



Initiative on the Digital Economy

Platform Shift: How New Biz Models Are Changing the Shape of Industry

Marshall Van Alstyne


































InterBrand: Best Global Brands

@InfoEcon

<p>1</p>  <p>+28% \$98,316 \$m</p> <p>TOP RISER</p>		<p>2</p>  <p>+34% \$93,291 \$m</p> <p>TOP RISER</p>		<p>3</p>  <p>+2% \$79,213 \$m</p>	<p>4</p>  <p>+4% \$78,808 \$m</p>	<p>5</p>  <p>+3% \$59,546 \$m</p>	<p>6</p>  <p>+7% \$46,947 \$m</p>
		<p>7</p>  <p>+5% \$41,992 \$m</p>	<p>8</p>  <p>+20% \$39,610 \$m</p>	<p>9</p>  <p>-5% \$37,257 \$m</p>	<p>10</p>  <p>+17% \$35,346 \$m</p>		
<p>11</p>  <p>+6% \$31,904 \$m</p>	<p>12</p>  <p>+10% \$31,839 \$m</p>	<p>13</p>  <p>+7% \$29,053 \$m</p>	<p>14</p>  <p>+3% \$28,147 \$m</p>	<p>15</p>  <p>-1% \$25,843 \$m</p>	<p>16</p>  <p>+1% \$25,105 \$m</p>	<p>17</p>  <p>+6% \$24,893 \$m</p>	<p>18</p>  <p>+9% \$24,088 \$m</p>
<p>19</p>  <p>+27% \$23,620 \$m</p> <p>TOP RISER</p>		<p>20</p>  <p>+7% \$18,490 \$m</p>	<p>21</p>  <p>+10% \$18,168 \$m</p>	<p>22</p>  <p>+8% \$17,892 \$m</p>	<p>23</p>  <p>+12% \$17,646 \$m</p>	<p>24</p>  <p>+13% \$17,085 \$m</p>	<p>25</p>  <p>+7% \$16,676 \$m</p>
		<p>26</p>  <p>+8% \$13,818 \$m</p>	<p>27</p>  <p>+5% \$13,763 \$m</p>	<p>28</p>  <p>+20% \$13,162 \$m</p>	<p>29</p>  <p>+15% \$13,035 \$m</p>	<p>30</p>  <p>+8% \$12,987 \$m</p>	<p>31</p>  <p>+6% \$12,614 \$m</p>

