platforms have captured unprecedented levels of influence within the digital business ecosystem. Many platforms have gone beyond purchase facilitation and increasingly become the focal point for consumer interactions with sellers. Often, consumers perceive their interaction as being with the platform rather than with the underlying brands or service providers. This creates a huge challenge to preserving brand identity and relevance in order to avoid commoditization. The authors suggest the Brand SHIELD Framework to help brands navigate a market dynamic where platforms control key aspects of the consumer experience and brand interaction, often diminishing the brand's direct relationship with its customers. It suggests six innovative strategies to reclaim brand identity and forge stronger connections between brands and their customer base, thereby avoiding the commoditization trap that platform dominance can exacerbate. SHIELD is a strategic paradigm that redefines how brands operate and succeed in the digital age by remaining competitive, relevant, resonant and resilient amidst the shifting sands of digital commerce.

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Chinese and US Digital Platforms: Exploring Key Differences in Strategies

Xiaoquan (Michael) Zhang

From social media, e-commerce and gaming to travel and hospitality, platforms have revolutionized industries and transformed the way we live and interact. While Chinese and US platforms share the common goal of user engagement and monetization, their strategies diverge significantly due to cultural, regulatory and market forces. The strategic differences between Chinese and US platforms are marked and multifaceted. Chinese platforms often adopt a “super-app” strategy and create vast, integrated ecosystems that offer a wide array of services. They tend to be mobile-centric, reflecting the widespread use of smartphones for Internet access in China. In contrast, US platforms typically operate a suite of specialized services, focusing on maximizing the user experience and revenue within each platform. They often emphasize the quality of individual services, data privacy and a global approach that includes specialization and clear delineation between services. Understanding these strategic differences is crucial for businesses and policymakers to navigate the global digital landscape effectively.

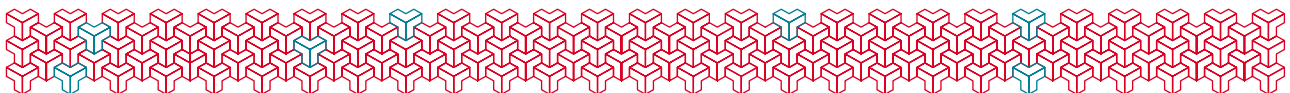
Big Tech Platforms: What Are the Limits to “Big Brother” Surveillance and Influence?

Annabelle Gawer

Over the past few years, Big Tech platforms have been experiencing increasing backlash. The criticism goes far beyond anti-competitive behavior and cuts to the core of societal values and fear for fundamental human rights and democracy. One reason is that online platforms take vast advantage of the behavioral habits of billions of users. This data becomes a key resource that platforms leverage to enhance digital services and enter new markets. With increasing influence, platforms often find it hard to resist the temptation to overexploit their position. As a consequence, regulatory actions are required, either externally in the form of laws or internally through more balanced platform governance rules, or both. As public regulation is only gradually and locally being implemented and cannot possibly cover all critical aspects or be ahead of developments, self-regulation is necessary to prevent exploitation. Digital platforms have to act as private regulators of their own ecosystems and establish the rules through which their various users – individuals as well as organizations – interact.

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Mastering the Digital Regulatory Maze: Strategies for Marketing Success in a Complex Landscape

Daniel Sokol

In today's world, regulation is everywhere. The many new rules and regulations are shaping business behavior and transforming how businesses operate. Some rules are specific to the digital economy and have been put into place specifically to address real and perceived issues that the digital economy creates. Further, there are more generally applicable legal rules in the digital context, such as contracts, torts, antitrust regulation, etc. Finally, there are informal norms, such as for reputation management, that may govern the organizational structure of the digital economy. These digital rules create a complex global patchwork. In some cases, there are digital rules, and in others, there are only traditional rules. Occasionally, the rules overlap, and in other areas, there are gaps. In some cases, the overlaps even expose tensions across different legal regimes, jurisdictions and particular themes or industry sectors. Marketers need to understand different forms of regulation and should use the regulation-free space to move as part of a broader business strategy of differentiation.

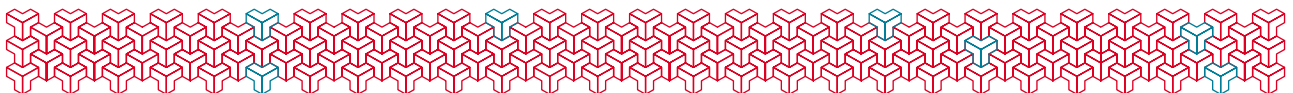
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Web3 and the Future of the Digital Platform Economy: The Tricky Business of Finding the "Just Right" Level of Decentralization

Hanna Halaburda and Daniel Obermeier

As an alternative to the powerful platform companies controlling every detail of our lives, tech evangelists have praised blockchain technology and algorithm-based, decentralized governance as a potential remedy. They expect blockchain technology to allow for the disintermediation of digital platforms and a fairer distribution of the created value among those who contribute to it. Blockchain-based platform governance could be more transparent, democratic and inclusive. Instead of one central party consolidating all decision authority and control over the platform, blockchain platforms rely on a predefined, algorithmically encoded and publicly visible protocol that enables a network of peers to maintain the platform jointly. However, complete decentralization is no panacea for reducing the power of intermediaries. It comprises several trade-offs, and many challenges are as yet unsolved. Although promising solutions are looming on the horizon, reintroducing some level of centralization might be a more reliable and available solution in the short run.

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Responsible Platforms: Aiming for Social Value Rather than Scale

Giana Eckhardt, Aleksandrina Atanasova, Mikko Laamanen and Christine Kittinger-Rosanelli

In response to the growth and concentration of power of profit-maximizing platforms, other models seeking more participation, cooperation and multi-stakeholder inclusion have emerged. This article focuses on platform cooperatives and social entrepreneur-led platforms as promoters of more responsible platform strategies with a long-term orientation toward resilient and sustainable solutions. The goals of such responsible platforms range from fairer working conditions and fairer distribution of profits and wealth to the revitalization of local economies, as well as to waste and emission reduction. Even if responsible platforms face many challenges and are not as widespread as leading platforms, they are able to challenge “hypercapitalist” models from the margins. Despite their smaller market shares, they can shape the public discourse about the distribution of wealth, power and consumption in important ways. From their niches, they incrementally but consequentially influence platform dynamics more broadly, engendering change from the margins and moving incumbents to change and consumers to act in more responsible ways.

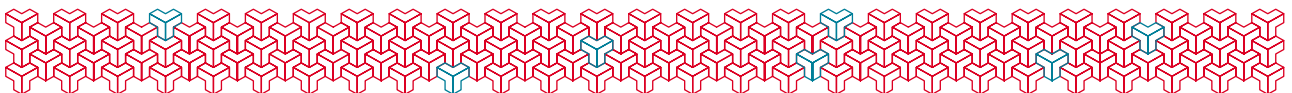
Make Your Dream Events Real: Creating Value by Connecting the Party Industry with Its Consumers

Interview with Julie Roth Novack, CEO and Cofounder of PartySlate

Celebrating a major life or corporate event is a real challenge. Where is the best location? Who can I entrust with the planning? Who is able to prepare a themed buffet or decorate a venue in a distinct style? Whether you are just looking for inspiration or want to line up the perfect team for your event, PartySlate will be a real treasure box. But it’s not just consumers who benefit. On the other side of the marketplace, businesses such as event professionals and venues gain marketing support and visibility. Typically, service providers in the event industry have little time for digital marketing or lack expertise, and often their systems to organize their own photos are not very handy. PartySlate helps them build their brands and grow their businesses with professional digital marketing support. In this interview, Julie explains how she started, how her newly founded platform survived the pandemic and how it’s integrating AI to extend services to both sides of the market.

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Transforming Products into Platforms: Unearthing New Avenues for Business Innovation

THE AUTHORS

Andrei Hagiu

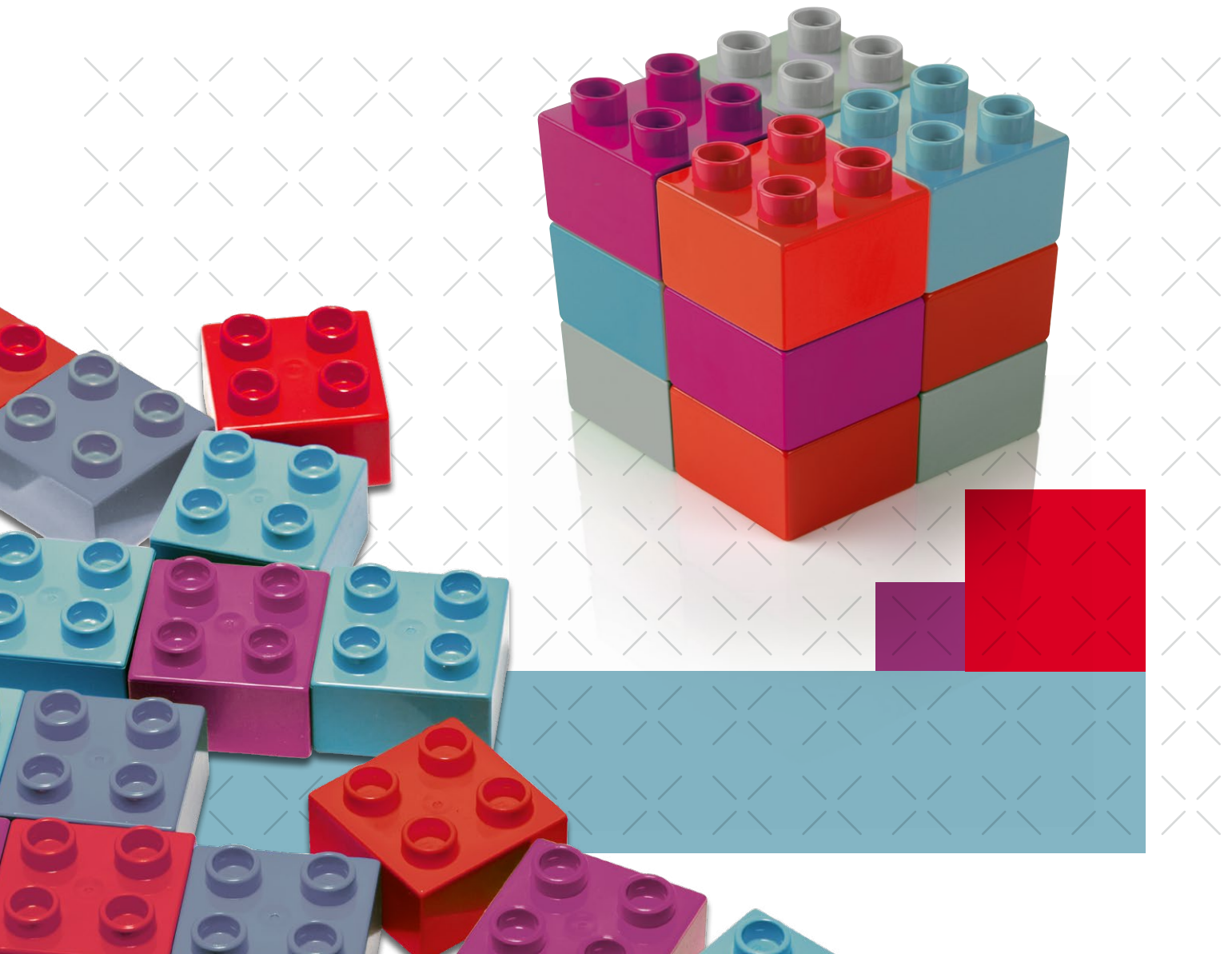
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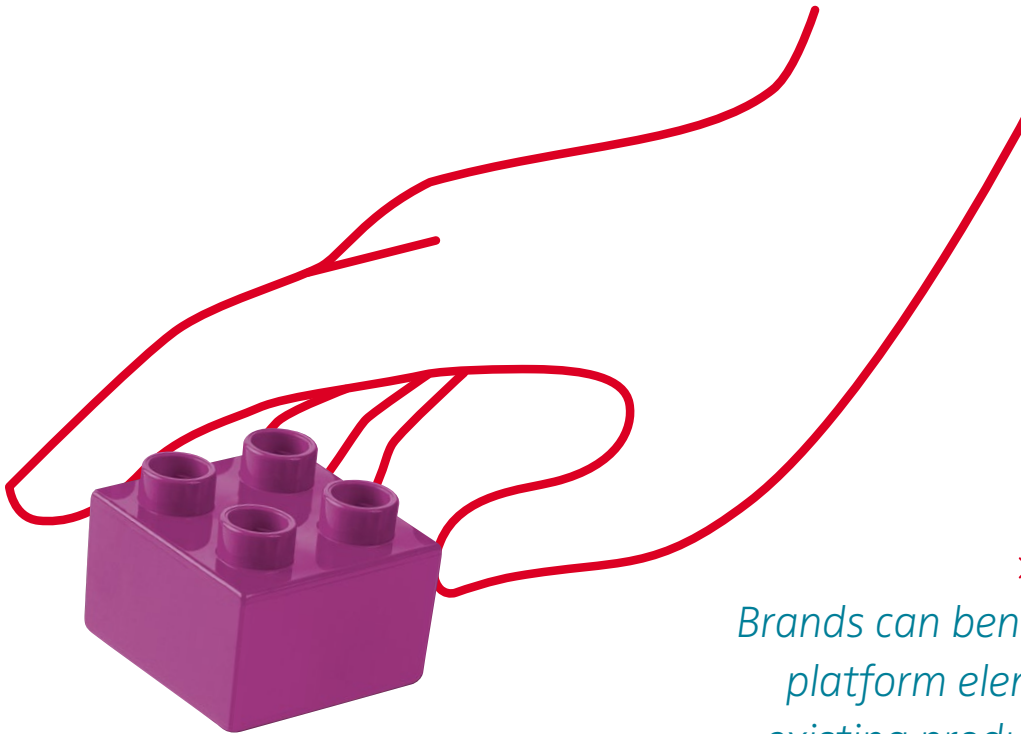
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KEYWORDS

Platform Businesses, Platform Strategy, Business Model Innovation, Business Transformation





Brands can benefit from adding platform elements to their existing products or services.



While the big platforms have become contested ...

× Platforms are one of the most powerful business models ever created. Network effects make them prone to exponential growth, almost infinite scalability and extremely strong defensibility. However, the success and the power of the platform giants have raised concerns and opposition. Critics question competitive and economic mechanisms, such as data monetization, privacy violations and manipulative and discriminatory algorithms. They request public and self-regulation as well as more balanced governance structures that take into account broader effects on society as a whole, as Annabelle Gawer (p. 30) and Daniel Sokol (p. 36) discuss in their articles.

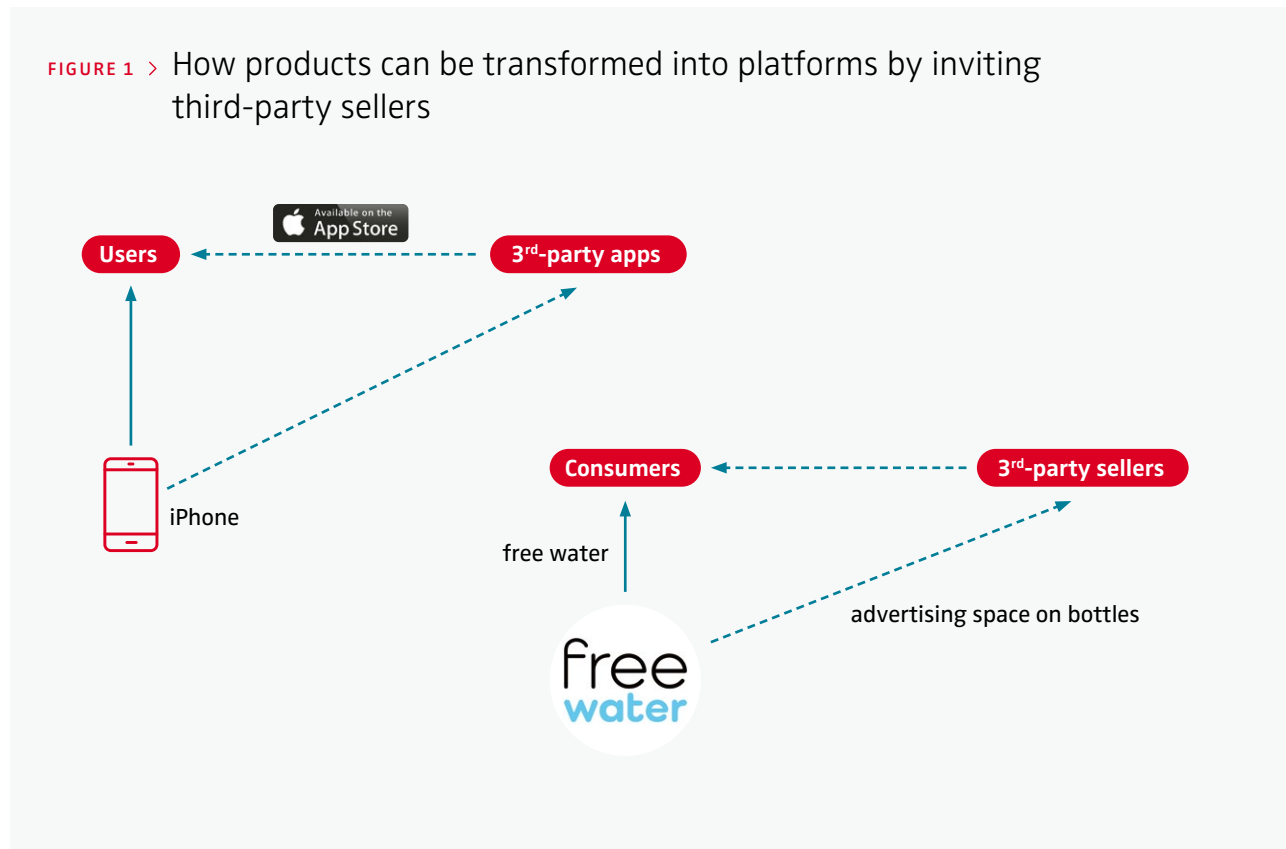
... any brand can benefit from platformization × But platform models reach far beyond the giants, and one doesn't need to become the next Amazon, Facebook, WeChat or YouTube in order to harness the power of network effects. Brands can use platforms to sell their products, but many brands can also benefit from adding some platform elements to their existing products or services. Every company in the world – from street vendors to car washes to manufacturers of physical goods and all the way to software vendors – can benefit from going through the exercise of brainstorming potential platform transformations of their products or services. This can and should be done in a playful and creative way. There are three key methods for doing so:

Method #1: Opening doors to third parties × The idea of this method is to invite third-party sellers to promote or sell to your customers within your product or service. It is not about your product merely integrating with some existing third-party products. The end goal should be to have third parties build products and services that didn't exist before and that are uniquely designed to work with your product. Figure 1 shows how this scheme works for two different brands.

