PLATFORM-DEPENDENCE

Understanding Power Asymmetries, Risks, and Business Strategies in the Platform Economy

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Work in the Digital Age: The challenges of platform firms
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TALK PLAN

- DIGITAL PLATFORMS: FROM RESEARCH OBJECT TO BUSINESS CONTEXT

- PLATFORM-DEPENDENCE
  - Sources of platforms’ power
  - Risks of platform dependence

- IMPLICATIONS OF PLATFORM-DEPENDENCE
  - Rethinking Strategic Action
  - New strategies for platforms dependent firms
  - New policy framework
WHAT IS A DIGITAL PLATFORM?

A **digital** structure that organizes a market with **multiple sides**, providing the **technologic infrastructure** upon which external actors can develop their own **complementary products, technologies, or services**

(Gawer, 2009; Gawer & Cusumano, 2002)
DIGITAL PLATFORMS: FROM RESEARCH OBJECT TO BUSINESS CONTEXT

DIGITAL PLATFORMS
ECONOMIC CENTRALITY

STOCK MARKET VALUATION – TOP 10

2002

• MICROSOFT
• GENERAL ELECTRIC
• EXXONMOBIL
• WAL-MART
• PFIZER
• CITIGROUP
• J&J
• SHELL
• BP
• IBM

2020 (DECEMBER)

• APPLE
• MICROSOFT
• AMAZON
• ALPHABET
• FACEBOOK
• TENCENT
• TESLA
• ALIBABA
• TSMC
• BERK. HATHAWAY
WHAT IS A DIGITAL PLATFORM?

TRANSACTION PLATFORMS

INNOVATION PLATFORMS

Adapted from Cusumano et al. (2019)
The vast majority of companies will not own platforms but, rather, will increasingly **depend** and compete on them  
(Cutolo, Hargadon, & Kenney, 2021)
Platform model is a new form of social organization

(Kretschmer et al., 2020; Stark & Pais, 2021)
Connectivity (Van Dijck, 2013)

Boundary resources (Ghazawneh & Henfridsson, 2013; Nambisan, 2017)

Generativity (Zittrain 2006; Yoo et al. 2012)

Ecosystems (Jacobides, Cennamo, & Gawer, 2018)

Network effects (Katz & Shapiro, 1994; Parker & Van Alstyne, 2005)

Winner-take-all (Arthur, 1996)

Governance (Tiwana, 2010, Boudreau, 2017)

Long-tail markets (Anderson, 2004)

POWER (Eisenmann, et al, 2011; Khan, 2016)
PLATFORMS AS NEW BUSINESS CONTEXT

- **2.5 M MERCHANTS** (2019)
- **10 M MERCHANTS** (TAOBAB, 2019)
- **2.5 M SELLERS** (2020)
- **25 M BUSINESS ACCOUNTS** (2019)
- **20 M DEVELOPERS** (2018)
PLATFORM-DEPENDENCE

SOURCES OF PLATFORM POWER

CUSTOMERS CONTROL

TECHNOLOGICAL INFRASTRUCTURE

GOVERNANCE: TERMS & CONDITION
RISKS OF PLATFORM DEPENDENCE

CUSTOMERS SEPARATION

ALGORITHMIC MANAGEMENT

PLATFORM ACCESS & DELISTING

DATA-DRIVEN COMPETITION

ONE-SIDED CHANGES IN TERMS & CONDITIONS
Rethinking Strategic Action

Implications of Platform-Dependence

Time

Start-up

Growth

Maturity

Risk

Positive platform effect

Non platform-based firm

Platform-based firm

Negative platform effect

(Cutolo & Kenney, 2020)
COMPETING ON PLATFORMS:

SOURCES OF COMPETITIVE ADVANTAGE

DISTINCTIVE VALUE PROPOSITION

PARTICULAR SET OF CUSTOMERS

PARTICULAR CONFIGURATION OF ACTIVITIES

IMPLICATIONS OF PLATFORM-DEPENDENCE
NEW STRATEGIES FOR PLATFORM DEPENDENT FIRMS

MULTIHOMING
- PLATFORM MULTIHOMING
- CHANNEL MULTIHOMING
- PLATFORM MULTIPLEXING

PARTICIPATION AS A FORM OF MARKETING

INCOME DIVERSIFICATION

PLAY THE ALGORITHM GAME

COLLECTIVE ACTIONS

LEGAL ACTIONS

(Cutolo, Hargadon, & Kenney, 2021)
QUESTIONS & ANSWERS

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