

THE PLATFORM MANIFESTO

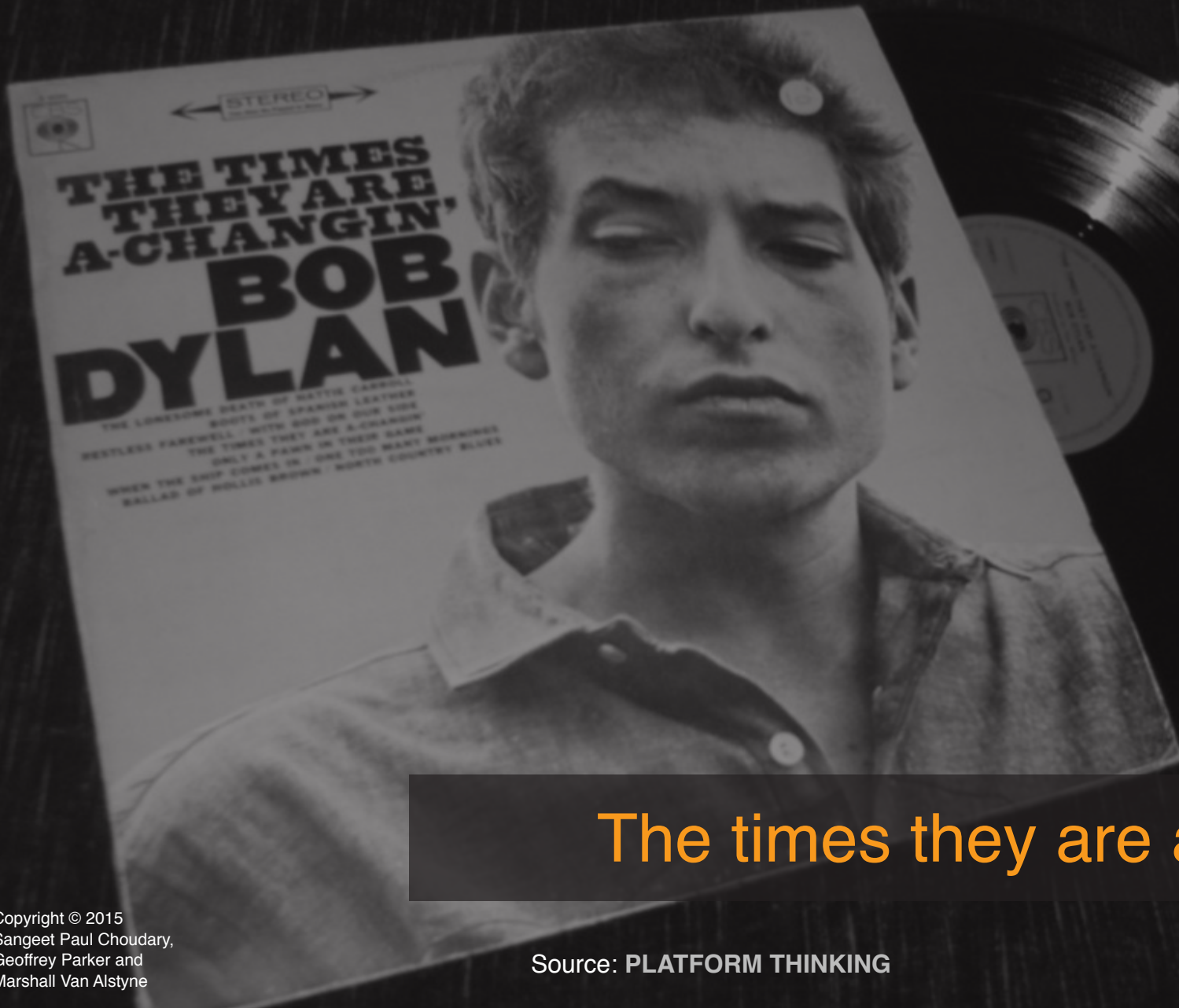
Adapted from the Amazon bestseller, [Platform Scale](#)



**SANGEET PAUL
CHOUDARY**

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The times they are a'changin'

Traditional systems
used to work like

PIPES

Source: PLATFORM THINKING



Emerging systems
work like

PLATFORMS

“

Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate. Something interesting is happening.

- Techcrunch, March 2015



Pipe Scale (n):

Business scale powered by the ability to coordinate internal labor and resources toward efficient value creation and toward delivery of the created value to an aggregated consumer base.



Platform Scale (n):

Business scale powered by the ability to leverage and orchestrate a global connected ecosystem of producers and consumers toward efficient value creation and exchange. The management of platform scale involves the design and optimization of value-exchange interactions between producers and consumers.



Business principles change in a world of platform scale



We need

a new mental map

to navigate a changing world

The manifesto explains the shift in business principles while acknowledging that value creation and delivery are still centered on a business's ability to aggregate.