> **Allowing third parties to advertise on a product** × A great example that was created in 2020 is FreeWater (see Figure 1). The company distributes natural spring water in aluminum bottles or paper cartons for free and sells advertising space on its bottles and cartons.

FreeWater is admittedly an extreme example, in which the focal product – water – is provided for free. However, the potential for selling advertising space is clearly applicable to many products. Why couldn't brands like Orangina, Poland Spring or Snickers also sell advertising space to third-party brands on their packaging? Of course, they would want to make sure that the third-party advertisers are aligned with, or complementary to, their brands. Presumably, a company would not want to allow competing brands to advertise on its products.

FIGURE 1 > How products can be transformed into platforms by inviting third-party sellers

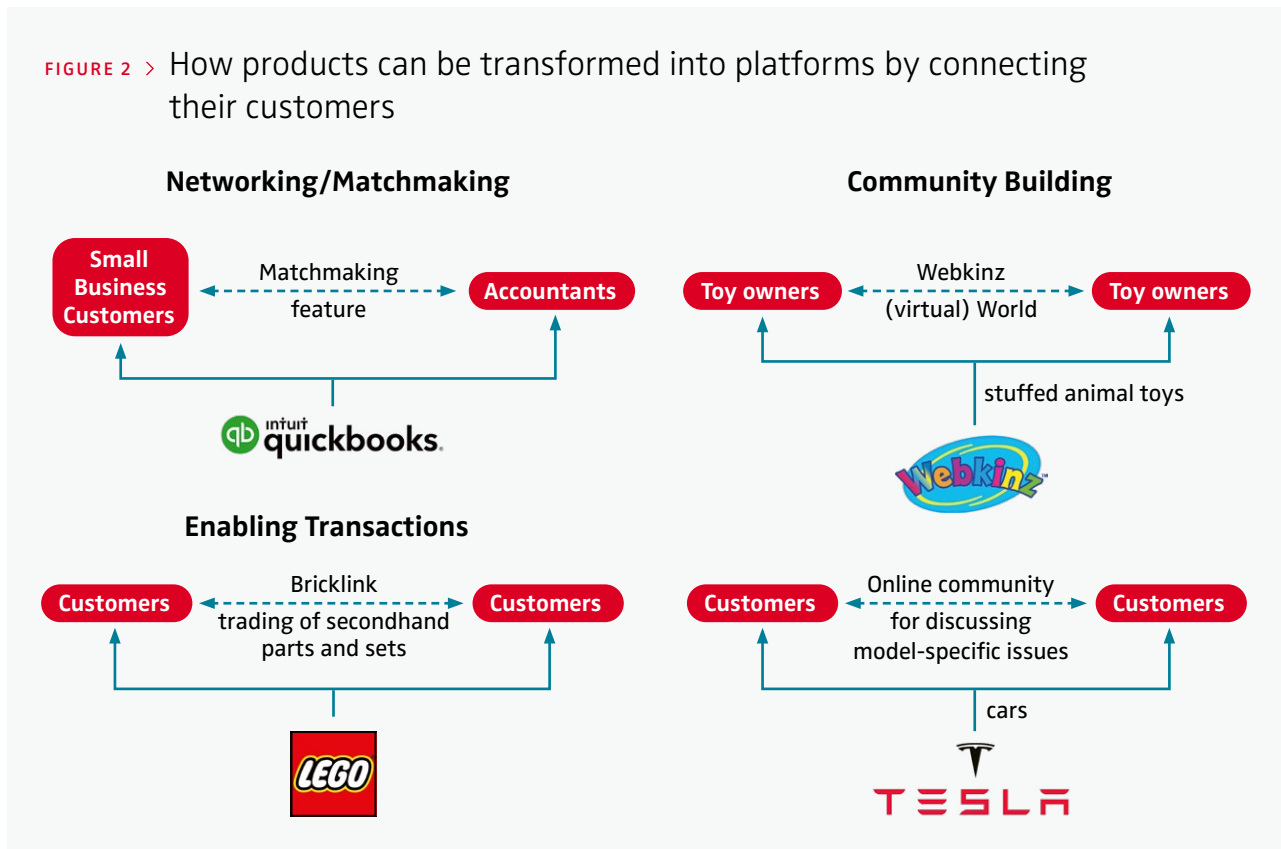


- > **Creating an app store around a product** ✕ While opening the door to third-party advertisers creates a new revenue stream, it does not really benefit the customers of the focal company's products, except perhaps indirectly, in the form of lower prices. This is why the most powerful version of opening the door to third parties is something like creating an app store around your product, similar to what Apple did with its iPhone (see Figure 1). Indeed, opening up the iPhone APIs to third-party developers and launching the App Store in 2008 remains, to date, arguably the most successful and powerful implementation of opening the door to third parties. Since then, many other software companies have followed suit: Amazon opened up the AWS Marketplace in 2012, Shopify opened up the Shopify app store in 2009, Intuit launched the QuickBooks apps portal in 2014 and, most recently, OpenAI already has the GPT Store for ChatGPT. The initial iPhone apps didn't exist before and were uniquely designed to work within the Apple world and the current GPTs are built around ChatGPT. Of course, over time, iPhone apps were ported to Android and

other platforms, but it is still the case that developers first launch their apps on iOS and only later port them to Android. Similarly, GPTs did not exist before and are uniquely enabled by ChatGPT. And, in turn, they build an ecosystem of products and services around ChatGPT that OpenAI could not have dreamed of building on its own – just like Apple could never have imagined and built over 1.8 million iPhone apps. This is the true power of opening the door to third parties and unleashing innovations by third parties – it is no longer just a product, but a portal to many other functionalities and to an entire ecosystem, which makes the original product more valuable and more defensible.

Let's take the app store idea back to the first example we started with: FreeWater. For example, FreeWater could invite third parties to come up with new formulas of nutritious supplements that can be selected by consumers at the point of sale or online. While this may seem like a stretch from a business perspective, this thought experiment is meant to illustrate how creative and powerful the logic of opening the door to third parties can be.

FIGURE 2 > How products can be transformed into platforms by connecting their customers



Method #2: Connecting customers ✕ The idea with this method is to add to your product the ability to enable valuable interactions or transactions between your customers. It is about identifying useful ways in which your product can uniquely connect your customers and create value for them. There are different types of interactions that products can enable: business-related networking, social and even romantic matchmaking, exchange of information or experiences, or transactional. Figure 2 shows the basic scheme of this methods for four brands. We discuss these examples and others below.

> **Enabling matchmaking** ✕ After the software company Intuit realized that many of the small business customers of its QuickBooks product were looking for accountants and that many independent accountants, who are also QuickBooks customers, were looking for clients, Intuit added a matchmaking function within QuickBooks that allows small businesses to find and contact accountants with relevant expertise in their geographic area – a business networking feature. Perhaps the two most memorable examples of products adding the ability to connect customers are Samsung’s

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Brands should carefully screen third parties and put clear governance rules in place to make sure the platforms function as intended.

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Refrigerdating service and Virgin's ill-fated in-flight flirting system.

Launched sometime in late 2018–2019, Samsung's Refrigerdating allowed consumers to match for dating purposes based on what's in their refrigerators. A similar idea was implemented by Virgin America/Atlantic starting back in 2013: Virgin equipped its in-flight touchscreen system with the ability to send messages to passengers in other seats on the flight, as well as to order them drinks. This capability was later pivoted into an in-flight business networking system (apparently, several airlines offer some version of the latter today). The Virgin in-flight flirting capability predictably led to at least one instance of harassment, so the company eventually shut it down.

While it is easy to poke fun at these two services, they do suggest an interesting opportunity: What products and services would benefit from enabling romantic or social connections between their users? Fridges and airline flights may not be obvious candidates, but books, movies, music and podcasts might be. For example, Kindle, Netflix and Spotify could incorporate a matchmaking feature into their services, based on content preferences. Discovering friends or romantic partners through shared book, movie or music interests would likely be appealing to many users and, in turn, would add new value to these services.

- > **Building communities** ✕ Many brands set up forums to enable their customers to communicate with each other. The goal is to allow customers to share knowledge and provide useful tips to each other so that they can get the best experience out of the products. Examples include Wolfram Mathematica's vibrant user forum and Tesla's online community for discussing issues regarding its various car models.

A particularly creative example is the plush toy brand Ganz, which equipped each of its popular stuffed animal Webkinz toys with a playable online counterpart starting in 2005. The owner of each toy can activate a digital avatar via a secret code and then play with other toy owners in the virtual Webkinz World. The Webkinz virtual world concept may look like a marketing gimmick at first glance, but it is brilliant in at least two ways. First, it creates very real network effects around a common physical product: People no longer buy Webkinz just as stand-alone toys, but they also care about how many other people buy the toys and participate in the Webkinz virtual world. Second, the Webkinz virtual world, launched in 2005, was essentially a precursor to non-fungible tokens (NFTs) – unique

digital assets that certify ownership and provide access to various features. Given the explosion of blockchain-based NFTs in recent years, many brands can emulate the Webkinz example by attaching NFTs to products such as shoes, clothes or furniture, and enable all sorts of interactive and social functionalities based on those NFTs to create communities around their products.

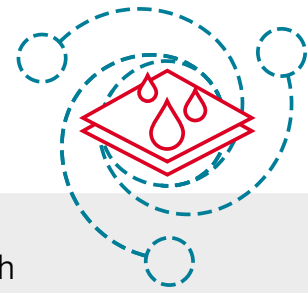
- > **Enabling transactions** ✕ In 2019, LEGO acquired BrickLink, a website that allows LEGO fans from around the world to trade LEGO sets, parts and mini-figures with one another. One could have worried that transactions on BrickLink might cannibalize sales of new LEGO sets, but this doesn't seem to have been the case. It only strengthened the appeal of LEGO's brand to its customers, giving them an opportunity to engage even more often with it.

In all of these examples, it is quite clear how enabling interactions or transactions among customers adds more value to the initial product.

Method #3: Reaching out to customers' customers

- ✕ Our third method is relevant to B2B products or services, including ingredient brands (see Box 1). The idea is to reach out to your customers' customers and offer them products or services that enhance their interactions with your own customers. The effort might be viewed with suspicion by your customers, who might fear that you are trying to wrest control over their customer relationship from them and eventually commoditize them. This is why it is very important that companies implement method #3 in a way that benefits not just their customers' customers but also their original customers. Figure 3 shows two examples, which are further described below.

- > **Offering a complementary service** ✕ A classic example of successfully executing this method is OpenTable, which started off in 1998 as a supplier of software tools and point-of-sale systems to restaurants (its customers). Among other things, these tools helped restaurants manage their reservations with their own customers. After OpenTable had built a sizable customer base (of restaurants), it launched the reservation website to consumers (its customers' customers), where consumers could discover and book tables at any of the restaurants that were using OpenTable's software product. The reservation website transformed OpenTable from only a product supplier to restaurants into a two-sided platform (marketplace) with strong network effects.



BOX 1

How ingredient brands could benefit from a platform approach

A special case of B2B products are ingredient brands like Gore-Tex, NutraSweet's sweeteners, Microban's anti-microbial technologies, Corning's Gorilla Glass and BOE's screens. To illustrate a few important nuances of method #3, we use the potential example of Gore-Tex, which licenses its trademark technology for building durable, waterproof and breathable garments to branded manufacturers such as Arc'teryx, Patagonia, Salomon, Marmot and Timberland. Let's see how Gore-Tex could turn its products into a platform by reaching out to customers' customers.

First, one might ask: Since Gore-Tex advertises to end-consumers, isn't that a way to reach out to customers' customers and create a platform? The answer is: not really. Ingredient branding like this can significantly enhance brand visibility among end-consumers. This awareness, in turn, exerts pressure on Gore-Tex's clients to acquire the licensing rights for incorporating the trademark into their clothing lines despite having to pay a higher price compared to other options. For Gore-Tex, this undeniably creates some defensibility, but it does not generate network effects, the key characteristic of platform businesses. So, what would it take to transform into a true platform by reaching out to customers' customers? There are several options:



- > **Build an online marketplace for brand customers** ✗ There, brands could participate by featuring and selling apparel products made of Gore-Tex fabric. Again, one might ask: Doesn't Gore-Tex's website already do this, since it features many brands and their products that are based on Gore-Tex fabric? Not really: A closer look at the website reveals that the products are simply listed with links to the respective brands' websites for further exploration and purchase. There is no sense in which the brands actively participate on Gore-Tex's website, so the latter cannot be considered a marketplace like Amazon.com or eBay.



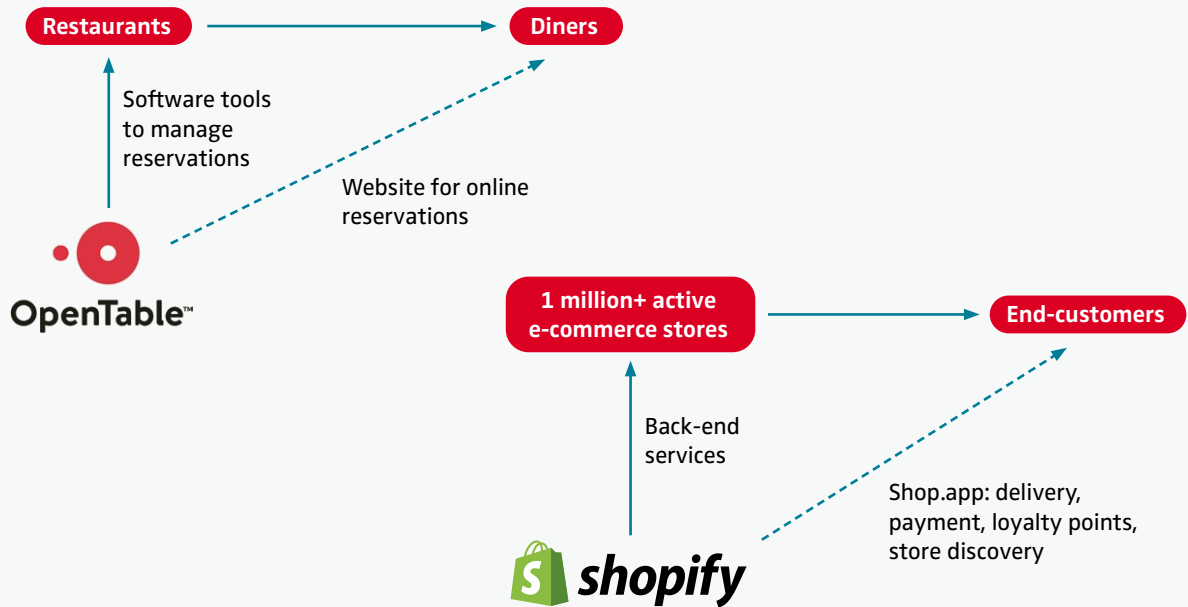
- > **Build an offline marketplace for brand customers** ✗ In this case, each brand could have its own mini-store, staffed by its own salespeople. This would be similar to the way that Apple and Microsoft have mini-stores within BestBuy.



- > **Invite end-customers to register for additional benefits** ✗ Another option would be for Gore-Tex to allow end-customers to register any Gore-Tex-based product they buy with Gore-Tex and send the items in for repairs. The key here is that the repair service is a clear complement to the product bought from Gore-Tex's customers (the brands). Just offering free ice cream to end-customers, as an absurd example, wouldn't make Gore-Tex a platform because the ice cream is completely unrelated to the products bought from Gore-Tex's customers. An added benefit of pursuing this option would be for Gore-Tex to get closer to its end-customers, which would allow it to learn directly where its technology needs further refinement or improvement.

