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Platforms

WHAT

Multi-Sided Platforms provide the infrastructure that brings together content-creating producers and content-using consumers.

Paradigm Shift	Traditional Business	Platform Business
Resource Management	Control of tangible assets like real estate and factories.	Orchestration of external ecosystems and community-based assets.
Value Creation	Internal optimization of activities to create and sell products.	Building external ecosystems to facilitate value-creating interactions.
Strategic Value	Focusing on the individual lifetime value of customers.	Prioritizing network effects between customers within the ecosystem.

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Slide summary: This slide introduces the concept of multi-sided platforms as defined by Parker et al. in Platform Revolution. It highlights the transition from traditional linear business models to platform models through three fundamental paradigm shifts: resource orchestration, external interaction, and ecosystem value.

Explain: To understand the "What" of platforms, we look at the definition provided by Parker and colleagues. A multi-sided platform is essentially a matchmaker. It provides the infrastructure—think of an App Store—that allows two or more distinct groups to interact. On one side, you have producers who create the value or content, such as app developers. On the other side, you have consumers who use that content, such as smartphone users. The platform owner doesn't necessarily create the content; they facilitate the exchange.

Key points: Moving to this model requires three paradigm shifts. First, we move from resource control to orchestration. Traditional firms own their assets, like mines or factories. Platforms, however, treat the ecosystem itself as the asset. Second, we move from internal optimization to external interaction. Instead of just perfecting internal supply chains, platforms focus on how well external parties interact. Third, we shift from customer value to ecosystem value. We aren't just looking at what one customer is worth, but how the presence of many customers creates a network effect that benefits everyone.

Example: Consider Airbnb. Unlike a hotel chain that must buy real estate and hire staff (resource control), Airbnb orchestrates a community of homeowners and travelers. Their value isn't in the buildings they own—because they own none—but in the massive ecosystem of participants they have successfully brought together.

Misconception: A common misconception is that any digital business is a platform. A simple e-commerce website that sells its own inventory is a linear "pipeline" business. It only becomes a platform when it allows third-party producers to sell directly to consumers, creating a multi-sided marketplace.

Ask students: Can you think of a traditional industry, like healthcare or education, that is currently undergoing a shift toward a platform model? What are the tangible assets being replaced by orchestration?