These Grew Fastest

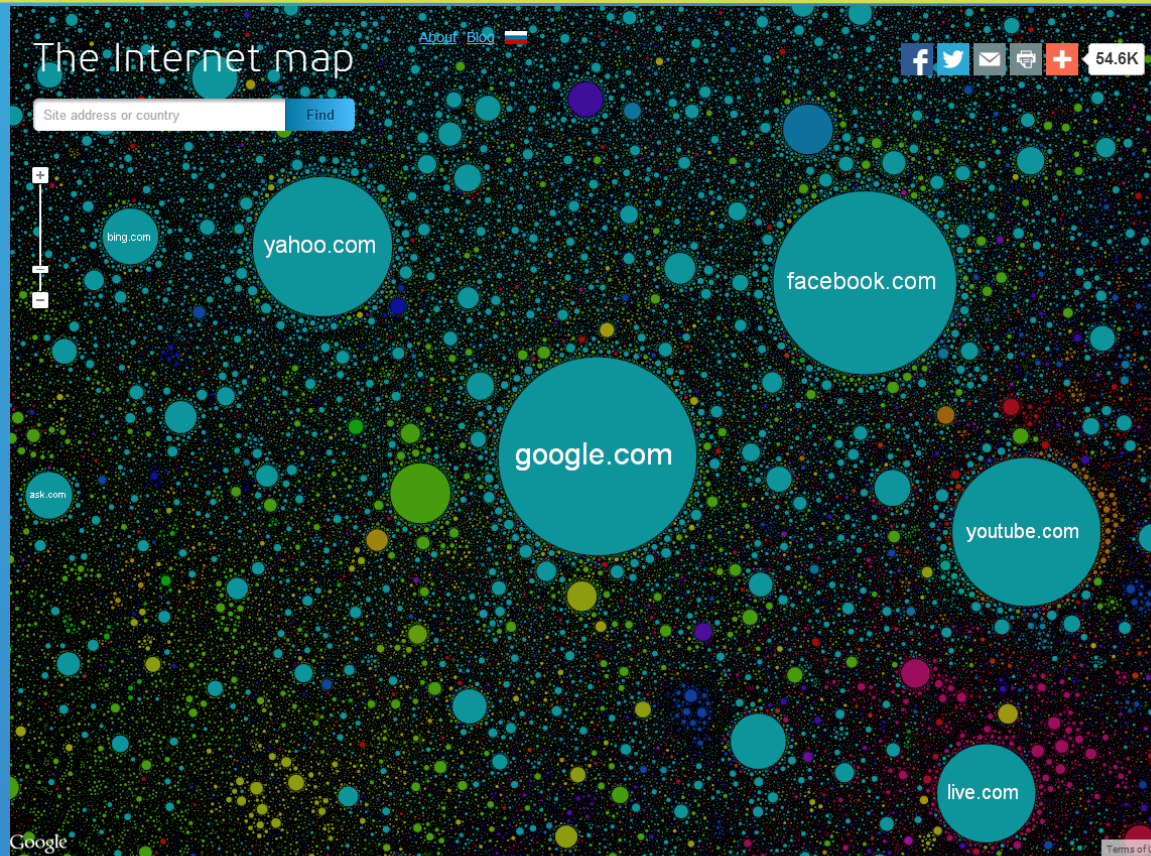
1  +28% \$98,316 \$m TOP RISER	2  +34% \$93,291 \$m TOP RISER	3  +2% \$79,213 \$m	4  +4% \$78,808 \$m	5  +3% \$59,546 \$m	6  +7% \$46,947 \$m							
7  +5% \$41,992 \$m	8  +20% \$39,610 \$m	9  -5% \$37,257 \$m	10  +17% \$35,346 \$m	11  +6% \$31,904 \$m	12  +10% \$31,839 \$m	13  +7% \$29,053 \$m	14  +3% \$28,147 \$m	15  -1% \$25,843 \$m	16  +1% \$25,105 \$m	17  +6% \$24,893 \$m	18  +9% \$24,088 \$m	
19  +27% \$23,620 \$m TOP RISER	20  +7% \$18,490 \$m	21  +10% \$18,168 \$m	22  +8% \$17,892 \$m	23  +12% \$17,646 \$m	24  +13% \$17,085 \$m	25  +7% \$16,676 \$m	26  +8% \$13,818 \$m	27  +5% \$13,763 \$m	28  +20% \$13,162 \$m	29  +15% \$13,035 \$m	30  +8% \$12,987 \$m	31  +6% \$12,614 \$m

These are Platforms

1  +28% \$98,316 \$m TOP RISER	2  +34% \$93,291 \$m TOP RISER	3  +2% \$79,213 \$m	4  +4% \$78,808 \$m	5  +3% \$59,546 \$m	6  +7% \$46,947 \$m
7  +5% \$41,992 \$m	8  +20% \$39,610 \$m	9  -5% \$37,257 \$m	10  +17% \$35,346 \$m	11  +6% \$31,904 \$m	12  +10% \$31,839 \$m
13  +7% \$29,053 \$m	14  +3% \$28,147 \$m	15  -1% \$25,843 \$m	16  +1% \$25,105 \$m	17  +6% \$24,893 \$m	18  +9% \$24,088 \$m
19  +27% \$23,620 \$m TOP RISER	20  +7% \$18,490 \$m	21  +10% \$18,168 \$m	22  +8% \$17,892 \$m	23  +12% \$17,646 \$m	24  +13% \$17,085 \$m
25  +7% \$16,676 \$m	26  +8% \$13,818 \$m	27  +5% \$13,763 \$m	28  +20% \$13,162 \$m	29  +15% \$13,035 \$m	30  +8% \$12,987 \$m
31  +6% \$12,614 \$m					