Of course, for each of these options, Gore-Tex would have to ensure the cooperation of its brand customers. The latter should not feel threatened or commoditized in any way by Gore-Tex's efforts to offer something to their customers. For example, if Gore-Tex were to build an online marketplace, it would have to design it so that each of its customers could showcase its unique features and differentiate from the other Gore-Tex customers, unlike, for instance, on Amazon.com.

FIGURE 3 > How products can be transformed into platforms by reaching out to customers' customers



- > **Improving end-customer experiences with the customer's service** ✕ A more recent example is Shopify, the leading provider of e-commerce tools to its over one million online merchant customers. In April 2020, Shopify launched Shop.app, an application that improves consumers' online shopping experience at Shopify merchants. The app remembers the consumers' delivery and payment details to make it faster to complete forms at Shopify-powered online stores, creates a record of all their transactions, offers loyalty points when using Shop.app at checkout, provides a way to bookmark consumers' favorite brands and has a "shop local" feature where users can browse nearby stores.

While Shop.app has clearly transformed Shopify into a platform, it is interesting that the company has stopped short of creating a full-fledged marketplace like Amazon.com. The main reason is that it does not want its customers (the online merchants) to feel like they are being commoditized in the same way they are on Amazon's marketplace. In the words of its CEO: "Amazon is trying to build an empire, and Shopify is trying to arm the rebels."

The Shopify example illustrates the fundamental tension inherent in building a platform by reaching out to your customers' customers. In the case of Shopify, it is clear why Shop.app is appealing to end-customers, but the merchants (Shopify's customers) also benefit: The check-out process is faster and more convenient for their customers, which means higher conversion rates and more repeat purchases.

Brands that build platforms around their products can't go on cruise control ✕ A word of caution is in order. When embarking on a product-to-platform transformation, a company goes from having full control over the entire product experience to a world in which third parties are interacting with one another on its product in ways not fully controlled by the company. The upside is that the original product owner benefits from value created by third parties without incurring the cost of producing that value. The downside is that the original product owner may ultimately be held liable by its customers for any issues created by the third parties. This issue arises with all three methods. A bad experience



Network effects are one of the strongest sources of power and defensibility ever invented.



with a third-party GPT found in the ChatGPT store will negatively impact the ChatGPT brand. An abusive interaction between Webkinz World users will negatively impact Ganz's Webkinz brand. And the moment Gore-Tex opens a marketplace connecting its brand customers to their customers, it will be at least partly held responsible for issues with its customers' products. Therefore, brands should carefully screen third parties and put clear governance rules in place to make sure the platforms function as intended and deliver a positive experience to the customers of the original product.

No way around the platform economy ✕ Today, it is impossible for brands to ignore digital platform opportunities. Network effects are one of the strongest sources of power and defensibility ever invented. They underlie some of the most valuable businesses in the world, from Amazon, Google, Meta and Microsoft in the United States to Pinduoduo and Tencent in China. In his article, Michael Zhang (p. 24) discusses the commonalities and differences between US vs. Chinese platform businesses.

There are three ways for managers and entrepreneurs to leverage the power of platforms: build platforms around their brands, distribute their brands on existing platforms or build their own platforms. In this article, we discussed the many opportunities for brands that build platforms around their brands. In their article, Hemant Bhargava and his coauthors (p. 18) present a strategic framework for brands that use platforms like Amazon to sell their products. Brand commoditization is a threat, but it can be avoided, and brand identity can be shielded with the right measures. And finally, in terms of opportunities to build new platforms, there are still plenty of valuable Airbnbs to be built. In our interview (p. 52), Julie Roth Novack describes PartySlate, a platform she founded that connects businesses in the event management industry with people planning major events. While consumers find inspiration and their dream team to organize their event, planners, venues, entertainers, etc., get professional marketing support to grow their businesses and build their brands. Further, platforms can follow principles other than profit maximization or data monetization for the platform provider or middlemen. Hanna Halaburda and her coauthor (p. 40) analyze how blockchain technol-

ogy could be used to make platforms more transparent, democratic and inclusive. Giana Eckhardt and her coauthors investigate platform models that focus on social value rather than scale and present alternative platform governance approaches, such as platform cooperatives (p. 46). Only if they are thoughtfully implemented and carefully monitored will any platform strategy create self-reinforcing feedback loops, sparking growth and keeping competitors at bay. If you are asking yourself whether the platform approaches should play a role in your business ventures, the answer is an unambiguous yes! ✕



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Stepping Up Your Brand Game in the Platform Age: How to Build a Commoditization SHIELD

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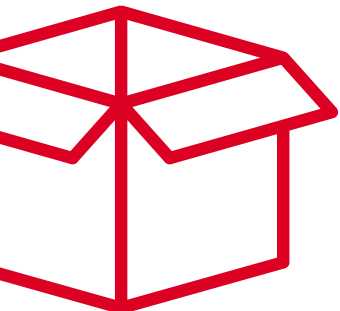
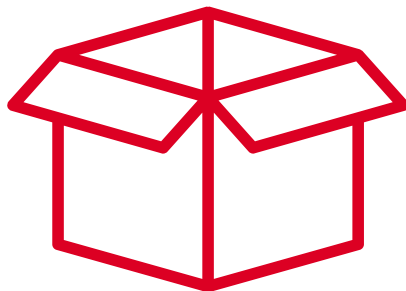
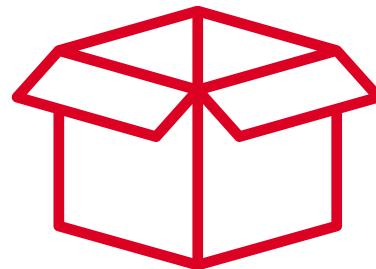
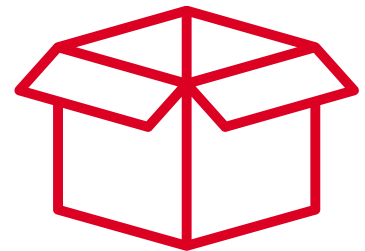
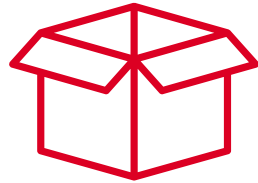
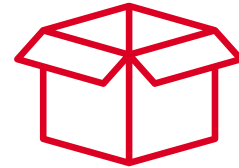
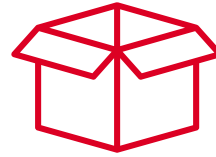
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KEYWORDS

Platforms, Brand Commoditization, Brand Empowerment, Consumer Attention

Platforms steal the show from brands ✕ Digital platforms have captured unprecedented levels of influence within the digital business ecosystem. Although the core purpose of platforms is often seen as orchestrating the critical facets of commerce between buyers and sellers (discovery, matching and fulfillment), many platforms have gone beyond facilitation. Instead, transaction platforms have increasingly become the focal point for consumer interactions with sellers. Many consumers perceive their interaction as being with the platform rather than with the underlying brands or service providers, as in “hailing an Uber,” “shopping on Amazon,” “ordering via UberEats” or “booking flights on Expedia.” This shift has a commoditizing effect on brands, even highly distinct and powerful ones, as they become interchangeable components within the platform’s broader offering. This creates a huge challenge for brands to preserve their identity and relevance in order to avoid commoditization.



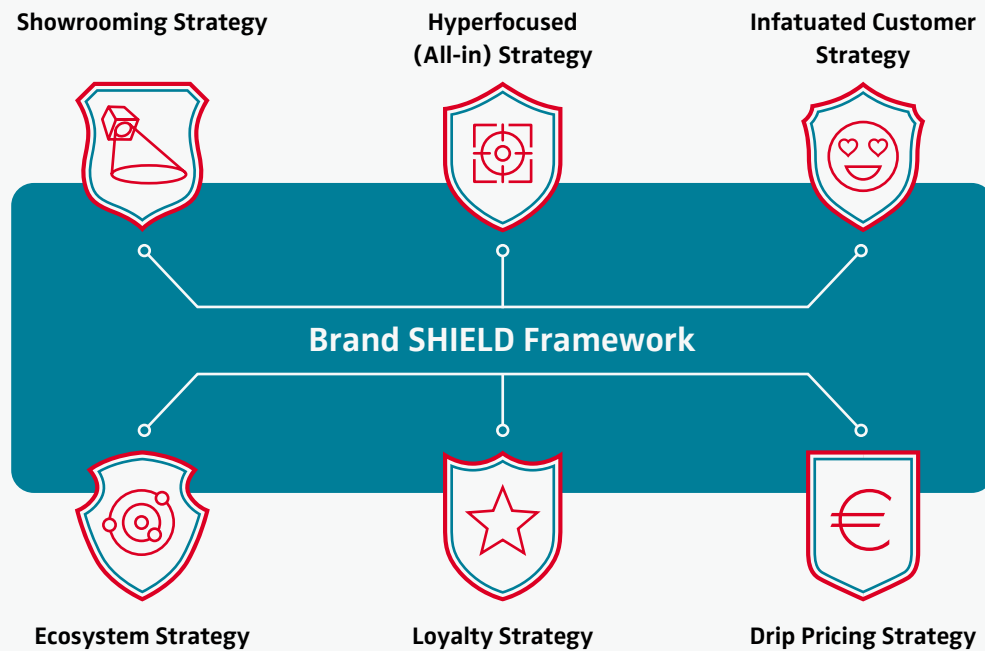


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The SHIELD framework is a critical blueprint for brands striving to excel within highly competitive platforms.

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FIGURE 1 > The SHIELD framework: Defense shields against brand commoditization on platforms



Brands must navigate a market dynamic where platforms control key aspects of the consumer experience and brand interaction, often diminishing the brand's direct relationship with its customers. In this environment, brands are compelled to find innovative strategies to reclaim their identity and forge stronger connections with their customer base, ensuring they remain competitive and avoid the commoditization trap that platform dominance can exacerbate.

The SHIELD framework: Combating commoditization on platforms ✕ We suggest a comprehensive strategy framework, SHIELD, to help brands navigate and thrive in the competitive landscape of platforms. The SHIELD framework is designed to empower brands to stand out and prosper within the competitive dynamics of platforms. SHIELD symbolizes a robust defense mechanism that enables brands to safeguard

their unique identity, foster direct customer engagement and shield against commoditization. Figure 1 illustrates its individual components, which we discuss below.

> **Showrooming strategy** ✕ The showrooming strategy effectively utilizes digital platforms to maximize product visibility, simultaneously driving consumers toward direct channels for exclusive purchases. This approach capitalizes on the extensive reach of online platforms to highlight offerings and then incentivizes customers to engage directly with the brand for purchases, allowing them to fully explore and experience the brand's offerings. By strategically balancing platform visibility with direct channel exclusivity, brands can enhance their prestige, control the customer experience more effectively and boost direct sales.

Chipotle adeptly employs the showrooming strategy by leveraging social media buzz, as seen with the launch of its Fajita Quesadilla, inspired by a viral TikTok trend. By announcing this new product, Chipotle generated significant interest and anticipation. However, the actual purchase of the Fajita Quesadilla is facilitated through Chipotle's direct channels, such as its website and app, where customers can customize their orders and enjoy exclusive deals. By advertising these app-exclusive deals, Chipotle draws attention to its direct channels, encouraging customers to engage directly with the brand and enjoy benefits unavailable on third-party platforms such as DoorDash and UberEats. Implementing the showrooming strategy, as demonstrated by Chipotle, leads to numerous advantages, including elevated brand prestige, as customers are drawn to the exclusivity of offers available only through direct channels. Furthermore, it allows for a more controlled and tailored customer experience, directly impacting customer satisfaction and loyalty.

> **Hyperfocused (all-in) strategy** ✕ The hyperfocused (all-in) strategy emphasizes a brand's commitment to exclusivity by choosing to sell through a specific platform and no other channels. This approach, which seems counterintuitive because it increases dependence on the platform, can actually serve the brand well, employing a concentrated effort to dominate a niche within the chosen platform and ensuring that all marketing, sales and customer engagement efforts are streamlined and focused. By partnering exclusively with one platform, brands can leverage the platform's unique strengths and audience, creating a powerful synergy that enhances brand visibility and market penetration. This strategy not only simplifies the purchasing process for customers but also allows brands to closely control the presentation and pricing of their products, maximizing their impact within the platform's ecosystem.

Anker, specializing in mobile charging solutions, adopted the hyperfocused strategy approach by partnering exclusively with Amazon in the US. This exclusivity allowed Anker to concentrate its efforts on leveraging Amazon's extensive reach and sophisticated logistical capabilities to serve its customer base effectively. The decision to focus solely on Amazon has enabled Anker to tailor its marketing strategies, optimize its product listings and engage directly with customers through the platform's review system, driving brand recognition and loyalty within the platform's vast marketplace. That led to rapid growth, and once Anker became established, it expanded to other platforms. Anker now leverages the other SHIELD strategies and also has its own website where users can buy directly. The adoption of the hyperfocused strategy offers several significant advantages, including enhanced brand visibility. Exclusive partnerships often bring increased promotional support from the chosen platform, thereby amplifying the brand's presence among a targeted user base.

> **Infatuated customer strategy** ✕ Central to the infatuated customer strategy is the increase of personalized experiences that cater directly to the unique needs and preferences of each customer. This approach employs targeted marketing, customer engagements and robust direct-to-consumer channels to foster a deep connection with customers, ensuring they feel valued and understood. By prioritizing personalization and direct engagement, brands can cultivate a strong sense of community and belonging among their customer base, driving repeat business.

LEGO's infatuated customer strategy is exemplified through its LEGO Ideas platform, where enthusiasts submit and vote on user-generated LEGO set designs, fostering a vibrant community and deepening brand engagement. This innovative approach not only cultivates creativity but also offers participants the unique opportunity to see



Many platforms have gone beyond facilitation and have increasingly become the focal point for consumer interactions with sellers.





their designs become official LEGO products, enhancing their connection and loyalty to the brand. LEGO Ideas demonstrates the power of involving customers directly in product development, significantly increasing engagement and fostering a collaborative brand-community relationship that makes LEGO stand out from competitors on platforms such as Amazon.

- > **Ecosystem strategy** ✕ The ecosystem strategy is about creating a comprehensive network of complementary products, services and experiences that collectively enhance the brand's value proposition to customers. This approach fosters a deep, enduring connection between the brand and its customers by integrating various aspects of the customer's lifestyle with the brand's offerings. The goal is to weave the brand into the fabric of the customer's daily life, making it indispensable to platforms and fostering a loyal community around it. Nike not only integrates its sportswear with fitness apps and sensors but also extends its ecosystem through services like Nike Run Club and Nike Training Club, community events and personalized coaching programs. This holistic approach encourages not just the purchase of products but a commitment to a lifestyle that Nike represents. The ecosystem is designed to support customers in their

fitness journeys by offering motivation, advice and a sense of belonging to a wider community. This strategy leverages digital channels to keep the conversation going, from social media engagement to app-based tracking and sharing, reinforcing the brand's presence in the customer's life. The value for customers increases with each additional product or service they use, making it more likely they will continue to choose Nike over competitors, which illustrates the power of an ecosystem to prevent a brand from getting commoditized on platforms such as Amazon. The ecosystem strategy embeds the brand into the lifestyle of its consumers and makes each product a unique part of an ecosystem. It leads to higher customer lifetime value as individuals are more likely to make repeated purchases within the ecosystem.

- > **Loyalty strategy** ✕ The loyalty strategy emphasizes creating and nurturing long-term customer relationships through loyalty programs, rewards and consistent value delivery. This strategy recognizes and rewards customer loyalty to encourage repeat business and long-term commitment. By understanding and appreciating the lifetime value of customers, brands can implement programs that reward purchases and celebrate customer milestones, feedback and engagement.



Brands are compelled to find innovative strategies to reclaim their identity and forge stronger connections with their customer base.



Consider Starbucks. A big fraction of Starbucks customers rely on mobile orders and delivery platforms such as DoorDash and UberEats. Yet Starbucks has avoided brand substitution by excelling in customer engagement through an innovative Starbucks mobile app, which integrates seamlessly with its Starbucks Rewards loyalty program. This approach offers customers personalized beverage recommendations based on their past orders, the ability to customize their drinks, mobile ordering and exclusive rewards that incentivize frequent visits and purchases. The app enhances the Starbucks experience by making each customer interaction feel personal and convenient, whether they're ordering ahead, paying in-store or tracking their rewards. This direct line of engagement not only encourages loyalty but also provides Starbucks with valuable data and insights into customer preferences, allowing for continuous improvement of their offerings and customer experience. Bottom line: Starbucks prevents commoditization even under a growing fraction of sales via delivery platforms.

- > **Drip pricing strategy** ✕ The drip pricing strategy focuses on attracting customers with an appealing base price to compete on the platforms and then offering them the flexibility to enhance their purchase with additional, personalized add-ons. This approach not only caters to varying customer needs and preferences but also opens up avenues for increased revenue through upselling. It's a strategy that balances affordability with customization, allowing customers to tailor their experience to their exact requirements.

