

Chapter 5

New Strategies for Evolution of Business Ecosystems: Platform Strategies

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ABSTRACT

Several industries are formed by platform business models. To achieve success and have sustainability, the platforms should follow various strategies, paying attention on several factors. In this chapter, initially, how the platforms as a business model have emerged, in which ways they are used, and their working ways have been explained, and “platforms as a new business model” has been extensively examined. Types of platform business models, general features of platforms, ways to generate income from platforms are explained in detail. How platforms could succeed and what could lead them into failure have been told. Platform leadership, prominent platform strategies, governance of platform strategies have been extensively examined. Emerging trends and future research directions have been mentioned. For this study, a detailed literature scanning has been performed, research fields have been shared in order to fill the gaps. In the final section, the prominent parts of the study to be focused have been expressed.

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INTRODUCTION

Today's world is a world where digitalization and jointly radical changes are experienced. With digitalization and daily improving new technologies; structure of industries, choice and demand of customers, market dynamics also keep changing. This situation has required the companies to change their way of working, and enabled platform business models to increase between industries.

Big part of today's business world is formed by the platforms. Many industries especially banking, transportation, health, energy use platform business models. Platform ecosystems have an extensive effect on organizations for last twenty years. Companies compete with each other to improve platforms in areas like smart phones and applications, video consoles and video games, personal computers and softwares, credit card companies, internet services companies, micro payments and other private financial services. Basilica companies that use platform business models are Microsoft, Apple, Alibaba.com, eBay, Taobao, Rakuten, Airbnb, Facebook, Google, YouTube, Yahoo, LinkedIn, Twitter, Netflix, Linux, Alphabet, Amazon, Booking. As seen, platforms are being used by the biggest and fastest growing companies of last ten years and nearly all giant companies of present day.

Platforms are technologies, products or services that create value primarily interacting directly between two or more customers or participant groups. Platforms have changed the logic of value-creation by resetting the access barriers. They decrease browsing and transaction costs of participants. Thanks to platforms, companies could reach wider customer mass, and this provides network exteriorities. Network exteriority could be described as providing economies of scales on demanding side (Katz & Shapiro, 1986). As the number of users increases, platform's achievement and sustainability also increase. The advantages of platforms being in great number, and the achievements that the companies using this strategy ensured, directed many different company and industries to use platform-based business models.

Not all platforms could succeed. For example, eBay Billpoint could not reach to PayPal's success and has disappeared. Similar thing has been observed on Google Video/Youtube, Google Buzz/Twitter, Google Orkut/Facebook, Google Knol/Wikipedia examples and while Youtube, Twitter, Facebook and Wikipedia have gained success, other platforms could not maintain their existence.

Platform based business models require a careful governance. Competition level is high in platforms and there are many players. Having no entry barriers simplifies new competitor entries and jeopardizes the position of the platform. Platforms should well plan and protect their core technology and architecture. But on the other hand, they are also required to enable external innovators to improve new products or services by opening their core technology and architecture. Namely from one side They have to protect their technology, but from other side they have to share it. Here the strategy to follow and the decision to be given is very important. For platform's achievement, there should be a constant growth in user-base. This is quite difficult in platforms with high competition levels. This business model requires being open for change and improvement and evolving. For their success, to form platform ecosystems have critical significance. But this also necessitates the participation of many players into game and entails the versatile, strategical decision making process. Different markets require different competition strategies. In order to overcome all of these problems and to properly and efficiently manage platforms, platform strategies are needed.

The goal of this study is to provide a detailed, consepional frame for platform business models, to tell platform strategies and how to govern them. To better understand this business model, It is necessary to initially well understand platform structure and features. Afterwards, which companies use it as

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