THE PLATFORM MANIFESTO

1. The ecosystem is the new warehouse
2. The ecosystem is also the new supply chain
3. The network effect is the new driver for scale
4. Data is the new dollar
5. Community management is the new human resource management
6. Liquidity management is the new inventory control
7. Curation and repetition are the new quality control
8. User journeys are the new sales funnels
9. Distribution is the new destination
10. Behavior design is the new loyalty program
11. Data science is the new business process optimization
12. Social feedback is the new sales commission
13. Algorithms are the new decision makers
14. Real-time customization is the new market research
15. Plug-and-play is the new business development
16. The invisible hand is the new iron fist




Too busy to read all the slides?
Download this deck



Better still,
[click here](#)
[to get the whole book](#)

Source: **PLATFORM THINKING**





THE ECOSYSTEM IS THE NEW WAREHOUSE

Pipe Scale :

Traditionally, businesses relied on internal labor and owned resources to scale value creation

Platform Scale :

Leverage an external ecosystem of users and partners connected to the business over the Internet

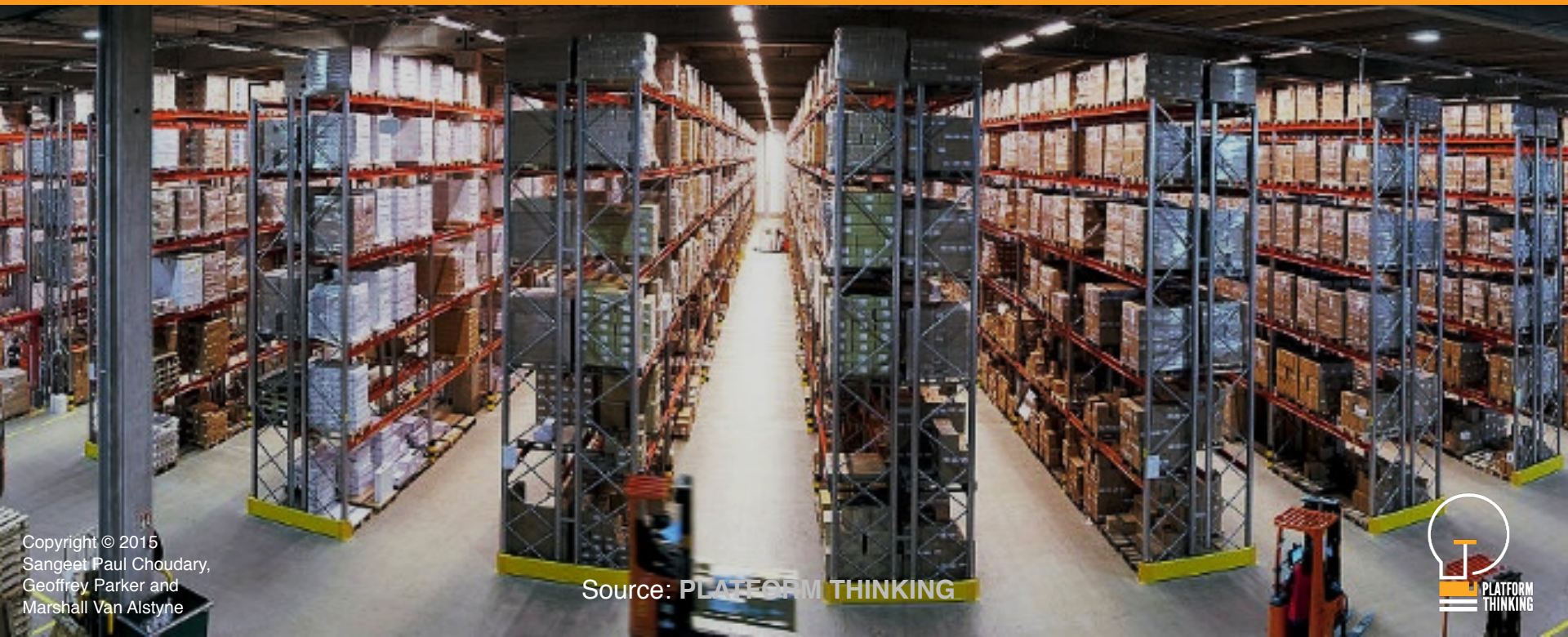
Amazon

From warehouse to ecosystem

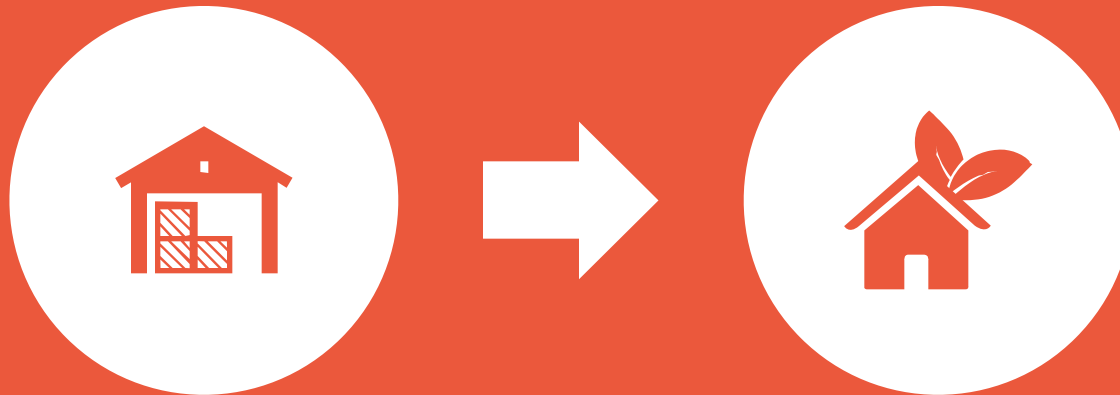


Started as a traditional online store
Moved to marketplace

Leverages warehouses distributed across an ecosystem of partner merchants



FROM: Warehouse-powered store
Liquidate inventory



TO: Ecosystem-powered marketplace
Govern ecosystem interactions



COMPETING WITH HOTELS using an ecosystem

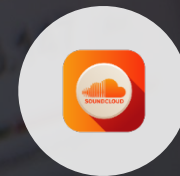


Traditional media
differentiates on
ownership of content

Source: PLATFORM THINKING



YouTube and Soundcloud unlock an ecosystem of content creators





Huffington Post started in-house content

Eventually scaling on an ecosystem model



THE ECOSYSTEM IS THE NEW WAREHOUSE

Ecosystems, not resources,
determine competitive advantage

THE ECOSYSTEM IS ALSO THE NEW SUPPLY CHAIN



Scale is achieved through the
efficient organization of
ecosystems and processes
towards
value creation