Frontier Airlines offers a competitive headline price, thereby securing a high ranking on flight comparison platforms such as Expedia, but effectively utilizes the drip pricing strategy by segmenting its offerings into a menu of choices that customers can select from, beyond just seat selection and baggage. Options include priority boarding, seat upgrades and even on-flight amenities, each available for an additional fee. Frontier Airlines illustrates how the drip pricing strategy not only broadens the customer base by attracting price-sensitive consumers with an accessible entry point but also increases overall revenue through the sale of add-ons and customized options. This strategy's ability to balance affordability and price wars with the opportunity for customization and upselling demonstrates its effectiveness in combating commoditization on platforms.

Stay ahead of the commoditization curve ✕ In an era where digital platforms command an ever-increasing share of consumer attention and commerce, the SHIELD framework emerges as a critical blueprint for brands striving to navigate and excel within this dynamic landscape. It underscores the importance of brands developing a multifaceted approach to distinguish themselves, maintain direct connections with customers and innovate continuously.

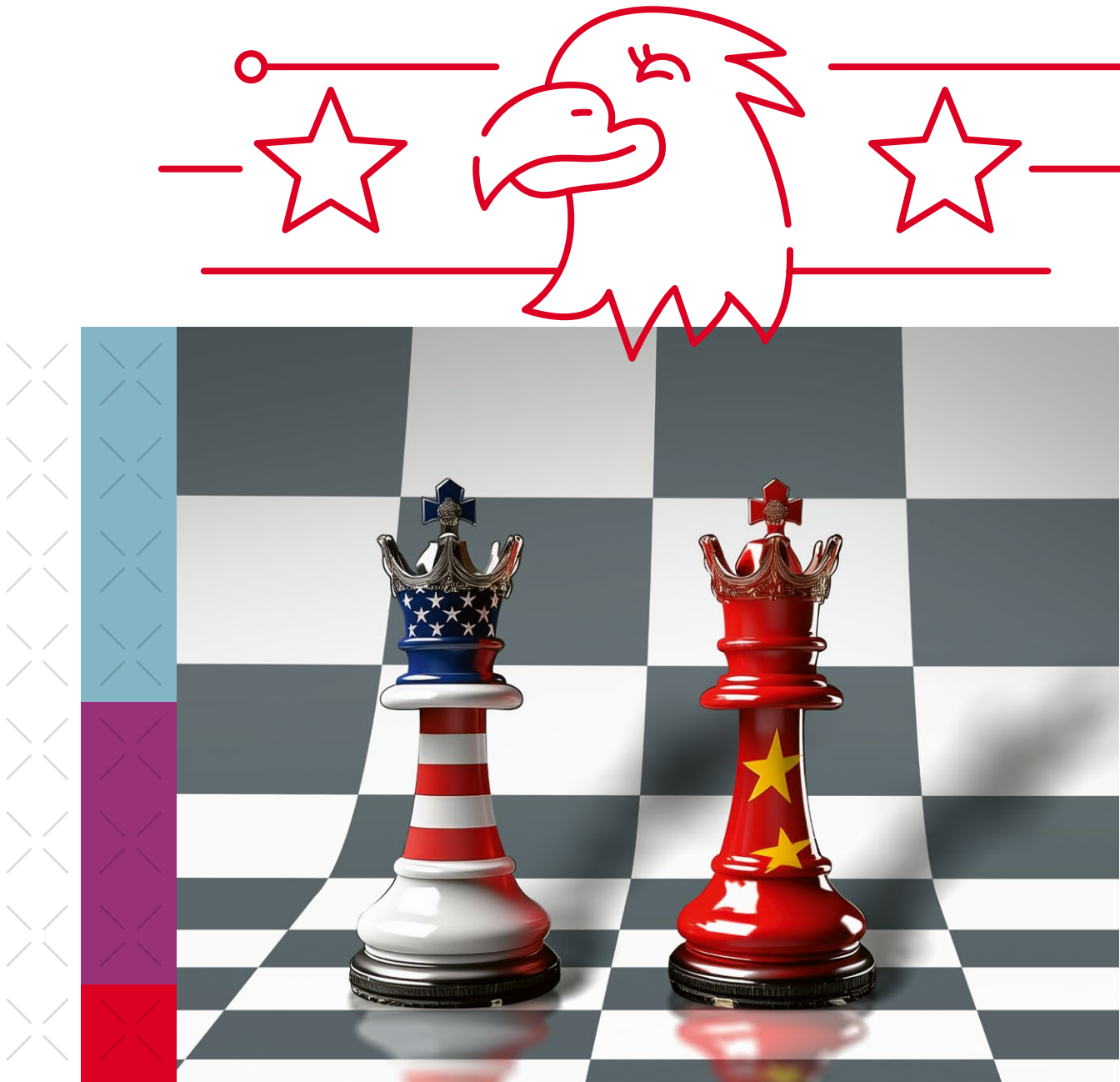
Adopting SHIELD requires a holistic approach that integrates its components into the brand's overall marketing and operational strategy. It involves a deep understanding of the brand's value proposition, the needs and preferences of its customer base, and the competitive landscape of the platforms where it operates. By focusing on these defense shields, brands can build a solid foundation that not only protects against commoditization but also fosters growth and innovation in an increasingly platform-dominated landscape. Importantly, brands do not necessarily need to follow all components of the SHIELD framework and can mix and match strategies as they see fit, depending on their market position, brand perception and capabilities. Brands may also utilize different components of the SHIELD over time, for example, by gaining a foothold in the market first through the hyperfocused strategy and avoiding commoditization in the long run through customer engagement and ecosystem building.

The ultimate goal is to cultivate a brand identity so compelling that it transcends platform boundaries, resonating directly with consumers and fostering a community of loyal customers. SHIELD is more than just a method to combat commoditization; it's a strategic paradigm that redefines how brands operate and succeed in the digital age, ensuring they remain relevant, resonant and resilient amidst the shifting sands of digital commerce. ✕



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Chinese and US Digital Platforms: Exploring Key Differences in Strategies

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KEYWORDS

**Digital Platforms, Cultural Differences,
Business Strategy, Policymaking**



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*Chinese and US platforms
 share common goals, but
 their strategies diverge due
 to cultural, regulatory and
 market forces.*
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Platforms as online backbones ✕ In today's digital age, platforms have become the backbone of online interactions, shaping the way we connect, communicate and conduct business. From social media, e-commerce and gaming to travel and hospitality, platforms have revolutionized industries and transformed the way we live and interact. Understanding the strategies employed by these platforms has become increasingly critical for businesses, researchers and policymakers alike.

Chinese and US platforms have emerged as significant players in the global digital ecosystem, and while they share the common goal of user engagement and monetization, their strategies diverge significantly due to cultural, regulatory and market forces. We can gain valuable insights from comparing different types of platforms and their approaches to capturing market share, engaging users and driving revenue.

Social media platforms ✕ In social media, WeChat and Weibo in China have evolved into multifaceted ecosystems and are deeply integrated into the daily lives of Chinese users, offering a broad spectrum of services from messaging to payments and beyond. WeChat, for example, transcends its origins as a messaging app by incorporating "mini programs," which effectively transform it into an expansive digital ecosystem (see Box 1 and Figure 1).

Meta (formerly Facebook) and X (formerly Twitter), by contrast, have maintained more focused identities, with Meta creating a family of apps and X emphasizing its role as a



Chinese platforms often adopt a “super-app” strategy and create vast, integrated ecosystems that offer a wide array of services.



real-time information network. Meta apps and WeChat mini programs diverge significantly in their approaches and in integration within their respective platforms. Meta apps typically function as stand-alone entities accessible through the Meta platform but often redirecting users to an external app or website, requiring separate downloads or new browser tabs. This means that while Meta’s apps can enhance user experience by connecting users with a variety of services, they do so in a way that is less integrated and more fragmented compared to WeChat’s approach. This distinction reflects the broader difference in philosophy between the platforms: Meta, with its suite of apps like Messenger, Instagram and WhatsApp, encourages users to navigate between different apps for different experiences, whereas WeChat consolidates these experiences into a single, cohesive interface, streamlining the user’s digital journey.

E-commerce platforms ✕ The e-commerce sector demonstrates this divergence in design philosophy clearly, with Alibaba establishing itself as a marketplace facilitator, creating an extensive web of related services, including logistics, digital media, health services, financial services, and online and offline grocery stores. Amazon and eBay, while also powerful online retailers, are more focused on the business model of marketplace, emphasizing the customer experience and fast, reliable service. By establishing a robust logistics network through Cainiao, Alibaba ensures efficient delivery and fulfillment, which is critical in maintaining the flow of goods in its marketplace. Health services are addressed through AliHealth, which offers medical supplies and appointments, while Alipay and the Ant Group provide financial products like payment gateway, money market savings, loans and insurance, integrating financial services seamlessly into the consumer journey. Moreover, Alibaba’s foray into online and offline grocery stores through Freshippo caters to evolving grocery shopping habits, blurring the lines between physical and digital commerce. In contrast, Amazon has taken a more vertically integrated approach, maintaining tighter control over its value chain. It has built its own formidable logistics network, Amazon Prime, and has ventured into media through Amazon Prime Video, competing with traditional content providers. Amazon has also delved into the health

sector with Amazon Pharmacy and has financial services like Amazon Pay. However, Amazon’s approach is to own and operate these services as extensions of the Amazon brand rather than as facilitators for a broader marketplace. eBay, on the other hand, has maintained a more focused approach, positioning itself primarily as an online auction and shopping website. It facilitates consumer-to-consumer and business-to-consumer sales but does not typically provide the same breadth of supplementary services as Alibaba. Instead, eBay relies on partnerships, such as its integration with PayPal for payment services, to provide a complete, yet less integrated, e-commerce experience. Each company – Alibaba, Amazon and eBay – illustrates a distinct interpretation of how an e-commerce entity can expand and diversify its offerings, whether it be through creating a universe of related services, integrating vertically or focusing on the core marketplace model with strategic partnerships.

Gaming platforms ✕ Gaming platforms, such as Tencent Games and Steam, illustrate different models of operation. Tencent not only hosts games but also develops them and has a stake in many gaming companies, reflecting the integrated model preferred in China. Steam, on the other hand, serves as a global distribution platform and relies on its vast, diverse catalog of games from developers around the world.

Travel and hospitality platforms ✕ Chinese travel and hospitality platforms, such as Ctrip and Feizhu, have built comprehensive ecosystems that cater to a broad spectrum of consumer needs within a single interface. These platforms not only facilitate hotel and flight bookings but also offer auxiliary services like restaurant reservations, local attraction tickets and integrated travel-related retail services. They leverage strong domestic demand and mobile-first consumer habits, providing an all-in-one super-app experience that aligns with the Chinese preference for platform consolidation and convenience. In contrast, US platforms tend to specialize more and often segment their services across multiple apps or websites. For instance, Expedia and Booking.com primarily focus on travel bookings, offering exhaustive options for flights, accommodations and car rentals, while platforms like Airbnb emphasize unique lodg-

BOX 1



The digital ecosystem of WeChat

The WeChat platform incorporates numerous mini programs, which function like micro apps. They enable users to access a multitude of services, such as ride-hailing, food delivery and even government services, all without leaving the app. This seamless integration allows for a level of convenience and variety that challenges traditional app stores. In addition, WeChat's mini programs are designed to leverage the app's built-in social features and payment system, WeChat Pay, facilitating easy sharing and transactions that further embed the platform into users' daily lives. For businesses, WeChat has become a pivotal marketing and sales channel, with the platform providing tools to create custom mini programs that tap into a rich vein of user data and insights. By removing the friction usually associated with downloading new apps and by personalizing the user experience, WeChat keeps users engaged within its ecosystem, reducing their need to look elsewhere for apps and services. This strategy not only cements WeChat's dominance in the Chinese digital market but also sets a benchmark for global tech giants, reshaping expectations for messaging and social platforms.

FIGURE 1 > Functionality of the WeChat platform and the integration of mini programs

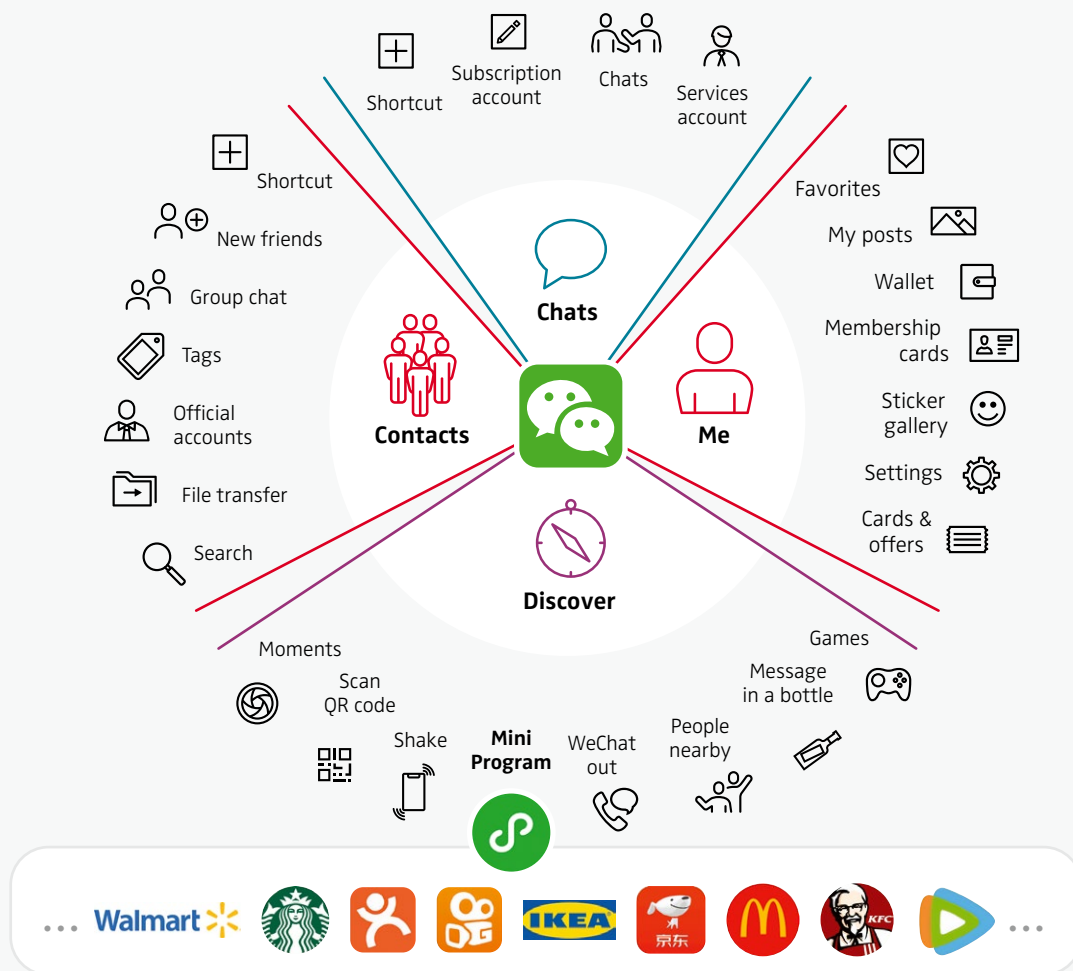



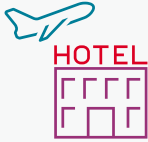


FIGURE 2 > Differences in Chinese and US platform strategies across key sectors

Sector	Chinese Platforms' Strategy	US Platforms' Strategy
Social Media 	WeChat, Weibo Emphasize integrated ecosystems that blend social networking with other services like payments and shopping. Use of super-apps to retain user engagement within a single platform.	Meta, X Focus on specialized social platforms with clear boundaries. Separate services for different needs (e.g., Instagram for photos, X for microblogging), emphasizing user privacy and data security.
E-commerce 	Alibaba, JD Build comprehensive platforms combining online shopping with auxiliary services such as social commerce, live streaming and integrated payment systems.	Amazon, eBay Operate distinct platforms for specific e-commerce functions, with an emphasis on customer service, user experience and a wide range of products.
Gaming 	Tencent Games Focus on development and investment in gaming companies, nurturing an integrated model that allows games to be a part of a broader digital lifestyle ecosystem.	Steam Prioritize being a distribution platform that offers a vast catalog from developers worldwide, with an emphasis on specialization and creating niches within the gaming market.
Travel & Hospitality 	Ctrip, Feizhu Provide one-stop services for all travel-related needs, from booking to in-destination activities, by leveraging local partnerships to streamline the travel process and enhance convenience for users.	Expedia, Booking, Airbnb Concentrate on offering unique accommodations and diverse travel options, bolstered by comprehensive user reviews, with a particular focus on facilitating international travel and providing a global travel experience.

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US platforms typically operate a suite of specialized services, focusing on maximizing the user experience and revenue within each platform.