Dominated by Platforms

@InfoEcon



Platform Firms Becoming More Important in Economy

@InfoEcon

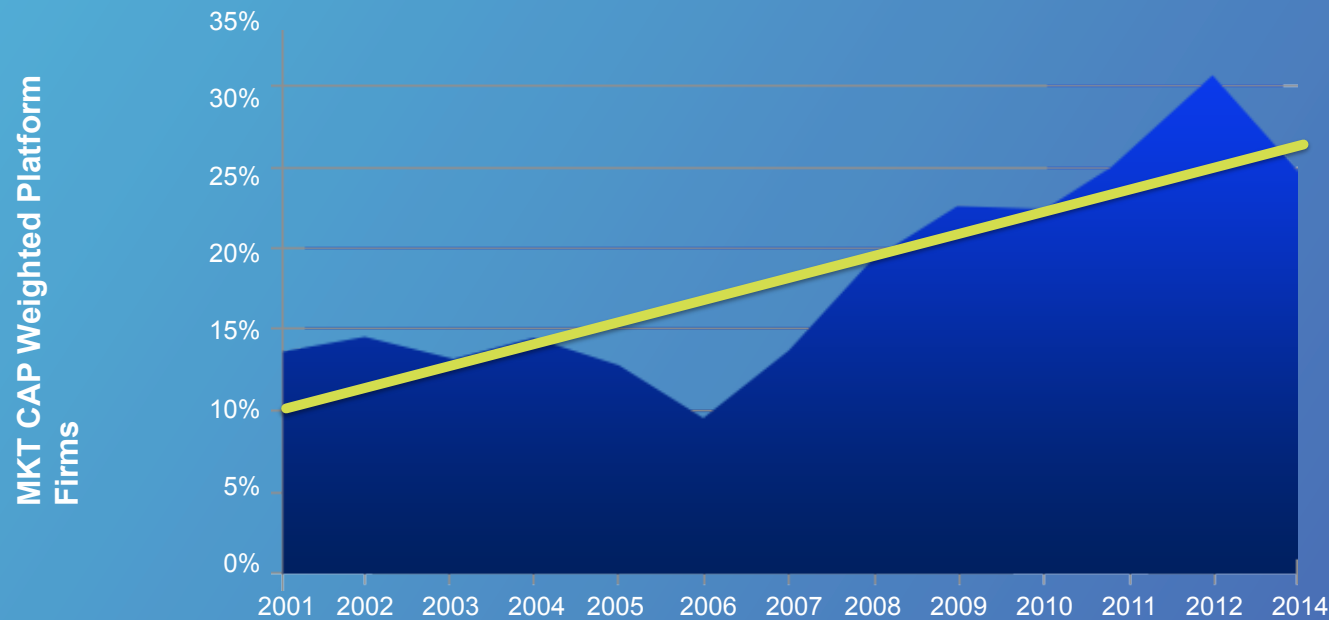
FIRM	MARKET CAP
Apple	627
Exxon Mobile	385
Microsoft	377
Berkshire Hathaway	357
Google	344

3 of top **5** firms in 2015 by market cap.

Platform Firms Becoming More Important in Economy

@InfoEcon

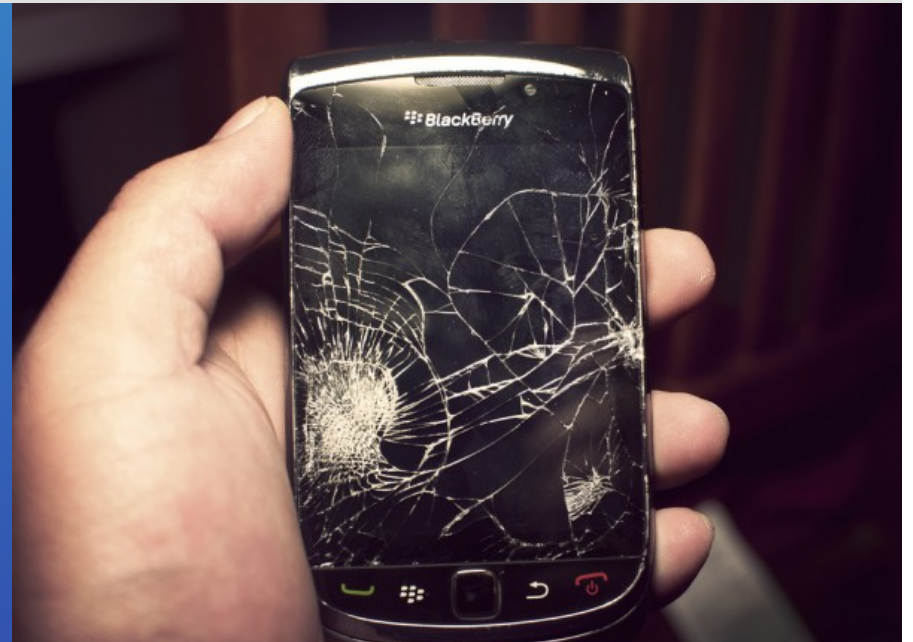
Percentage of Platform Firms weighted by MKT CAP (2001-2014)