Pipe Scale :

Organize resources and labor around internal and controlled processes



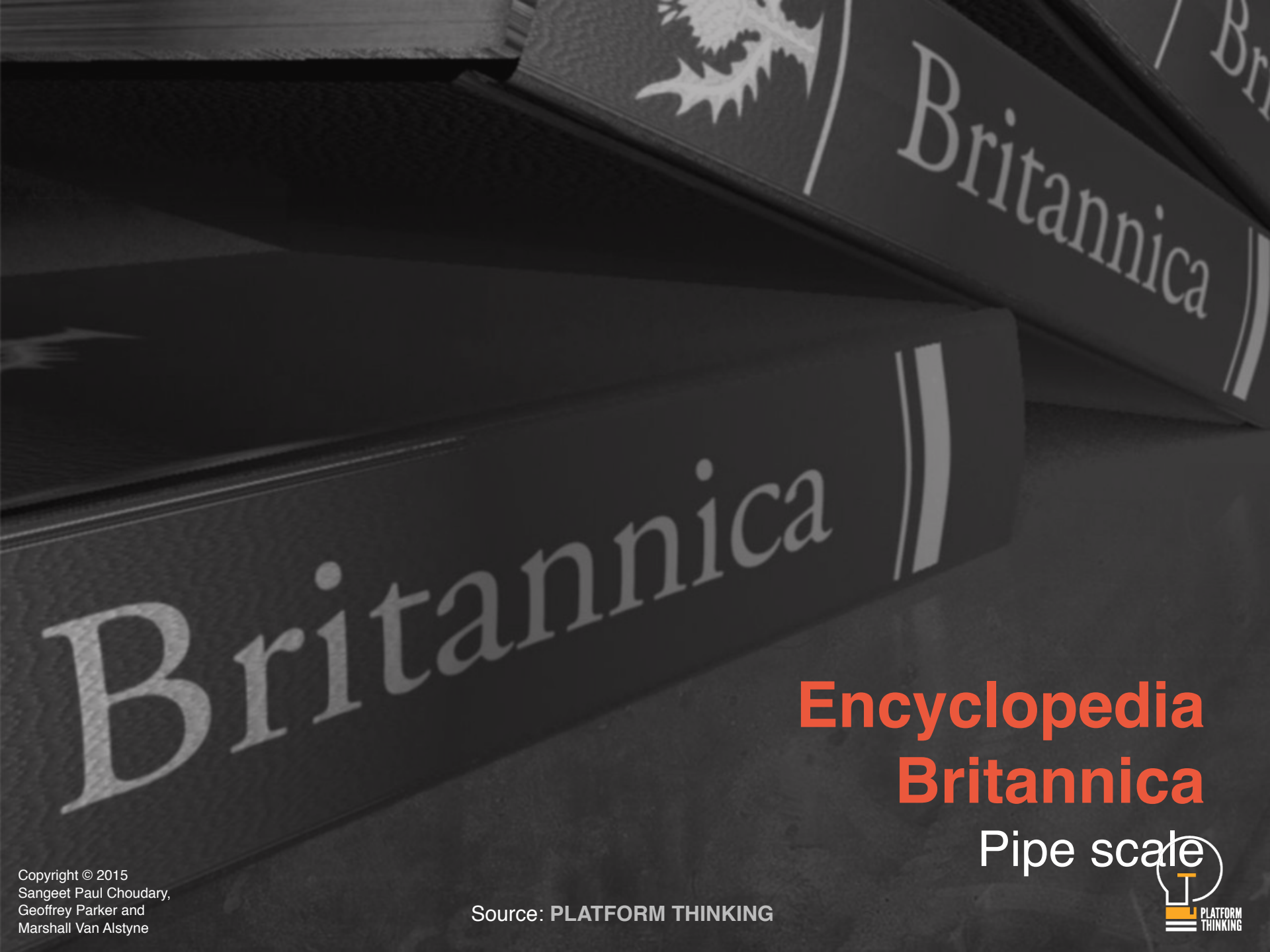
Platform Scale :

Organize ecosystem resources and labor through a centralized platform coordinating actions

Traditional software creation model follows **linear supply chain**

Open-source software
organizes an ecosystem towards
creation and updation of software





Britannica

Encyclopedia Britannica

Pipe scale





Wikipedia

Ecosystem of contributors create and manage a living encyclopedia



Viki

Ecosystem of enthusiasts
add subtitles to video content



Viki's software

powers the subtitle creation, editing, and confirmation process, reminiscent of the open-source tools used by Wikipedia