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Chinese and US platforms both aim to maximize user engagement and monetization but adopt markedly different strategies.



ing experiences and local activities. US companies typically aim to provide depth in each service category, with a user experience characterized by a clear separation of services, which may require consumers to use multiple platforms to plan different aspects of their trip. This approach mirrors the US market's preference for specialized services and the convenience of choice, allowing consumers to select platforms that best align with their specific travel needs.

Understanding strategic differences is crucial ✕ The strategic differences between Chinese and US platforms are marked and multifaceted (see Figure 2). Chinese platforms often adopt a “super-app” strategy and create vast, integrated ecosystems that offer a wide array of services, aligning with the preferences for convenience and comprehensive platforms. They tend to be mobile-centric, reflecting the widespread use of smartphones for Internet access in China. In contrast, US platforms typically operate a suite of specialized services, focusing on maximizing the user experience and revenue within each platform. They often emphasize the quality of individual services, data privacy and a global approach that includes specialization and clear delineation between services.

> **Understanding strategic differences allows businesses to adapt and develop effective strategies**

✕ Understanding strategies is the basis to thriving in the ever-evolving digital landscape and enables businesses to tailor their offerings to align with consumer preferences and to reach their target audience effectively. At the same time, a specific platform's strategy can influence how consumers discover, evaluate and purchase products and services.

> **Understanding platform strategies is equally essential for policymakers and regulators**

✕ For regulators, there are two important concerns: First, platforms often operate across borders, challenging traditional notions of jurisdiction and regulation. By studying their strategies, policymakers can gain insights into how platforms navi-

gate regulatory landscapes and make informed decisions to protect consumers, ensure fair competition and foster innovation. Second, and perhaps more importantly, the growth of platforms is path dependent. Once a platform strategy is made, the development will interact with the social, cultural and economic environment and follow a complex trajectory. As this is not easily determined by the platform or regulated by the policymakers, it needs to be monitored closely.

Chinese and US platforms both aim to maximize user engagement and monetization but adopt markedly different strategies shaped by their respective sociocultural and regulatory environments. Understanding these strategic differences is crucial for businesses and policymakers to navigate the global digital landscape effectively. ✕



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Big Tech Platforms: What Are the Limits to “Big Brother” Surveillance and Influence?

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KEYWORDS

Big Tech Platforms, Digital Platform Power, Digital Ecosystems, Datafication, Regulation, Self-Regulation

Big Tech platforms are more influential than nations

× Digital platform companies have become the poster children of the digital economy and can be found among the most valuable companies in the world. Big Tech platforms and their ecosystems have reached unprecedented levels of economic power. The combined market capitalization of just four companies – Alphabet (Google), Amazon, Apple and Facebook – stands at nearly \$7 trillion as of March 2024, an amount close to the total market capitalization of the entire Euronext stock exchange and about a quarter of the value of the whole Standard & Poor’s 100 index of US stocks. The Big Tech platforms – Apple, Amazon, Google, Microsoft and Facebook – have become so large that they are wealthier and more influential than many countries. Google and Facebook dominate close to 60% of digital advertising. Google controls about 90% of Internet search in most markets (except China) and about 70% of smartphone operating systems with the free Android OS. In 2022, Amazon accounted for almost 40% of e-commerce in the United States and dominates e-books. Facebook is still the dominant social media and accounts for about 60% of social media activity.

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As public regulation cannot cover all critical aspects or be ahead of developments, self-regulation is necessary to prevent exploitation.
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Extensive platform power has raised concerns ✕ It is no wonder that these platforms and their concentration of power have raised concerns. For the past few years, Big Tech platforms have experienced increasing backlash, and criticisms go far beyond anti-competitive behavior. Rather, they cut to the core of societal values and fear for fundamental human rights and democracy. One reason is that online platforms take vast advantage of the behavioral habits of billions of users. This data becomes a key resource that platforms leverage to enhance digital services, to develop new services and to enter new markets. In the context of ongoing and excessive data generation, capture and use, the following strategies or outcomes are under high scrutiny:

> **“Free” services in exchange for data** ✕ Influential critics like Internet pioneer Jaron Lanier and former Harvard professor Shoshana Zuboff have coined the term “surveillance capitalism” for the logic of “datafication” of human activities. They claim that it profoundly and negatively affects humans and society. Humans engage continuously and often unwittingly with organizations, and digital platforms in particular, which appear to offer them “free” services. Consider, for example, digital platforms’ ever-increasing capture and analysis of health data that allows its users to monitor themselves. The ever-increasing collection and analysis of quantified data about health can have severe negative effects, making individuals’ health legible to a broad array of actors outside recognized medical and clinical settings and giving them increased ability to know about, and engage with, people’s health. Users are enrolled into pursuing the platforms’ own profit goals, as the captured data allows platforms to manipulate users’ behaviors for their own benefit. These economic mechanisms can threaten core values of liberal societies, such as freedom of choice and privacy.

> **Monetization of user-generated data via advertising**

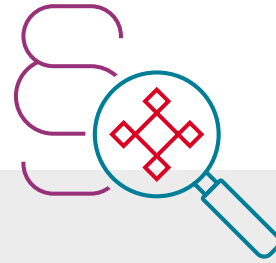
✕ Digital platforms whose business models are advertising based capture and monetize user-generated data in ways that can generate huge profits, while end-users are not always aware of the role they play and receive nothing or little in return. They are “instrumentalized,” as their behaviors serve as an input in a business logic fueled by strategies of data-extractive businesses. Everyone who is on social media is getting individualized, continuously adjusted stimuli, without a break, so long as they use their smartphones. Lanier warns that what was once called advertising has transformed into continuous behavior modification. He argues that “what has become normal – pervasive surveillance and constant, subtle manipulation – is unethical, cruel, dangerous and inhumane.” He observes addictive mechanisms on social media platforms and assesses that they threaten free will.

> **Data leaks and data transfers** ✕ The privacy of consumers on digital platforms is pervasively violated by digital platforms. For example, Facebook’s eagerness to get third-party apps connected to its network has led to mass data leaks, exposing sensitive information from hundreds of millions of people, as in the so-called Cambridge Analytica scandal. Facebook also eventually merged the infrastructures of Facebook Messenger, WhatsApp and Instagram, after having promised years prior that it would not. This raises privacy questions around how users’ data may be shared between services. WhatsApp historically required only a phone number when new users signed up. By contrast, Facebook and Facebook Messenger ask users to provide their true identities. Matching Facebook and Instagram users to their WhatsApp handles could harm those who prefer to keep their use of each app separate.



For the past few years, Big Tech platforms have experienced increasing backlash, and criticisms go far beyond anti-competitive behavior.





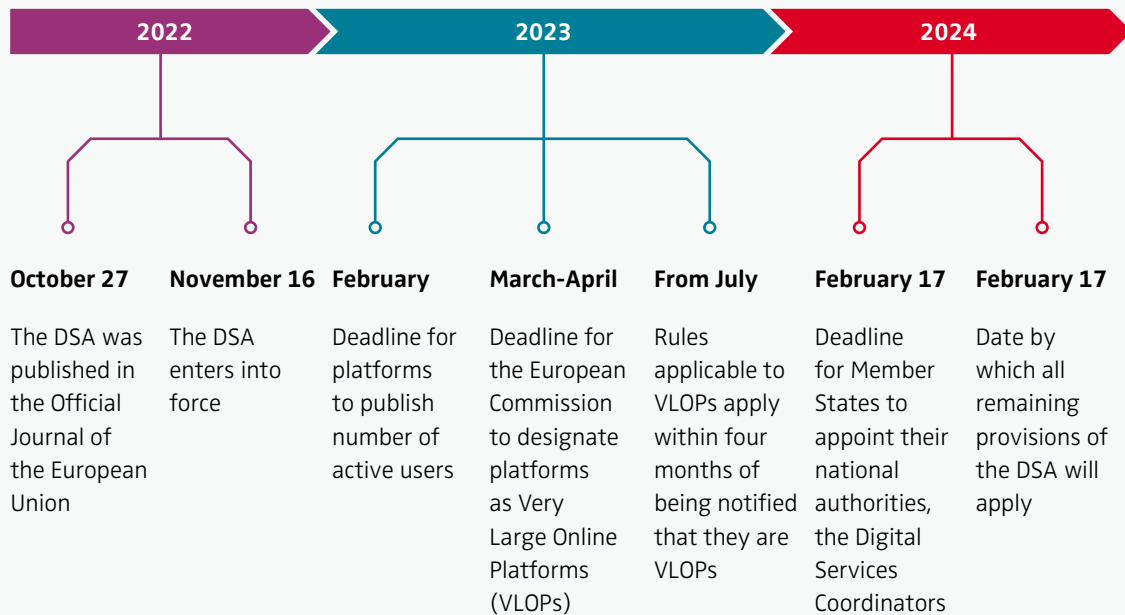
BOX 1

Platform regulation in the EU

The Digital Markets Act (DMA) regulates the behavior of core platform services acting as gatekeepers. Gatekeepers are those platforms that serve as an important gateway between business users and their customers and enjoy a significant and durable market position. The DMA regime complements existing competition rules, addresses conduct issues in advance and deals with practices beyond existing competition rules. It imposes several prohibitions and obligations on gatekeepers, such as the prohibition to discriminate in favor of one’s own services and the obligation to share data that is generated by business users and their customers in their use of the platform.

The Digital Services Act (DSA) has a wider scope and applies to all digital services that connect consumers to goods, services or content. It introduces new obligations relating to issues such as illegal content, transparency and traceability of business users. Further, it changes the rules for the handling of illegal or potentially harmful content online, the liability of online providers for third-party content, the vetting of obligations of third-party suppliers and the protection of users’ fundamental rights online. This makes the DSA relevant not only for all digital service providers (social media, online marketplaces, online platforms, etc.) in the EU but also for their business users and customers.

FIGURE 1 > The implementation of platform regulation in the EU





- > **Pressure to disclose private information** × Digital platforms also use so-called “dark patterns,” which are user interfaces that make it difficult for users to express their actual preferences or manipulate users into taking actions that do not comport with their preferences or expectations. Examples of dark patterns abound in privacy and security. For example, Google Maps repeatedly asks users whether a site they regularly return to should be labeled “home” or “work.” If the user agrees to label the geolocation, then the pop-up queries will cease. If the user clicks on “Not Now,” there will be more queries a few days later. The result is that the application may be so persistent in asking users to confirm personal information that they will eventually relent to prevent further nagging, not because they want to share this information. Platforms, for instance, sometimes design technologies and user interfaces that leave users with no choice, restrict their choice or provide them with insufficient or deliberately biased information, preventing them from making informed choices.
- > **Algorithms with true or false inferences about users** × Privacy risks go beyond just the immediately collected data and extend to an even broader range of inferred pieces of data about individuals. Platforms can use big data, algorithms, predictive analytics, models and machine learning, exploiting raw collected data to create more and more inferences about individuals. In one of the

more infamous examples of these techniques, an angry father confronted the retail store Target, demanding to know why they had been sending his teenage daughter coupons for pregnancy-related items. It turned out that Target’s systems had been able to (correctly) infer from the daughter’s online activities that she was pregnant – a fact the father had been in the dark about. Such examples have only proliferated in the years since that story emerged, demonstrating the importance of considering privacy when it comes to inferred data. These inferences are in turn used to manipulate, assess, predict and nudge individuals – often without their awareness and nearly always without any oversight or accountability. Moreover, these sorts of systems are often plagued by biases and inaccuracies.

Remedies against overexploitation of Big Tech platforms

× The danger of digital platforms is that as they become dominant, they lose sight of what made them earn their position of centrality in the first place: acting as foundations of innovation or central actors that facilitate exchange across sides. With increasing influence, platforms often find it very hard to resist the temptation to become bottlenecks and overexploit their position. This, however, threatens the sustainability of the ecosystem in the long run and triggers resistance and criticism. This, in turn, can entail regulatory actions, either externally in the form of laws or internally by more balanced platform governance rules, or both.



Users' sovereignty to make their own decisions needs special attention and should therefore be included in platform regulation.



> **Public regulation** ✕ Several influential reports in Europe, Australia and the USA have contributed to informing regulatory agencies on these issues and methods of abuse of power, and the regulatory landscape has shifted. Proposals suggest, for instance, that platform-designed user interface technologies and services should not aim to manipulate users into restricting their choices, mislead them or elicit addictive behavior. While most applicable policies and regulations were not designed explicitly for online platforms, the EU introduced specific platform-to-business regulation, which specifically aims to promote a better trading environment for online platforms' business users, resolve problems associated with unfair practices between online platforms and their business users, and promote transparency in these business relationships. The Digital Markets Act (DMA) and the Digital Services Act (DSA) are both by now entirely applicable throughout the whole EU. Box 1 gives a brief overview of the scope and nature of these key pieces of platform regulation, and Figure 1 shows how it was implemented.

> **Self-regulation and platform governance** ✕ As public regulation is only gradually and locally being implemented and cannot possibly cover all critical aspects or be ahead of developments, self-regulation is also necessary to prevent exploitation. Therefore, digital platforms also have to act as private regulators of their own ecosystems. They establish the rules through which their various users – individuals as well as organizations – interact and decide what behaviors to encourage or discourage and how to enforce them. Good platform governance is a balancing act between creating value for multiple sides of the platforms when these may have divergent incentives. The governance of platform ecosystems is not limited to hard rule-setting. It also consists of sending credible commitments to ecosystem members so that they continue to be affiliated with the platform. How platforms will govern their ecosystem of stakeholders will be structured by their

design decisions on their digital interfaces. To reduce the societal backlash that Big Tech platforms are currently undergoing, these platforms need to address issues of data capture and data use and assess the way they present choice options and use data in manipulative ways.

Digital platforms' roles and responsibilities are crucially important. Users should not be reduced to sources of data and deliberately manipulated by platform providers to prevent them from making legitimate decisions or making decisions contrary to their interests. In the digital world, users' sovereignty to make their own decisions needs special attention and should therefore be included in platform regulation. ✕



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Mastering the Digital Regulatory Maze: Strategies for Marketing Success in a Complex Landscape

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KEYWORDS

Digital Regulation, Contracts, Data Privacy, AI, Antitrust



Regulation everywhere ✕ In today's world, the issue with regulation is that it is everywhere. It takes on many facets, such as privacy and data breaches of consumer data, and covers antitrust/competition, AI and fintech. Examples that affect privacy are the General Data Protection Regulation (GDPR) in the EU or the California Consumer Privacy Act (CCPA), and competition regulation can be found in the EU Digital Markets Act (DMA). The many new rules and regulations are shaping business behavior and transforming how businesses operate. Regulatory shifts have profound implications for marketers, including marketing practices such as tying, bundling and exclusive dealing. They further affect basic contractual mechanisms that encourage discoverability of new customers and create platform ecosystems. Figure 1 shows the complexity of this field in a randomly arranged word cloud.

Different levels of regulation ✕ Marketers need to understand different forms of regulation. For example, there is traditional government regulation when there is a natural monopoly. This could be something like telecommunications or an electric utility. But then there is also regulation between public and private actors that we see all the time in traditional marketing areas, such as codes of conduct like in supermarkets in the United Kingdom or Australia. Finally, there is purely private regulation in which the enforcement mechanism is through contracts, such as across each platform ecosystem (between the platform and its users), or through certification through third parties of digital supply chains. Digital supply chains increasingly play an important role in data analytics, discovery of new consumers and targeted advertising. Either government regulation or hybrid regulation are now increasingly common where once the focus was on private contracting. Indeed, some governments view digital platforms as a new kind of natural monopoly.

Regulation is patchwork: overlaps, blank spaces and tension ✕ Some rules are specific to the digital economy and have been put into place specifically to address real and perceived issues that the digital economy creates. Examples

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*Businesses need to respond
 fundamentally to the different legal and
 regulatory challenges.*
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FIGURE 1 > The complex field of (digital) regulation



are the above-mentioned GDPR, CCPA, DMA or data security rules released by the US Securities and Exchange Commission (SEC). Further, there are unique interactions of more generally applicable legal rules in the digital context, such as contracts, torts and antitrust regulation. Finally, there are informal norms, such as for reputation management, that may govern the organizational structure of the digital economy.

What is complicated is that these new digital rules create a global patchwork. In some cases, there are digital rules, and in others, there are only traditional rules. Occasionally, the rules overlap, and in other areas, there are gaps. In yet other cases, the overlap even exposes tensions across different legal regimes, jurisdictions and particular themes or industry sectors. But this is not the only challenge to marketers in the digital age from the standpoint of law and regulation.

Fear of technology is driving new regulation ✗ In the past years, digital regulation has become even more significant. One of the justifications for more regulation is increasing fear of technology. AI has exacerbated this

fear and the concern that certain services will be replaced. For instance, in marketing, there are concerns regarding deepfakes that take the form of people impersonating voices or scam consumers with regard to financial information. This creates distrust of the market. But the fear of technology has also been compounded by a decay of the political center across countries and the rise of populism that for various reasons pushes to limit the use of digital technologies. This is true of populist movements of both the left and the right.