% of top 20 firms by market cap since 2001

@InfoEcon

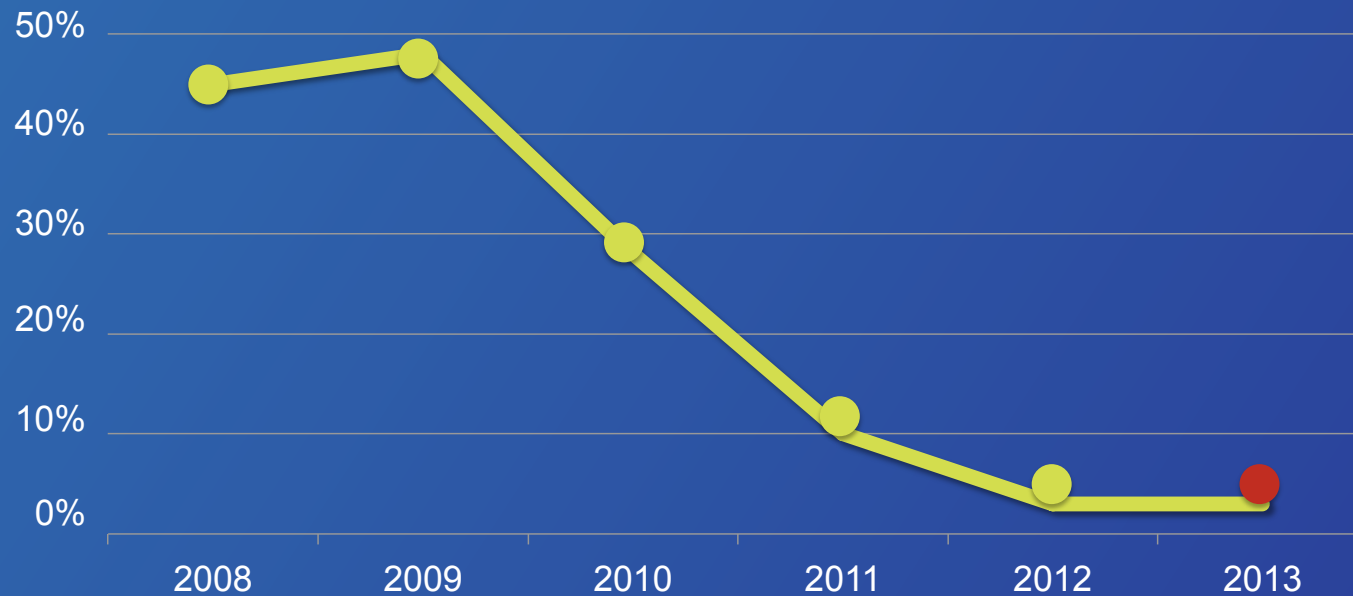
The Product Business Model is Broken



The Product Business Model is Broken

@InfoEcon

In 2009, BlackBerry had nearly 50% market share in U.S. operating systems, according to IDC. Now: 2.1%