THE ECOSYSTEM IS ALSO THE NEW SUPPLY CHAIN

New coordination platforms enable a distributed ecosystem to work together

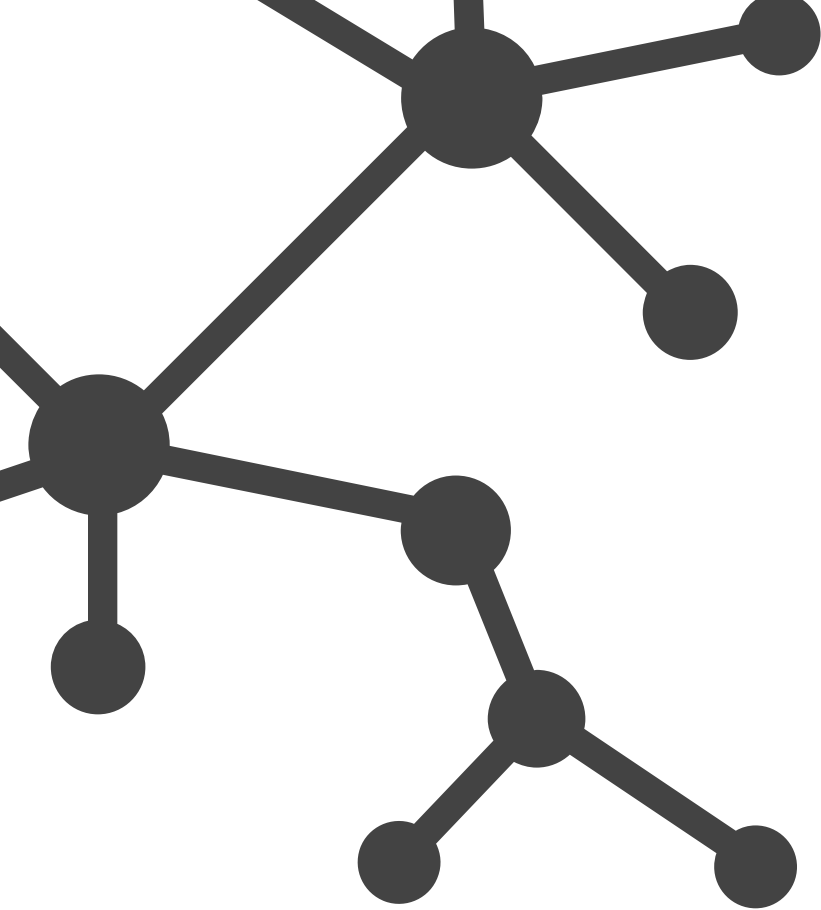
THE NETWORK EFFECT IS THE NEW DRIVER FOR SCALE

Pipe Scale :

Businesses scale by scaling internal resources and optimizing operations

Platform Scale :

Businesses scale by scaling and optimizing external interactions




Platform Scale

Businesses scale through
network effects

A black and white photograph of a pair of hands holding a small, young plant with several leaves and a small amount of dark soil. The hands are positioned as if carefully holding the plant, with the fingers visible. The background is dark and out of focus.

Virtuous loop where
more production attracts
more consumption
and vice versa

A grayscale image of a smartphone screen displaying the Uber app. The screen shows the pickup location as '60 FEDERAL STREET' and a map of the area. A large, semi-transparent orange banner is overlaid on the right side of the screen, containing the text 'Show loop using Uber and Youtube as examples'.

Show loop using Uber and Youtube as examples

THE NETWORK EFFECT IS THE NEW DRIVER FOR SCALE

Scale is achieved by
leveraging
interactions in the
ecosystem



DATA IS THE NEW DOLLAR

Pipe Scale :

Today's organizations are optimized to absorb dollars





Pipe scale:

Sales professionals measured on
dollars absorbed

Platform Scale :

Tomorrow's organizations should be optimized to absorb data



Platform scale:

Measure monetizable data absorbed, in addition to dollars



More data
absorbed lead to
more monetization
opportunities



LinkedIn
Internet Industry
555015 followers



Following



See How You're
Connected

About LinkedIn

Founded in 2003, LinkedIn connects the world's professionals to make them more productive and successful. With more than 238 million members worldwide including executives from every F

1001-5000 Employees


LinkedIn absorbs more data
from its users than Monster ever did

Helped it create a larger potential job market



Car-as-a-platform

Toyota, GM, and Ford moving to data-absorbing business models



Emerging cars stream data about usage

Helps predict need
for after-sales service

Emerging cars stream
data about usage

Helps insurance
companies personalize
their premiums



DATA IS THE NEW DOLLAR

Organizations must shift from
a culture of dollar absorption to
a culture of data absorption



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reading?
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book giveaway](#)

Source: PLATFORM THINKING



COMMUNITY MANAGEMENT IS THE NEW HUMAN RESOURCES MANAGEMENT



Community management isn't merely marketing 2.0

Pipe Scale :

Communities need to be managed like audiences



Platform Scale :

Communities need to be managed like distributed employees

Community management requires:

- 1 Structuring and managing incentives for participants
- 2 Enabling the learning and development of producers
- 3 Creating other support infrastructure that HR would provide internally

An overhead, top-down view of three people sitting around a white table in a meeting or collaborative work environment. The table is cluttered with various items: a laptop, several notebooks, pens, coffee cups, and mobile phones. The people are engaged in their work; one is writing in a notebook, another is looking at a laptop, and the third is looking at a document. The background is a dark wood-grain floor.