How marketing can navigate the regulation maze successfully ✗ There is both something new in digital regulation and something that is simply a repurposing of the existing rules. Digital regulation stems in part from legal and regulatory attempts in non-digital settings. All sorts of regulation and enforcement have already occurred in the non-digital setting for areas such as consumer protection, privacy and antitrust. Marketers have been well aware of these sorts of laws and regulations and have devised strategies to ensure compliance with laws while still pushing for-



One of the justifications for more regulation is increasing fear of technology.



ward opportunities to expand markets. In this situation, the digital setting simply applies traditional marketing rules, but marketing needs to catch up to the new contexts and new rules. All of the discussed aspects shape the possibilities of digital marketing practices. The following guidelines should help marketers thrive in the new regulatory environment of digital platforms and businesses:

> **Consider the effects of digital business on society and build trust** ✕

One broader lesson is that companies have made mistakes in ignoring the social costs of technology and have downplayed risks. Part of marketing strategy going forward is to understand the interaction between marketing practices with society at large and to build trust in digital marketing practices. Addressing trust issues means that businesses have to focus on increasing transparency and accountability of their various business practices in ways that at the same time do not hamper business innovation.

To a certain extent, businesses have not yet been effective in explaining the underlying technology that is often built on data and AI and the implications for business, law and society. Effective digital strategy means that entrepreneurs building out their platforms or their apps should account for potential regulatory scrutiny in the development and managing of their digital platforms. This means that companies need to understand the roles of platform contributors, users and the public overall.

> **Respond fundamentally and be proactive** ✕

Businesses need to respond fundamentally to the different legal and regulatory challenges. This includes increased risk assessment of potential for liabilities for certain types of marketing practices as well as identifying regulatory gaps. There might be opportunities to exploit the lack of rules in ways that create value for both companies and their customers. Hence, businesses can focus on responding to regulation and laws in ways that are proactive. To improve digital strategy and manage risk, companies and marketers need to better understand how to feed their data analytics. They must ask what kinds of data get collected, who owns the data, who controls the data, what kinds of data can be mixed and what needs to be siloed.

> **Consider self-regulation to avoid government regulation** ✕

Companies may want to self-regulate to foreclose more severe government regulation. This can be part of a larger digital regulatory strategy. Part of this strategy is to identify what the current requirements are as well as where there is ambiguity and opportunity for potential regulatory arbitrage that can expand markets or create new ones. This sort of strategy does not mean there is no risk. It is simply about managing risk effectively. Some of the most creative platform companies have been able to push in new directions and be ahead of regulation. Among the most impressive companies that have engaged regulators is Microsoft. Unlike some of its peer Big Tech companies, Microsoft has been able to stay under the radar for much digital regulation because of a very proactive strategy of engagement with government officials and explaining their business model.

Strategic regulatory engagement is part of a broader business strategy of differentiation. It is about competing based on moving to where current competitors are not. This is what is called a blue ocean strategy. Shifting to where your competition hasn't yet arrived offers opportunities to expand into new markets and disrupt existing ones. It takes a while for regulation to catch up to such strategies. This creates some breathing room and opportunities to arbitrage existing laws and regulations to create value for companies and customers. ✕

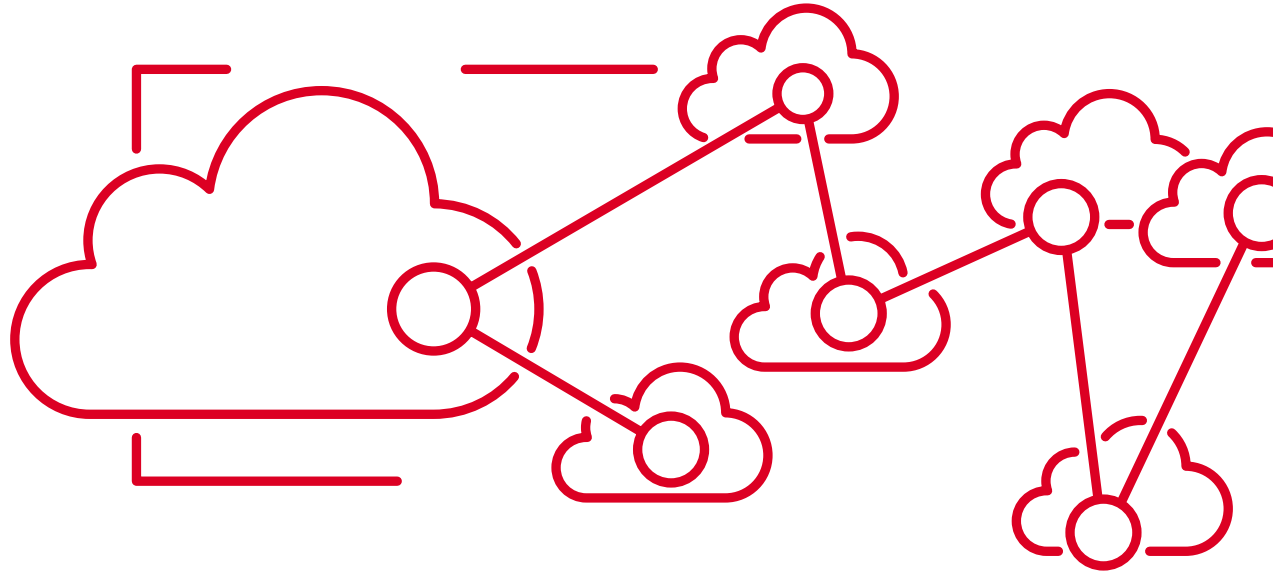


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Web3 and the Future of the Digital Platform Economy: The Tricky Business of Finding the “Just Right” Level of Decentralization

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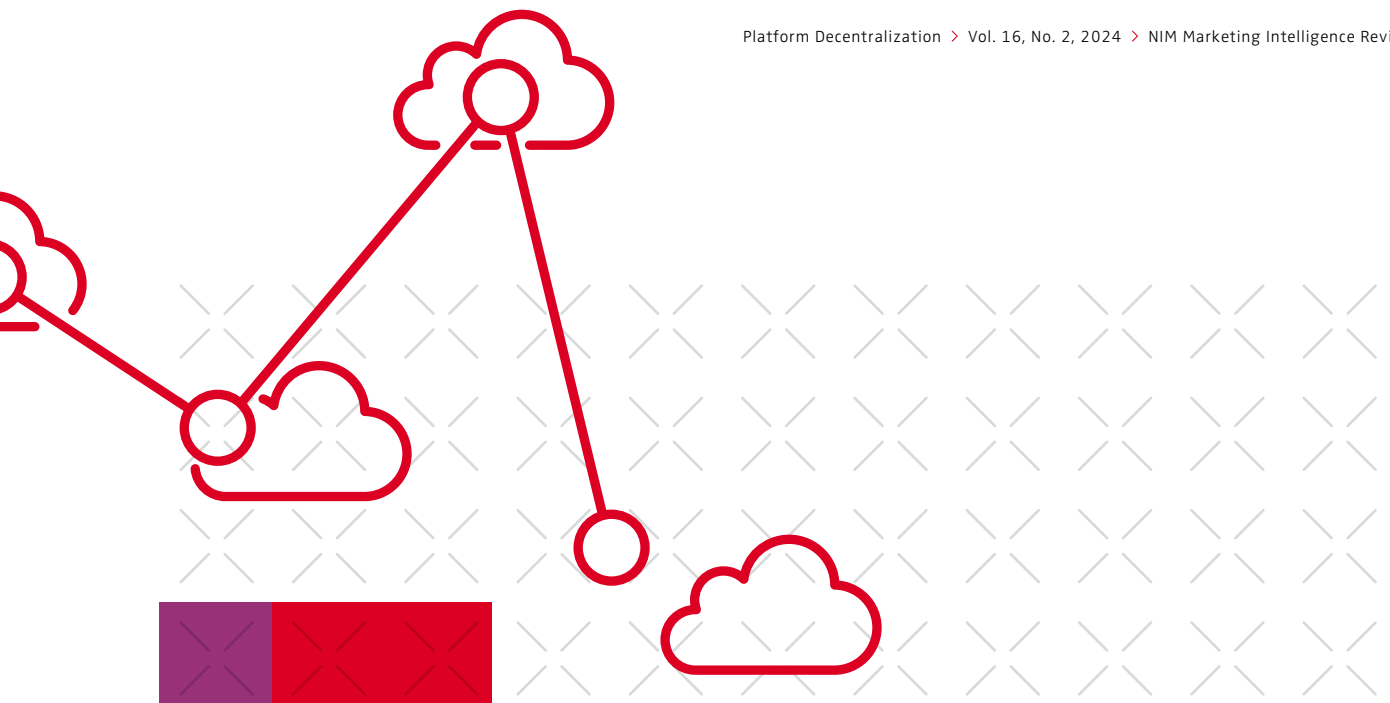
KEYWORDS

Blockchain, Digital Platforms, Decentralized Governance

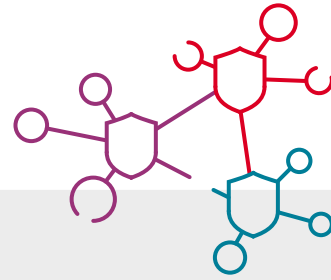
Digital platforms dominate our economy ✕ Without a doubt, platform business models have revolutionized almost every industry, from e-commerce (Amazon) and operating systems (iOS and Android) to transportation (Uber), film (Netflix) and hospitality (Airbnb). In 2023, four out of the five most valuable companies worldwide operated based on platform business models. Often, these platform business models have made services more accessible and significantly reduced costs for their users. Platform business models enable the platform provider, as the intermediary, to make these improvements at low costs for their users as network effects lock in users and allow the provider to collect and

monetize their data. This mechanism often leads to one strong player dominating the market, allowing them to monetize their monopoly-like position.

The recent upsurge in artificial intelligence (AI) has fostered fears that these platform businesses might become even more powerful. More than ever, critics are concerned that current regulations fail to mitigate these dynamics, as antitrust regulations have failed to prevent platform providers from acquiring even more market power. Regulators are often fighting an uphill battle as the platform businesses can often rely on much deeper pockets and smart lawyers who find new ways to play down their employers' real power.



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Decentralizing digital platforms comprises many trade-offs and careful consideration of the actual goals.
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BOX 1

Promises of decentralized governance

Democratic governance ✕ Blockchain platforms are owned by a network of peers who collectively maintain it. All rules are predefined in a publicly shared protocol. Cryptography and economic incentives ensure that all peers stick to the protocol. Changes to the protocol require a majority vote.

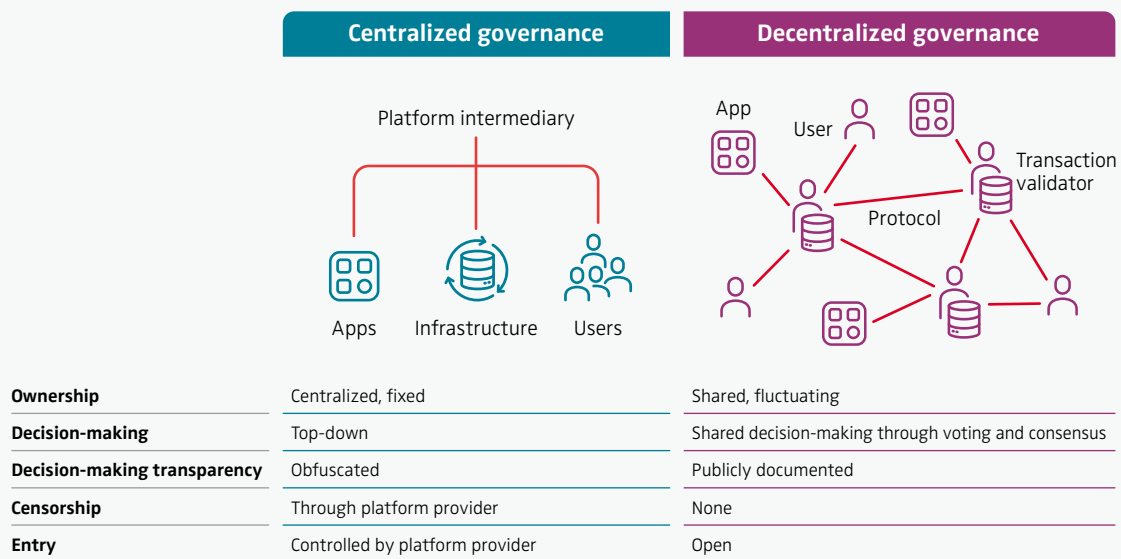
Transparent but pseudonymous ✕ All transaction information is transparently and immutably stored on the blockchain's shared and public ledger. This allows everybody to verify the correctness of every single transaction and trace value streams. To protect data privacy, individuals are not identified by their real names but through a pseudonymous hash.

Inclusive ✕ The ideal blockchain platform does not limit access. Everybody with access to the Internet can create an account and start transacting on the platform. Due to the pseudonymous nature of transactions, personal information and background do not matter. As long as transactions follow the protocol, they will be executed. There is no discrimination due to prior history, race or political views.

Fair distribution of created value ✕ Most established platforms either monetize access to their platform or their users' data. Therefore, intermediaries appropriate most of the value created by others on the platform. As ideal blockchain platforms neither limit access nor collect user data, they do not monetize them either. An increase in platform usage increases the value of the platforms' own currency, and everybody can participate in this appreciation by investing in the currency.

Trust in a protocol instead of humans ✕ As everything is predefined in a publicly visible protocol and everyone is forced by economic incentives to oblige to these rules, users do not need to trust other users as long as they feel confident that the algorithmic rules work. Therefore, instead of trusting other people, they can rely on trusting algorithms.

FIGURE 1 > Centralized versus decentralized platform governance



Promises of decentralized platforms ✗ As an alternative to current regulatory efforts and to escape the dystopian fear of a few powerful platform companies controlling every detail of our lives, tech evangelists have praised blockchain technology and algorithm-based, decentralized governance as a potential remedy (see Figure 1). Their promise follows the same rhetoric: Blockchain technology allows the disintermediation of digital platforms and a fairer distribution of created value among those who contribute to it. This leads us into a new era of the Internet, often called Web3, that is more transparent, democratic and inclusive. These promises underlie a paradigm shift in how a digital platform is governed. Instead of one central party consolidating all decision authority and control over the platform, blockchain platforms rely on a predefined, algorithmically encoded and publicly visible protocol that enables a network of peers/strangers to maintain the platform jointly. A clever combination of cryptography and economic incentives ensures that all parties adhere to the protocol, preventing any unilateral changes. Although blockchain protocols differ in detail,

most permissionless blockchain platforms also implement additional desirable properties directly tied to decentralization, supposedly distinguishing them from their centralized counterparts (see Box 1 and Figure 1).

Decentralization is no panacea ✗ Despite the high hopes and theoretical potential of decentralizing digital platforms by devolving more decision power to their users through algorithms, decentralization is by no means a silver bullet. In fact, ample empirical research shows that decentralized platforms perform even worse than centralized platforms in terms of transparency, inclusion and democracy. Decentralized governance suffers from four inherent challenges (see Figure 2).

> **Decentralization is challenging to attain and even more difficult to maintain** ✗ Complete decentralization requires that decision power is equally dispersed among all participants. In a blockchain-based system, this decision power is often implemented through governance

FIGURE 2 > Challenges of decentralized platform governance

Challenge	Solution
 <p>Full decentralization is difficult to attain and even more difficult to maintain.</p>	<p>Focus on the goal of reducing the power of intermediaries instead of dogmatically pursuing decentralization.</p>
 <p>Decentralized governance suffers from the tragedy of the commons.</p>	<p>Sacrifice pseudonymity and rely on introducing reputation systems.</p>
 <p>Decentralized governance does not protect the weak.</p>	<p>Clearly define protected groups as part of the protocol and establish an authority that assures protection.</p>
 <p>Decentralized governance increases costs and complexity.</p>	<p>Make usability and an easy user experience a top priority. Focus on simple solutions and the most inexperienced users.</p>



Blockchain technology is expected to allow for the disintermediation of digital platforms and a fairer distribution of created value.



tokens representing the stake one has in the system. These tokens are designed to appreciate in value with the platform's growth and thus aim to incentivize their holders to vote for decisions that maximize the platform's value. While this sounds like a desirable property at first glance, it becomes problematic when we acknowledge that holders differ in their time horizon, cost structures and how they can benefit from economies of scale. If enough myopic token holders are willing to sell their stake for a small profit to a holder benefiting more from a long-run perspective, the network will recentralize. Such dynamics are common in staking pools. For instance, Lido controls more than 30% of all staked tokens on Ethereum, or on Balancer, a popular finance application, one party accumulated enough voting power to tweak payouts in their favor. To tackle this issue of recentralization, digital platform providers can either resort to dedicated design decisions or regulations. For instance, they can design a governance token that is not tradable but instead omits a dividend based on the platform's performance. However, this would require all parties holding such a token to be known, thus violating pseudonymity. Further, it would violate the principle of inclusion as it complicates becoming a platform member. Alternatively, the platform provider can create rules prohibiting a party from acquiring a particular share of the platform's tokens. Again, this requires that the tokens' actual holders are known. Further, it also requires a robust regulatory body with the power to enforce these rules, which can be seen as another form of centralized authority. Sometimes, some degree of centralization might be the best option to protect the promises of decentralized platforms.