1980-2000 Microsoft Platform Beats Apple Product

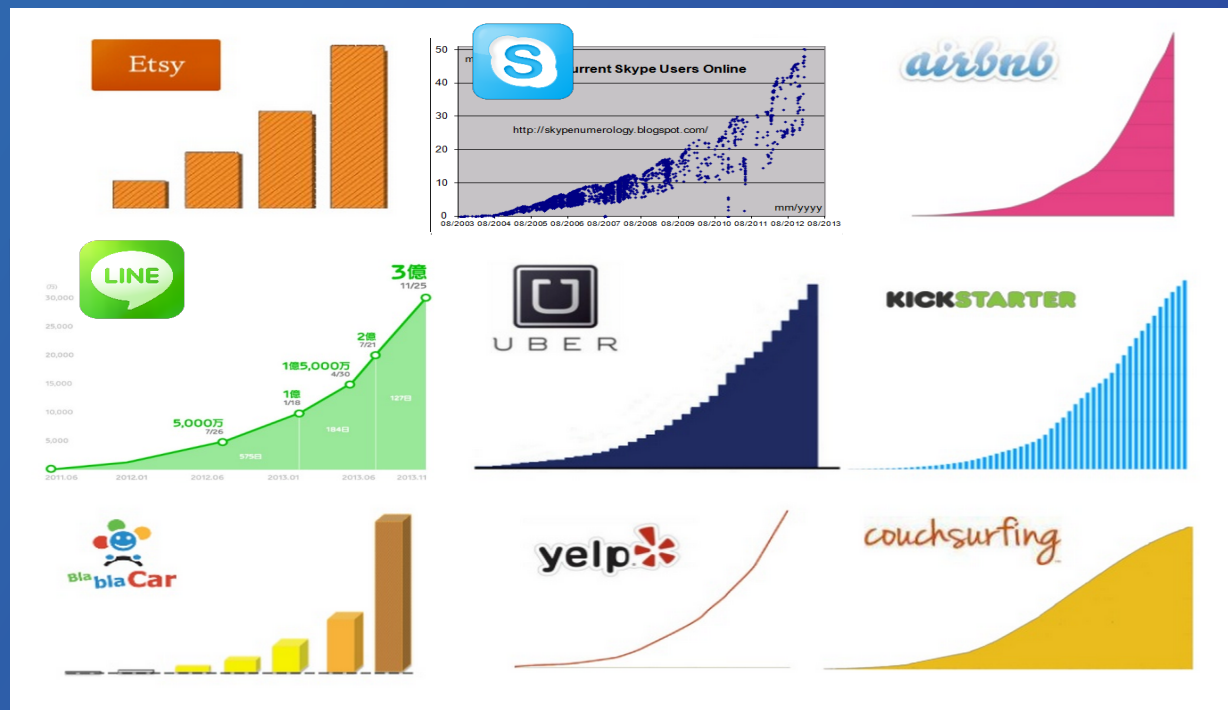
@InfoEcon



Apple launched the PC revolution but Microsoft licensed widely, built a huge developer ecosystem, 6X larger.

Network Effects: Users create value for Users

@InfoEcon



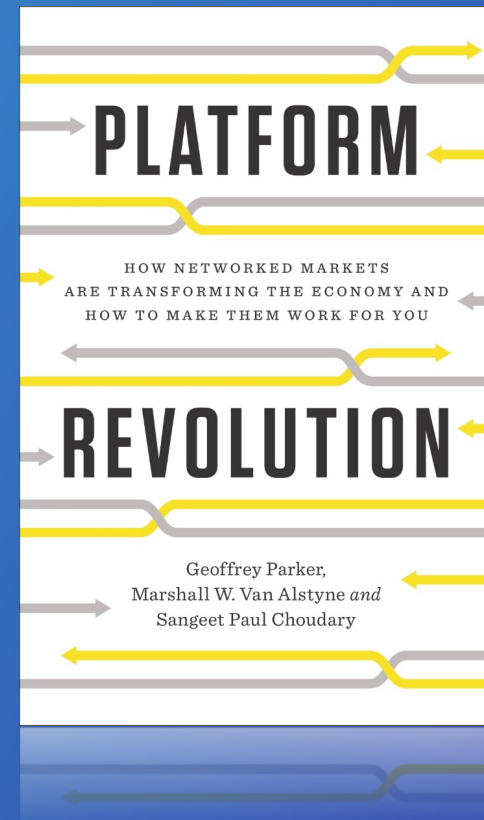
Source: Albert Cañigueral "Platforms are Eating the World" slideshare.net

Products Have Features, Platforms Have *Communities*

Definition: A platform is an open architecture together with a governance model.