Managing community incentives and governance is **as important as managing internal employee** conduct and compliance

Source: PLATFORM THINKING





Josh Riedel

(Employee #1 at Instagram)



Engineer



Designer



Community
Manager



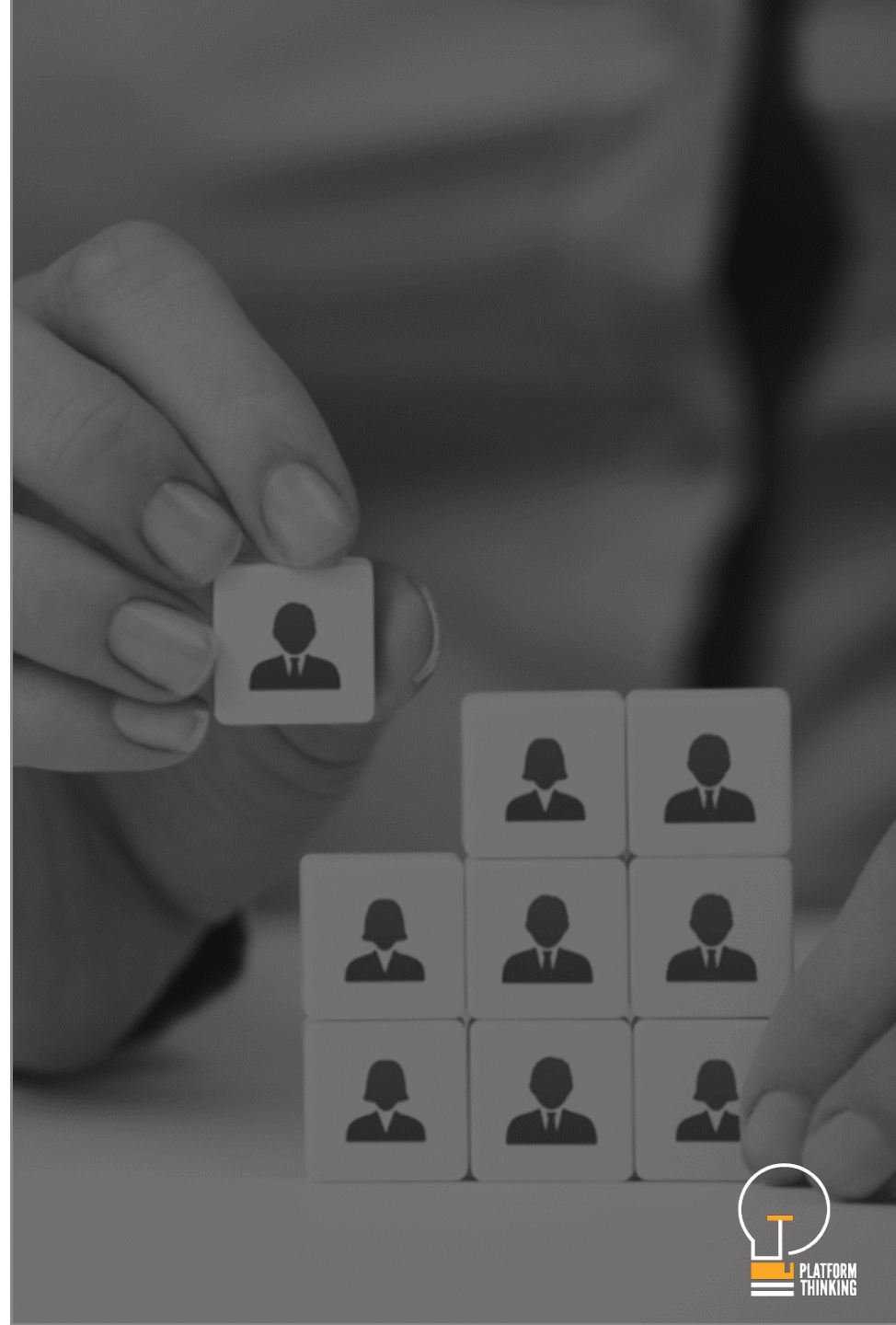
Hotels invest heavily in training and managing incentives for their staff



Platforms like **Airbnb** must invest
in community management and
development



For on-demand
labor platforms,
**Community
Management**
is the new HR
management



COMMUNITY MANAGEMENT IS THE NEW HUMAN RESOURCES MANAGEMENT

A community must be scaled in a platform business, in much the same way that a workforce of employees is scaled within an organization

LIQUIDITY MANAGEMENT IS THE NEW INVENTORY CONTROL

Pipe Scale :

Idle supply and unfulfilled demand are undesirable scenarios



Platform Scale :

Interaction failure is
an undesirable scenario


Interaction Failure

Producers create value but do not see relevant demand



Interaction Failure

Consumers are not matched with relevant supply



Matching supply and demand efficiently is the
only way that a platform
can hold the two sides together



Liquidity

Demand is reliably served with supply

Supply is liquidated with demand efficiently

Source: PLATFORM THINKING



High Liquidity

Facebook created a social network within closed college campuses

A grayscale background image showing several people's hands holding and using smartphones. The focus is on the devices and the interaction with them.