- > **Decentralization suffers from the tragedy of the commons** ✕ On decentralized platforms, nobody owns the platform. The platform is a shared good collectively maintained by a community of often pseudonymous users. To protect the platform from individuals engaging in opportunistic behavior, the platform's protocol is usually set up to exclude this behavior by design or to punish it. However, to preclude opportunistic behavior, it has to be foreseen. While this might be feasible for simple transactions, it becomes more challenging as the platforms

get more complex and draw more attention from opportunistic actors by increasing their market capitalization. Protecting these honeypots is challenging as entry is not restricted and protected by pseudonymity. Simultaneously, decentralized platforms are also less responsive to undesirable incidents as they have to form a consensus about possible actions before they can act. Reaching this consensus requires time and often suffers from freeriding problems because not everybody participates in voting and responding to such an incident.

To tackle this issue, decentralized platforms could sacrifice pseudonymity, limit access to the platform through know-your-customer processes and install reputation systems that allow the identification of malicious actors. Although there is currently some experimentation with systems that would enable identifying a party without revealing its real identity, such proof-of-humanity projects are still in their infancy and require limiting access to a platform, thus confining openness and inclusion.

- > **Decentralization does not protect the weak** ✕ To ensure a decent level of decentralization, most decentralized platforms limit their capacity to allow users with less powerful machines to stay part of the network of peers maintaining the platform. To allocate this limited capacity, these platforms rely on a market mechanism that prioritizes traffic based on who is willing to pay the most. Although this seems like an efficient solution, it also means that people who cannot afford to pay these fees are excluded from the network. The vision of banking the unbanked becomes unreachable if a simple money transfer costs \$10 in transaction fees, and only people who know how much money a transaction will make them will transact on such a platform. On Ethereum, decentralized finance applications crowd out transactions to non-finance applications, like games or social media applications, as they enable arbitrage through front-running. Front-running is a technique where more affluent users observe a planned transaction, copy it, pay higher fees and get it executed instead of the initial transaction. Techniques like this have turned decentralized platforms into a hostile environment where powerful entities that capitalize on weak and less experienced users have emerged. Therefore, decentral-

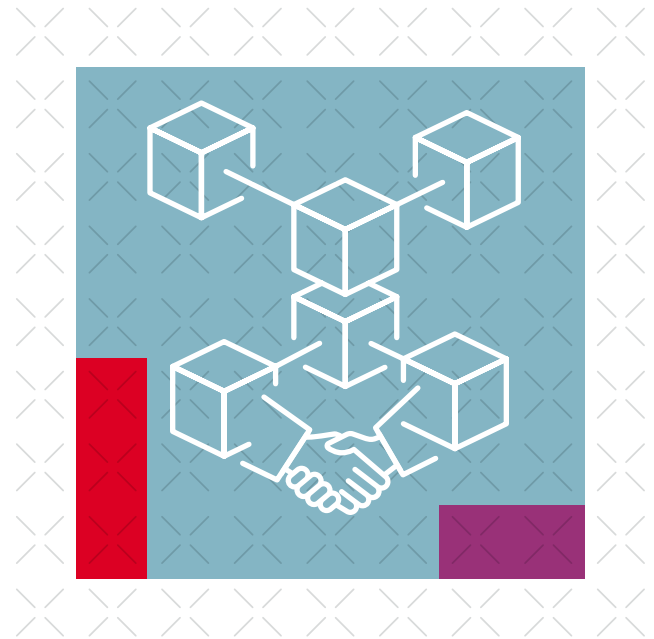
ization has led to systematically exploiting the weak and foreclosing a fair distribution of created value. To tackle this problem, platform providers must acknowledge that some groups require protection and implement measures that prevent the weak from being weak. Again, giving up pseudonymity and introducing a reputation system might be a way forward. An alternative is to compromise decentralization on the network level and increase the capacity limit or prioritize transactions based on criteria other than the willingness to pay.

> **Decentralization increases costs and complexity** ✕

Another challenge of decentralized platforms and governance is that they rely on redundancy and replication, which increases cost and complexity. While in a centralized system, information mainly runs to and from a central node, in a fully decentralized system, every node has to receive all information, store it and participate in every decision. Scaling such a system and making decisions are more complex and increase the costs of transacting, slowing decision-making. It also bears the risk that subsystems that develop their procedures and inhibit interoperability will emerge. While a centralized platform has high incentives to streamline information flows and make transactions across the whole platform as seamless as possible, decentralized platforms are again burdened by the tragedy of the commons. For this reason, centralized platforms are more successful in creating easy-to-use applications and exploiting network effects. Further, some decentralized platforms introduce new intermediaries to centralize tasks like enabling the transfer of funds across platforms.

Ways forward: Do not lose track of the initial goal ✕

Using decentralization to push our digital economy into a new era of transparency, inclusion, democracy and fair value distribution remains a desirable vision. Today, however, we must acknowledge that complete decentralization is no panacea for reducing the power of intermediaries. Decentralizing digital platforms comprises many trade-offs and careful consideration of the actual goals. Pursuing decentralization for the sake of decentralization will not solve any problems. Although promising solutions that might fix the problems of decentralized governance are looming on the horizon, reintroducing some level of centralization might be a more reliable and available solution in the short run. The nature of intermediaries may change, but they are not likely to completely disappear. Even if the “ideal” vision of a fully decentralized and autonomous blockchain platform cannot be realized, this does not mean that blockchain technology has failed. It has created a sandbox for experimenting with



different governance designs and mechanisms. The challenges of decentralization can be fixed by some degree of centralization or even with decentralized solutions, many of which are already being worked on by researchers. In the meantime, we should observe the blockchain space and pay attention to promising solutions to make the Internet a better place for everyone. ✕



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Responsible Platforms: Aiming for Social Value Rather than Scale

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KEYWORDS

Platform Economy, Sharing Economy, Sustainability, Platform Cooperatives, Social Entrepreneurs



The platform economy has failed in creating a fairer marketplace ✕ The digital revolution has brought fundamental changes to market exchange dynamics, transforming how, where and what we consume. One of the most significant transformations has been the advent of the platform business model. Amazon has become the dominant player in e-commerce with unmatched variety, competitive prices and convenience for consumers, while driving local retailers out of the market and creating precarious jobs. Platforms have also enabled the sharing economy. Its rise was accompanied by high hopes: easy market access, flexibility and better utilization of resources as well as economic, social and environmental benefits for society as a whole. Sharing platforms were expected to account for the interests of multiple stakeholders and were therefore anticipated to push capitalism toward a more prosocial future. Yet, while flagship platforms such as Amazon, Airbnb and Uber have indeed fundamentally changed how goods and services are provisioned and consumed, they have exacerbated materialism instead: more pay inequality, gig jobs without benefits, destabilized neighborhoods, more emissions and waste, bypassing of regulation and data privacy issues.

Responsible platform models promoting social value have emerged ✕ In response to the growth and the concentration of power of profit-maximizing platforms, other models seeking more participation, cooperation and multi-stakeholder inclusion have emerged. Their marketing strategies follow a long-term orientation toward resilient and sustainable solutions. The goals of such responsible platforms range from fairer working conditions and fairer distribution of profits and wealth to the revitalization of local economies, as well as to waste and emission reduction. We focus on platform cooperatives and social entrepreneur-led platforms as promoters of more responsible platform strategies attempting to mitigate one or several problems of mainstream platforms. While their approaches are often promising, they face many challenges and operate on the margins rather than in the center of the platform/sharing economy.

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Responsible platforms are not as widespread as leading platforms but are able to challenge “hypercapitalist” models from the margins.
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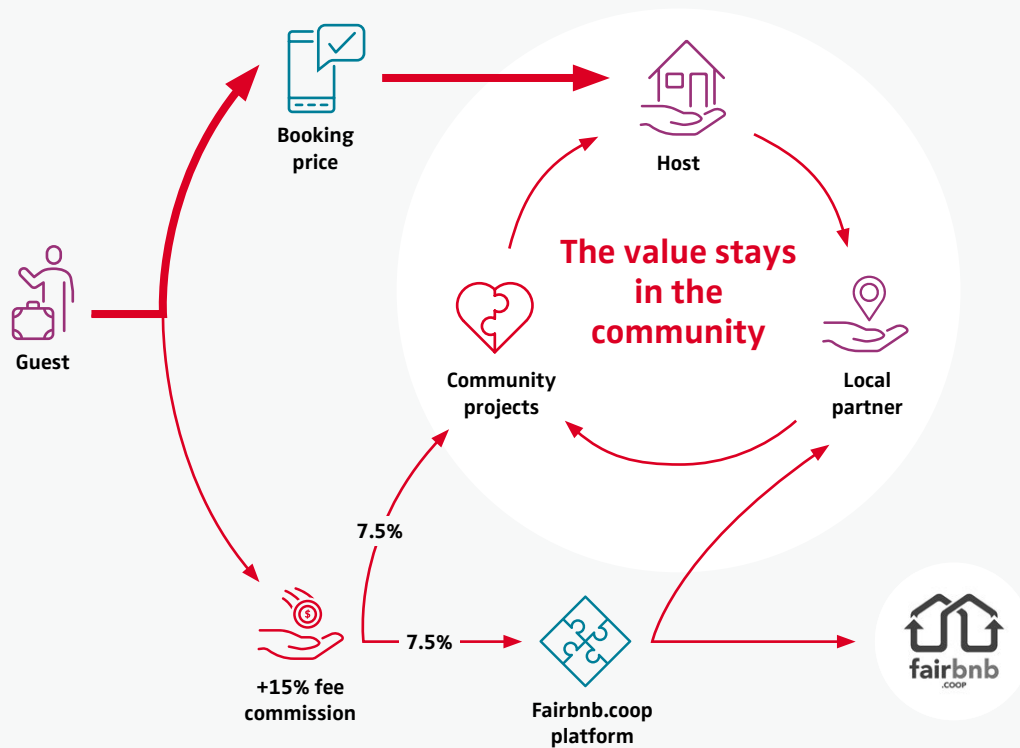


BOX 1

Examples of platform cooperatives

Fairbnb ✕ Fairbnb is a short-term rental platform founded in Venice in 2014 and currently operating in Italy, Spain, France, Portugal, Belgium and the UK. Fairbnb positions itself as the ethical alternative to Airbnb, which has been criticized for adverse effects on local economies, such as exacerbating housing shortages. As part of its community-oriented business model, Fairbnb donates half of the platform’s 15% customer booking fee to local community projects and initiatives. Structurally, the administrative personnel, including founders and board members, are owner-members. In addition, the platform recruits local partners to activate local nodes and grow its geographic presence. For a commission on every booking, these partners help the platform understand local needs and regulations, bring social projects on board and recruit new hosts (see Figure 1). www.fairbnb.coop

FIGURE 1 > The Fairbnb model for community-powered tourism



The Drivers Cooperative ✕ The Drivers Cooperative is a driver-owned ride hailing cooperative that launched in New York City in 2020 and has recently expanded operations to Denver, CO. The platform’s mission is “to end exploitative conditions in the for-hire vehicle industry.” At the end of the financial year, the cooperative distributes patronage benefits – a form of dividend – to its members if the platform has been profitable. Patronage benefits are based on patronage points, which drivers can earn by driving riders, recruiting riders and drivers, and attending meetings. The percentage of the profit paid out to the driver depends on the amount of patronage points they have earned. The Drivers Cooperative currently takes 15% commission from drivers, which is lower than Uber’s 25% rate. www.drivers.coop



Platform cooperatives embed solidarity between users and owners and make sure that all stakeholders benefit from innovation and platform efficiencies.



> **Platform cooperatives** ✕ This challenger business model replicates technology developed by mainstream platforms but has ownership models that include employees, consumers or other stakeholders. Platform cooperatives embed solidarity between users and owners and make sure that all stakeholders benefit from innovation and platform efficiencies. They are acknowledged as an egalitarian, communal and sustainable alternative to dominant platforms and a way to reimagine the platform economy. However, funding is often a challenge as platform cooperatives are less attractive to traditional investors because they provide lower returns on investment due to their profit-sharing models. Further, collective decision-making and the heterogeneity of diverse stakeholders can complicate cooperative governance and slow down operations. Direct competition with incumbents is therefore challenging. Box 1 describes two examples of platform cooperatives: Fairbnb in the home-sharing business in several European regions and The Drivers Cooperative, a ride-sharing platform operating in a few US cities.

> **Platforms founded by social entrepreneurs** ✕ In contrast to platform cooperatives, the focus of social entrepreneurs is on building cooperations rather than shared ownership. Central figures and founders are individuals driven by a specific social mission. They build digital platform solutions to create social innovations and bring responsible change to specific communities or networks. Compared to commercial entrepreneurs, social entrepreneurs give higher priority to creating sustainable social value instead of short-term economic gains. Funding such platforms and their development is a big challenge for their founders. Funds typically come from venture capital, crowdfunding or dedicated government or state funds. The entrepreneurs can often link their mission to their own biography, which helps them shape authentic narratives to promote their cause and garner media coverage. Box 2 introduces two types of social entrepreneur-led platforms. Bauernkiste began as an analog platform and

over time has improved its platform using digital technology. Sojo is an app-based platform born in the digital age.

Platform strategies for prosocial change in the market

✕ Platforms with a responsible mission often find it difficult to gain substantial market share. Because of social and sustainability goals, such platforms tend to incur higher operational costs and need to charge higher prices. Even if there is a shift toward more consumer awareness of the adverse effects of mainstream platforms, responsible platforms haven't yet revolutionized the marketplace. However, market challengers with responsibility-centered marketing strategies can decentralize the platform landscape by delivering a specific type of disruption, which we define as "change from the margins." There are three strategic dimensions to this approach.

> **Decentralizing the marketplace** ✕ Making social value the core mission can disrupt monopolistic tendencies of platforms by better catering to niche needs and not-yet-served market segments. In contrast to traditional strategic platform goals to scale up – that is, capture market share by growing in size – this approach can be seen as a form of scaling deep: seeking to create consumer commitment and loyalty by appealing to sustainability-oriented consumers who have so far found a lack of such offerings. Workers and platform partners do not only benefit from better pay, higher income and fairer treatment but also from being able to cater to new market segments. Drivers in The Drivers Cooperative noticed that the cooperative affords access to different types of customers – for instance the elderly in addition to businesspeople. The cooperative also formed business partnerships with larger accounts such as retirement homes and hospitals rather than directly competing for individual customers with Uber or Lyft. Sojo's seamstresses were able to get access to digital natives who wouldn't have entered their old-style stores without digital intermediation. And in the case of Bauernkiste, the farmers were able to serve an urban population formerly out of their reach.

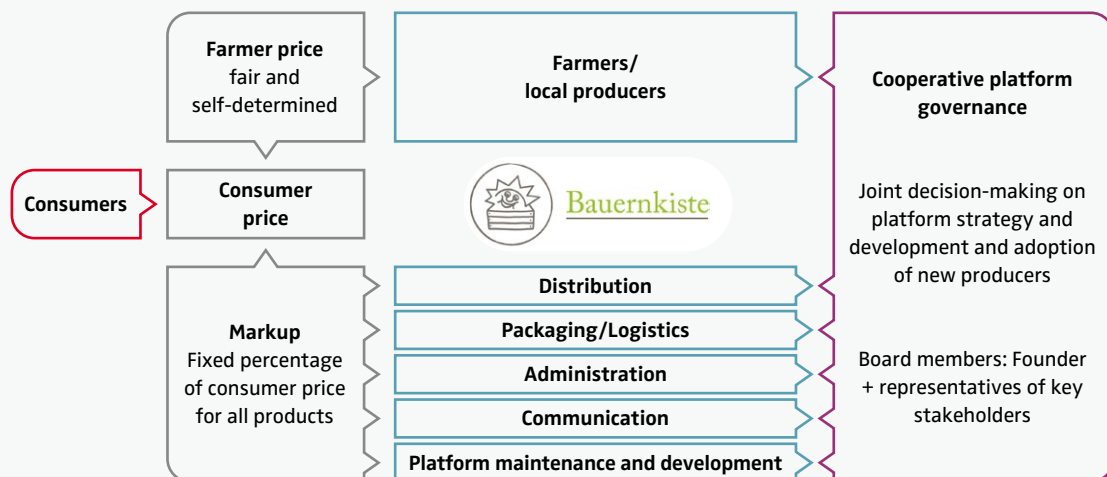


BOX 2

Examples of social entrepreneur-led-platforms

Bauernkiste ✕ Bauernkiste (Farmer's Box) is a farmer-to-consumer direct marketing platform selling locally produced agricultural products in urban areas in the Austrian Alps. It emerged from a publicly sponsored work group (ARGE) founded by agricultural economist Therese Fiegl in 1997 and has invested in technology over the years to establish a digital platform. It enables small local agricultural producers to survive and earn their living from what they consider their core mission – production – rather than transferring payments for rural conservation. Platform stewardship is based on shared values, and decisions are jointly made by a board of representatives of farmers, logistics and administration headed by the founder. Bauernkiste's mission is to preserve regional agricultural jobs, knowledge, skills and regional species and to reduce the carbon footprint by avoiding long-distance transport and plastic packaging. Producers determine the price for their products and are free to leave or sell elsewhere. A jointly determined margin covers the costs of distribution, communication, administration and platform development (see Figure 2). <https://bauernkiste.at>

FIGURE 2 > The Bauernkiste Platform for fair sales of local agricultural products



Sojo ✕ London-based platform Sojo uses an app to facilitate altering and repairing clothes rather than replacing them. Its mission is to make the fashion industry more circular by reducing the millions of tons of clothes that end up in landfills in developing countries. The app works by connecting its users to local seamstresses or tailoring businesses using delivery services (within London by bicycle) to fetch and bring back the items to be altered or repaired. Sojo also builds partnerships with leading fashion brands, such as Ganni and Selfridges, to provide repairs to their customers. It connects brands and secondhand shoppers who want to engage in sustainable fashion but lack sewing skills with experienced seamstresses. These seamstresses were often losing business along with the decline of high streets. Sojo has shaped its authentic narrative around the vision of its founder, Josephine Philips. <https://www.sojo.uk>



Despite their smaller market share, responsible platforms can shape the public discourse about the distribution of wealth, power and consumption in important ways.