Platform Potential: System must provide a useful *function or service* and should provide 3rd party access.

Platform Purpose: The goal of the platform is to consummate the match – more & better! Subgoals are seed creation & consumption.



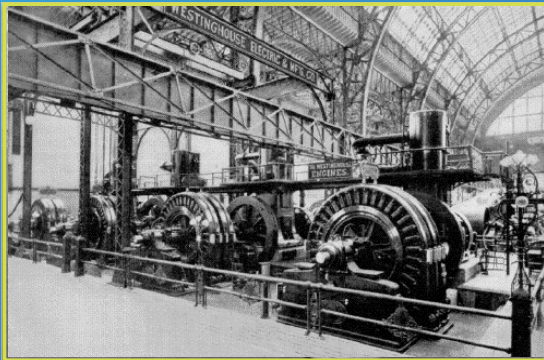
In any market with network effects, the focus of attention must shift from inside to outside the firm.

Reason: You can't *scale* network effects inside as easily as outside.

Giants of *Supply* Economies of scale

@InfoEcon

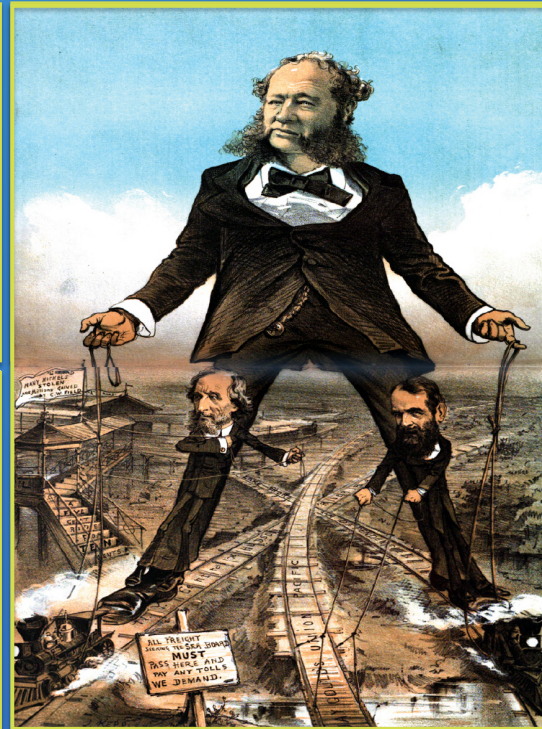
Westinghouse
Dynamo
1893



Ford Model T
1908



Carnegie Steel
1905



Vanderbilt
Colossus of
(Rail) Roads

Giants of *Demand Side Economies of scale*

@InfoEcon

Windows OS
1990s-00s



Matched Mkts
Now

Micro Blog
Now



Social Networks
Now

- **Finance**

- Shareholder Value → Stakeholder Value
 - Incorporate network effects (Damodaran Uber story)

- **Human Resources**

- Employees → External community

- **R&D**

- Experts & Specialized departments → Crowds, Ecosystem Partners & Open Innovation

- **Strategy**

- Entry Barriers & Inimitable Resources → Engagement & Long Tail

- **Marketing**

- Push → Pull, Outbound → Inbound

- **IT**

- Back Office (ERP) & Front Office (CRM) → Out-of-Office, Platforms & Big Data

- **Operations & Logistics**

- Uber (biggest taxi company but no taxis), Airbnb (biggest accommodations but no real estate), Facebook (biggest media firm but creates no content), Alibaba (biggest merchant but has no inventory)



Initiative on the Digital Economy

Platform Shift: How New Biz Models Are Changing the Shape of Industry

Marshall Van Alstyne

marshall@mit.edu

@InfoEcon





Platform Shift: How New Biz Models Are Changing the Shape of Industry

Marshall Van Alstyne

Bryan Kirschner

Paddy Srinivasan

Jerry Wolfe





Initiative on the Digital Economy

THANK YOU

QUESTIONS & DISCUSSION

marshall@mit.edu

Twitter: @InfoEcon

Find research [HERE](#). Find blog posts [HERE](#).