High Liquidity

High overlap of users who already knew each other within a campus



Liquidity Enhancing Techniques

Uber's surge pricing

LIQUIDITY MANAGEMENT IS THE NEW INVENTORY CONTROL

Ensure enough overlap between supply and demand to
guarantee fulfilled demand or liquidated supply



CURATION AND REPUTATION ARE THE NEW QUALITY CONTROL

Pipe Scale :

Control quality through hierarchies, gatekeepers, and contracts

Platform Scale :

Control quality through curation and reputation management



The Platform Challenge:

Controlling quality in an open and participative environment



The Platform Challenge: Controlling quality with minimum friction



The Platform Challenge: Controlling quality through processes that scale non-linearly

Platform Curation Mechanisms

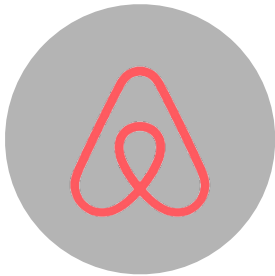


Initial screening of producers to ensure a minimum quality threshold



Uber, Sittercity

Determine producers ('or consumers') reputation through social signals



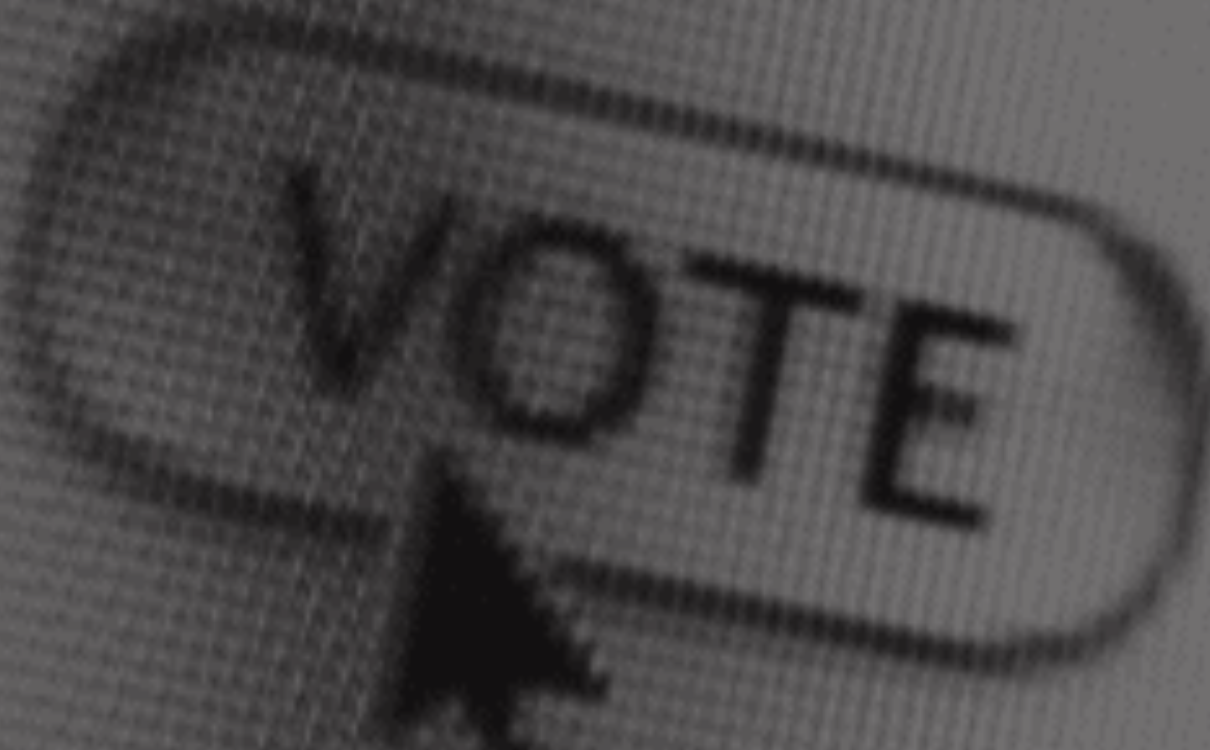
Airbnb ratings



Yelp ratings



Amazon ratings



Determine quality of production



Voting on YouTube



Voting on Quora



Quality = (Editorial moderation, Algorithmic judgment, Social signals)

CURATION AND REPUTATION ARE THE NEW QUALITY CONTROL

Balance open participation with curation
and reputation management

USER JOURNEYS ARE THE NEW SALES FUNNELS



Pipe Scale :

Lead customers
through sales funnels.



AARRR!

Pipe scale:
AARRR framework



Platform Scale :

Nudge users along journeys

The new, new retail

From tracking in-store footfalls



To measuring engagement across
multiple touch points

In a world of multi-device,
multi-channel journeys, the browse
and buy experiences are decoupled





Unify view of the user

A data platform serves as an integration layer that connects multiple touch points with the user

Data-enabled connectivity binds users' immediate experience with their overall journey with the business.



USER JOURNEYS ARE THE NEW SALES FUNNELS

In a networked world,
purchase paths are no longer linear



DISTRIBUTION IS THE NEW DESTINATION

Pipe Scale :

Define destinations for consumers to meet your business



Platform Scale :

Meet consumers by distributing your business across their journey

Retail outlets enabled pipe scale






Mass media enabled pipe scale

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Marshall Van Alstyne

Source: PLATFORM THINKING



Always-on connectivity enables platform scale



Multi-point connectivity,
Sometimes simultaneously

Rise of the second screen

DISTRIBUTION IS THE NEW DESTINATION

Identify new ways to distribute
your experience into the context of the user



BEHAVIOR DESIGN IS THE NEW LOYALTY PROGRAM

Pipe Scale :


Achieve customer retention and stickiness through loyalty programs and lock-ins

Platform Scale :

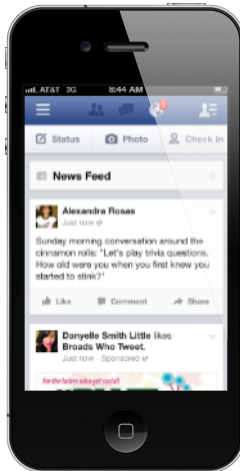
Invest in behavior design to create lasting customer relationships

In a world of pipes, predatory lock-ins lured customers into long-term relationships