> **Building institutional partnerships** ✕ Platform cooperatives can further destabilize the established structures and power dynamics of the sharing economy by promoting localized, networked collaborations between smaller service providers. This can be described as scaling out – replicating the platform’s business model across different locations to form partnerships with like-minded organizations or extending it with new partners. Several regionally dispersed platforms could build new ecosystems as alternatives to dominant players and shift the market power dynamics. In addition, scaling through institutions can help Fairbnb grow with municipal collaboration in new regions and countries, whereas The Drivers Cooperative can draw on specific service offerings to the health care sector as illustrated in their new focus on paratransit and non-emergency medical transportation. Sojo is extending its network beyond London and building relationships with delivery services and seamstresses in additional UK regions via partnerships with platforms such as Vestiaire Collective.

> **Shaping authentic narratives** ✕ Despite their smaller market share, responsible platforms can shape the public discourse about the distribution of wealth, power and consumption in important ways. As the dominant platforms continue to fall under scrutiny, responsible platforms have been attracting attention from mainstream media, with leading outlets frequently and enthusiastically increasing their visibility. Charismatic and authentic social entrepreneurs can create buzz and serve as role models. Josephine Philips from Sojo was, for instance, featured in Wired and gave a TED Talk about sustainable fashion in 2023. Therese Fiegl has a prominent presence in regional media as a thought leader and networker for innovative and sustainable projects like and beyond Bauernkiste. Platform cooperatives like The Drivers Cooperative also leverage authentic stories about their values as part of their strategic practice. Such dissemination of responsible platform approaches through media or word of mouth can have a substantial influence on marketplace dynamics and inform various stakeholders’ perceptions. These plat-

forms are thus able to demonstrate the original sharing economy value of prosociality. They demonstrate that platforms building on sustainable economic and social change can compete in the sharing economy, albeit at a smaller level than the mainstream platforms.

Even if responsible platforms are not as widespread as leading platforms, they are able to challenge “hypercapitalist” models. From their niches, they incrementally but consequentially influence platform dynamics more broadly, engendering change from the margins and moving incumbents to change and consumers to act in more responsible ways. Being small is not equal to being powerless. ✕



FURTHER READING

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Make Your Dream Events Real: Creating Value by Connecting the Event Industry with Its Consumers

Interview with Julie Roth Novack, CEO and Cofounder of PartySlate

Planning a milestone celebration or corporate event is a real challenge. Where is the best location? Who can I entrust with the planning? Who is able to develop a uniquely themed event or transform a venue in a distinct style? Whether you are just looking for inspiration or want to line up the perfect team for your event, PartySlate is a real treasure box. But it's not just consumers who benefit. On the other side of the marketplace, event professionals and venues can market their business to people planning all types of events. Typically, these businesses have little time for digital marketing and in many cases lack expertise. Often, their systems to organize their own professional photo portfolio are not very handy. PartySlate helps them build their brands and grow their businesses through their easy-to-update profile pages. In this interview, Julie explains how she started, how her newly founded platform survived the pandemic and how it is integrating AI to extend services to both sides of the market.



Andrei ✕ *Visiting your platform's website is a very pleasant experience. Images of awesome places, happy people and amazing food. Wow! Could you, as a start, explain what PartySlate offers and who it is for?*

Julie ✕ PartySlate is a platform that makes it easy for event professionals to build their brand, have a great digital presence and grow their business. The event planning market in the US is very fragmented, and there are about 300,000 local businesses that struggle to find the time for digital marketing. Our platform helps these businesses create robust profile pages to share their professional photo portfolio related to large-scale events.

Bobby ✕ *Why did you found PartySlate? How did you come up with the idea?*

I have always liked events and organized my first roller-skating party already in seventh grade. Later, while planning corporate events in my digital agency and SaaS career, I saw the power of events: for recruiting, for fundraising, for sales incentive trips and as client conferences. Even though I was a digital person, I have always believed that people at their core want to connect. I planned over 50 corporate events and kept looking online for inspiration, new ideas and venues, and I was continuously disappointed – only dead ends or dated content that was irrelevant to me. When I redesigned



← JULIE ROTH NOVACK

ABOUT JULIE ROTH NOVACK

Julie Roth Novack is the CEO and cofounder of PartySlate. She has degrees from the Kellogg School of Management at Northwestern University and from the University of Michigan and has held leadership positions in digital marketing at Vibes Media, Razorfish and Agency.com. Julie's inspiration for PartySlate came from her frustration while planning large-scale corporate events and fundraisers. She wanted an elegant solution to find great venues, envision event design and discover local event professionals. Julie's innovative platform approach has made a significant impact in the events industry. She was recognized as one of Crain's 2019 Notable Entrepreneurs in Chicago.

ABOUT PARTYSLATE

PartySlate is the first digital platform designed specifically for event professionals, providing them with a better way to showcase their work and market their services. Founded in 2016 and based in Chicago, Illinois, PartySlate connects people planning various events with leading event professionals, vendors and venues across the United States. Users can explore portfolios of event planners, event designers, caterers, photographers, venues and bands, seamlessly organizing weddings, corporate events, holiday parties, galas and more. With over 20,000 top event professionals and venues sharing more than 2 million event photos, PartySlate has become a valuable resource in the \$143 billion events industry.

www.partyslate.com



THE INTERVIEWER

The interview was conducted in June 2024 by Andrei Hagi, Associate Professor of Information Systems, Boston University Questrom School, and Bobby Zhou, Associate Professor of Marketing, Robert H. Smith School of Business, University of Maryland.

my kitchen, I came across Houzz, a site offering inspiration and assistance when building or renovating a house, and it struck me: Why don't I have something as beautiful and seamless for the events I am planning?

Andrei ✕ *And just like that, you decided to quit your high-paying executive digital job and start a platform for planning events?*

Not immediately. Only after dreaming out loud for three years and talking to my husband; we agreed that I had to do this. I had already run a 50-million-dollar digital agency, had business experience and a sales background, and I knew technology. The idea became my obsession. Finally, I created a business plan and decided to quit my job and raise a million dollars from my network and an institutional VC investor here in Chicago.

Bobby ✕ *Obviously, you hit a nerve. What could you offer to the event planning scene that didn't exist before?*

I learned very quickly that most businesses in this market are not strong digital marketers and need to become better. They are too busy planning large-scale, complex events. Roughly 90% of event professionals share that they don't have enough time for SEO, email or updating websites or significantly invest in their marketing. For them, PartySlate is an easy way to build a brand, have a great digital presence and grow their business. So, on the one side, we have the professionals who are able to create a beautiful, stunning portfolio-sharing tool and can connect with people looking for their event team and venue. And on the other side of this two-sided marketplace, we have consumers who get inspired and enabled to find their perfect team for an event.

Andrei ✕ *Would you describe PartySlate as primarily B2B or rather B2C?*

It's business to business to consumer. Consumers on the demand side can be corporate consumers planning a corporate event or people like you and I planning weddings, bar and bat mitzvah, birthdays, baby showers, etc. They find inspiration and professionals they can hire. On the other side, the supply side, there are the companies that receive the money for producing events. These can be venues, planners, caterers, photographers, florists, decor companies and more. In addition, the professionals also look for new partners on PartySlate. If I am an event producer planning a big holiday party, I might be looking for new caterers or other services. But about 95% of our traffic is the people that have money to spend on an event.

Bobby ✕ *Your platform's main value proposition for consumers is discovery. Discovery of ideas but also of professionals they might hire. On the supply side, do you enable these businesses to conduct their transactions on the platform?*

No, we don't, because this is a highly considered purchase that requires many meetings before a proposal can be created. Think about a hotel – let's say the Hilton. The contract they send is 25 pages long and includes a food and beverage order, the level of bar service and a room block. And before you get a \$30,000 to \$40,000 proposal, you have many collaborative planning meetings, maybe even a tasting. They have their own enterprise hospitality systems for rooms and another system for ordering food and beverages. We can't help with those transactions because it's not just click and buy. Whoever is interested can simply request information and contact any business directly.



For the businesses in the event industry, PartySlate is an easy way to build a brand, have a great digital presence and grow their business.



Andrei ✕ *So, you do not get commission from the transactions that originate from your platform. How do you generate your income?*

We receive an annual fee for the digital marketing subscription. The basic listing on the platform is free, but venues and vendors can buy a subscription for an elevated position in our directory, for additional customer support and advanced profile features that drive higher conversion. There are different plans at different price levels. In premium plans, we even take suppliers to their analytics, and they can see exactly how many people visit their websites and how many have sent inquiries and have hired or reviewed their profiles.

Bobby ✕ *Are you planning to extend the services on your platform?*

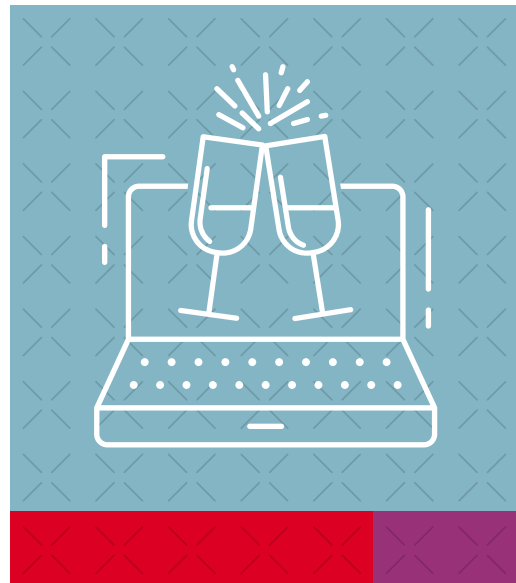
Yes, we want to be a marketplace plus offer SaaS solutions and become a digital asset management platform for our industry. We're using auto artificial intelligence image recognition, which has tremendously improved in the last six months. This solution will help our clients organize and search their own content. They can search their 100,000 photos and find that perfect photo for a proposal, for Instagram or other marketing channels.

Andrei ✕ *So, all those services are pre-transaction, like for making proposals. Could you give us an example of how this could work?*

Sure. If you were searching for white-tented weddings, our AI-based image recognition will enable you to explore the thousands of photos we have and find that perfect photo. If you're a consumer, you can save that photo into an idea slate, which is like a Pinterest board. But if you're a pro, you could actually download a high-resolution photo and copy and paste it to Instagram, including credits like photographer, venue, etc., in literally 30 seconds, and just share it. This would normally take at least 30 minutes. So, we will also be a SaaS-like platform that helps its users save time on their need to be on Instagram and everywhere else.

Bobby ✕ *Let's go back to the beginning of the platform. How did you start?*

We started in Chicago and in the first few years worked city by city: LA, New York, Dallas, San Francisco, etc. It was like traveling with an empty suitcase. I had nothing and needed



something to get planners to buy in. I contacted them one by one: Hey, Chicago planners? We're writing an article on the top wedding planners in Chicago, and we'd like to feature you. Can you send us 10 photos? They wanted to be in the article, and then we built a free profile page for them. We kept building and building until our SEO engine started to work. So, it was really scratching and clawing for the first two years. Now, eight years later, we have 2 million photos and 500,000 videos, and people in the industry can almost not afford not to be on our site. We have a very strong brand now.

Andrei ✕ *So, in this chicken-and-egg problem that platforms face when they start, you started building the supplier side first?*

Yes. You can't tell your friends, go look at PartySlate, and there are just two photos on it. What we had and other marketplaces did not is network-independent value. The profile page itself was beautiful and useful, and there was no downside of sending 10 photos. To start with, we had to create these beautiful and best-in-class profiles and also connect them with the rest of the network to build the net-



We will also be a SaaS-like platform that helps its users save time on their need to be on Instagram and everywhere else.



work effect, which is so important. This effect enables us to grow at much lower costs.

Bobby ✕ *How did you connect the two sides to create the network effect?*

Once you upload an event, you can credit, let's say, the caterer, and you show up on their profile page. So, there, you see the photographer and can click over to the photographer and look at her profile page. In this case, the photographer's visibility is building while she sleeps. And if a credited co-provider isn't yet on PartySlate, he cannot be clicked.

But we will send them an invite, such as, "You just worked with this photographer or planner. We'd love to set up a free profile for you and tell you more about our platform." So, that's our one-to-many network effect.

Andrei ✕ *That's a great network effect. But what you have in addition is almost built-in virality. You have one transaction following another transaction and can use this to bring in more service providers, like a new venue. But you have many different parties in terms of their nature. How were you able to create a site for so many different types of service?*



The most important categories for us are venues, planners, caterers, decor companies and entertainment. What they all have in common is that they value professional photos. The event industry is really the only one in the world that always has professional content creators on board. At every event, you have photographers and videographers. And whether it's a planner or a venue or a caterer, they all want to look good with professional photos and videos and have a great digital footprint. Venues have slightly different needs as they want to show their room spaces. So, we have a slightly different profile for venues. But for the others, it's all the same.

Bobby ✕ *Among the most important categories, you haven't mentioned the photographers. Don't they also play a key role?*

Of course we need the photographers, and we are currently rethinking their role for PartySlate: whether we should rather look at them as content providers that flood the entire system than as customers. Maybe we'll give them their profiles at a discounted rate and just ask that they connect to their photography platform and upload 20 events a year.

Andrei ✕ *Are there any new challenges you are facing currently?*

Everyone, not just our business, is on high alert with artificial intelligence and ChatGPT and whether this will change SEO forever. Will our traffic drop by 50%? It hasn't because the AI-based services are serving different types of content, and Google is highly incentivized to keep their billions of dollars of advertising. But we're organic. So how is AI going to push down our search results? Will it eat at our traffic? That could be a big challenge.

Bobby: *At least there is an actual, real-world industry behind your service. So, one thing you don't have to worry about is that AI is going to replace it. But sure, you need to be ready for all these additional channels. Are you leveraging AI in other ways? What are the opportunities AI offers you?*

AI image recognition is huge. Our next product release is called "Search Your Photos." With it, event professionals, like The Plaza in New York, will be able to search their own photos. Photo management is a real pain point for these huge hotels. They have 200,000 photos that are not organized

and then have a big client coming in who wants to show what they did in one of the rooms. Our new tool will enable them to search, manage and share their own photos much more efficiently, and AI image recognition is so good now that it can identify even a brand of a chair, like Chiavari. It will make the search much more efficient.

Bobby ✕ *This is awesome, Julie. You have been tremendously successful. Do you have some advice for entrepreneurs who want to start their own platform businesses?*

You should make sure that you are obsessed with the problem you're trying to solve. You better be prepared to hit every kind of hardship you can't even think of, such as a two-year global pandemic that causes your industry to shut down. If you're not passionate about the problem you're solving, there will be just too many things that will knock you off your feet. If you don't have the fire for what you're trying to solve and the feeling that nobody will stop you, I would wait and get experience in an industry or a company that's close to some of your ideas, or at other startups. The more experience you have, the better chance you have of being successful. So, I feel people should slow down until they can't live without working on this idea, and then go out to change the world.

Andrei ✕ *Wow. That's powerful advice and a great concluding statement. Thanks so much for explaining to us this amazing platform that you have built. All the best for the SaaS introduction and for further growth in new areas.* ✕

Guest Editors

Andrei Hagi is an Associate Professor of Information Systems at Boston University's Questrom School of Business and holds a PhD in economics from Princeton University.

Andrei's research and teaching are entirely focused on platform businesses such as Airbnb, Alibaba, Amazon.com, Google, Grab, Facebook, iPhone, PlayStation, Uber, Upwork and their unique strategic challenges. He leverages the insights from his research to advise and angel invest in startups attempting to build platforms and marketplaces, and to consult with large companies seeking to turn their products into platforms.



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Bobby Zhou is an Associate Professor of Marketing and Emerging Fellow at the University of Maryland's Robert H. Smith School of Business. He holds a PhD in Marketing from Duke University.

Bobby's research centers around competitive marketing strategies, in particular, pricing and promotion, in the technology markets, such as digital platform businesses. He uses the tools of analytical models and experiments to help managers understand the theoretical underpinnings of their challenges in the field. He also enjoys incorporating consumers' behavioral biases into an analytic framework to understand and improve the optimal strategies for a firm.



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