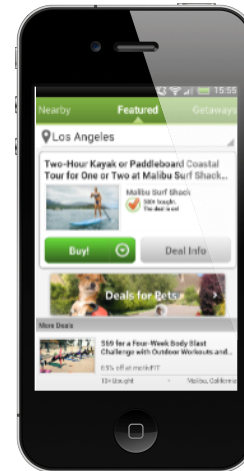
In a world of platforms, creating habits ensures users stick around of their own accord



Facebook's news feed creates a daily habit:

Show me what's new from my network

Groupon turns
marketplaces
into daily habits:
Show me the latest deals



To create new behaviors, reward desirable actions
and discourage undesirable ones



Airbnb creates
a desirable new
behavior through
community and
data-driven governance

Source: PLATFORM THINKING





Along with behavior design,
network effects also create stickiness

Both sides constantly attract each other back to the platform

Source: PLATFORM THINKING



BEHAVIOR DESIGN IS THE NEW LOYALTY PROGRAM

Achieving lock-in in an opt-in world

DATA SCIENCE IS THE NEW BUSINESS PROCESS OPTIMIZATION

Pipe Scale :

Improve the repeatability and efficiency of internal processes



Platform Scale :

Improve the repeatability and efficiency of ecosystem interactions



Pipe scale:

Scale through process re-engineering and optimization



Platform scale: Scale interaction efficiency through data science

Process engineers and managers helped improve internal processes and make them more efficient





As value creation moves to ecosystem interactions, the focus of efficiency shifts to orchestrating efficient interactions in the ecosystem.

DATA SCIENCE IS THE NEW BUSINESS PROCESS OPTIMIZATION

Data science improves the platform's ability to orchestrate interactions in the ecosystem

SOCIAL FEEDBACK IS THE NEW SALES COMMISSION

Pipe Scale :

Design inorganic incentives like sales commissions to encourage employees toward specific actions

Platform Scale :

Design social feedback to encourage producers on a platform

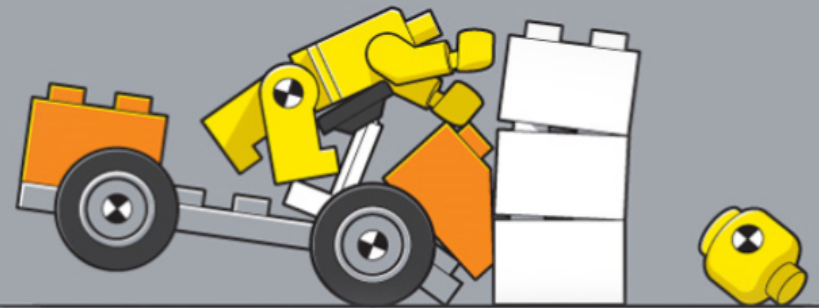
Instagram

users share their creations
for
social feedback



Threadless

designers work for social
feedback and monetary
rewards.



threadless

SOCIAL FEEDBACK IS THE NEW SALES COMMISSION

Understanding currency of interactions
is critical to success in a world of platforms



ALGORITHMS ARE THE NEW DECISION-MAKERS

Pipe Scale :

Managers and editors perform gatekeeping and resource allocation roles

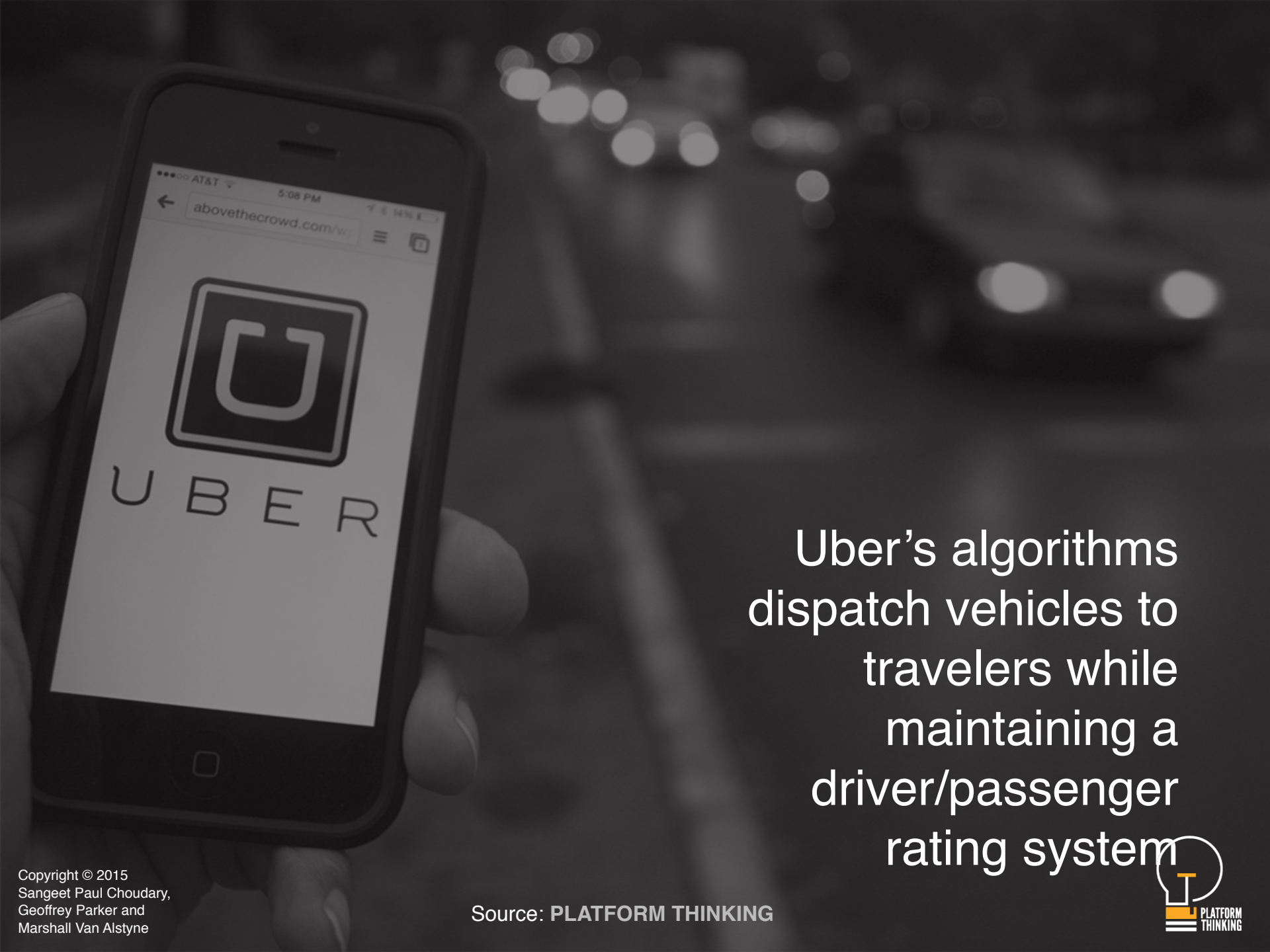
Platform Scale :

Algorithms leverage employee and ecosystem inputs to perform gatekeeping and resource allocation roles

Algorithms are increasingly taking over managerial functions of resource allocation and decision-making



On platforms, algorithms are the arbiters
of both resource allocation and
reputation assignment



Uber's algorithms
dispatch vehicles to
travelers while
maintaining a
driver/passenger
rating system





A traditional taxi service would have leveraged a layer of middle managers to perform a similar function

Source: PLATFORM THINKING





Algorithms
also replace
traditional
gatekeepers

Publishing: From editors to algorithms

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Source: PLATFORM THINKING



Funding:
From gatekeepers
to communities



ALGORITHMS ARE THE NEW DECISION-MAKERS

Self-policing communities and the
algorithms that nudge them along

REAL-TIME CUSTOMIZATION IS THE NEW MARKET RESEARCH



Pipe Scale :

Relies on slow market research
and segmentation

Platform Scale :

Relies on real-time customization to serve the most relevant content from producers to interested consumers

https facebook.com


f Search for people, places and things



Chris Struhar
Snow day! 3 HR

The Facebook newsfeed

A highly customized gossip column
that rearranges itself in real time
based on user preferences and
actions



However,
Beware the
Filter Bubble!



Platforms must ensure that they balance
relevance with serendipity

REAL-TIME CUSTOMIZATION IS THE NEW MARKET RESEARCH

Platforms rely on real-time customization to serve the most relevant content from producers to interested consumers

PLUG AND PLAY IS THE NEW BUSINESS DEVELOPMENT

Pipe Scale :

Business development based on contractual integration

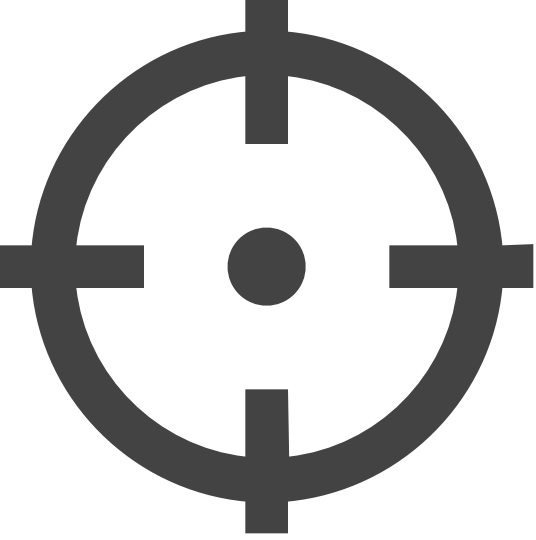


Platform Scale :

APIs enable plug-and-play business development



The API is the contract and the integration interface



Prioritize acquisition targets based on
how well they are integrated with your
existing API



Pipe scale:

Nokia, BlackBerry, and traditional carriers sourced their apps contractually



Platform scale:

The iPhone's app store introduced business development on steroids

PLUG AND PLAY IS THE NEW BUSINESS DEVELOPMENT

Because APIs are changing the world

THE INVISIBLE HAND IS THE NEW IRON FIST

Pipe Scale :

Relies on hierarchical control



Platform Scale :

Relies on opt-in, behavior design and gradual nudges



Hierarchies are based on
rules and compliance

A unidirectional flow of
information from the top down



This iron fist
is giving way to
the invisible hand

The invisible hand – typically taking the form of algorithmic decisions – nudges producers to continue creating value on the platform



THE INVISIBLE HAND IS THE NEW IRON FIST

We are moving from a world of command and control to a self-serve world where user participation is encouraged through the invisible hand of data, algorithms and APIs



PLATFORM SCALE IMPERATIVE

The management of platforms must be designed around the goal of enabling interactions between producers and consumers in a platform's ecosystem

Source: PLATFORM THINKING





Get the book now

Source: PLATFORM THINKING





THE PLATFORM MANIFESTO

Thank You