

# Platform Strategies for Startups

## Part 2

# What we will cover today

- Platform Definition
- The story of the *Dentist Office Software*
- Platforms are Business Models
- Why Platforms make better businesses
- Startup opportunities for Platforms
- 5 ways to spot a Platform Opportunity

# Before we start...

- I am an *Enthusiast* for this topic – not an expert 😊
- Compilation of several authors
- Check references page at the end

# Today's Slides and Materials

1. Go to [www.bigjump.com.au](http://www.bigjump.com.au)
2. Click on Resources Section



# Platform: (n)

A multisided business model focused on creating value by facilitating transactions between two or more interdependent groups (usually consumers and producers).



# Story of the Dentist Office Software

- Entrepreneur tired of waiting in dental waiting room
- Dentasoft
- Dent.io
- Dentistry.com

# Platforms **are** Business Models

- The platform model is old!
  - Roman bazaar
- Technology allows platforms to massively grow!
  - 2.2B users on Facebook (4<sup>th</sup> quarter 2017)
- Don't think of Platforms as Products!
  - (Computing, PaaS, Industry)

# Linear vs. Platform Models

- Linear Business is 20<sup>th</sup> Century business models
  - Porter's 5 Forces & Value Chain
- Linear model: controls only one side of the transaction
  - Supply!
  - Goods or Services are pushed out to consumers
- Platforms facilitate Transactions
  - Creates infrastructure
- Platforms add network value
  - Derive value from other people's use of platform
  - Uber drivers/passenger, iOS developers/consumers



# Platform example YouTube

- TV stations create, acquire or developer content for its *channel*
- TV stations are based on traditional pipeline business models
- YouTube: allows anyone to upload videos!
  - YouTube does not control supply
  - Provides infrastructure & network
  - 1B hours of YouTube is consumed daily



## 4 Core Functions of a Platform

1. **Audience building:** Getting people to use the Platform
2. **Matchmaking:** Match the right producers to consumers
3. **Creating rules and standards:** Platform Governance is critical to platform success
4. **Providing key tools and services:** Technology that supports the core transaction

# Success is determined by:

- 1. Connection:** how easily others can plug into the platform to share and transact
- 2. Gravity:** how well the platform attracts participants, both producers and consumers
- 3. Flow:** how well the platform fosters the exchange and co-creation of value

# Building Blocks for Platform Success

- 1. The Toolbox** – make it easy for others to plug in (Apple/OS code libraries, Wikipedia/writers tools, YouTube/hosting infrastructure)
- 2. The Magnet** – the need to attract both producers and consumers (Apple's app developers & users)
- 3. The Matchmaker** – Foster flow of value between producers and consumers via rich data (Uber/location, eBay/buyers matching)

# Why Platforms make better businesses

- Software is a commodity – anyone can copy you 😊
- Platforms create strong barriers to entry
- A successful platform is valued by investors
  - Platform revenue multiples are 8.5 (average)
  - Linear/Pipeline businesses are between 2-6 revenue multiples
- Platforms give away less equity and get more money!



# Startup Opportunities for Platforms

- Education
- Finance
- Healthcare
- IOT

# 5 ways to spot a platform opportunity

1. Where technology can reduce gatekeepers and reduce transaction costs (ZocDoc)
2. Unserved groups that need each other (UberEats)
3. Potential Compliments (introduction of iOS app stores for mobile phones)
4. Latent Supply (AirBNB/spare couch!)
5. Large, fragmented sources of supply (Uber)

# Discussion



# References

- [HBR: 3 elements of a successful platform](#)
- [Beyond Uber: How Platform Business Models Connect the World](#)
  - <https://www.youtube.com/watch?v=SnSpK-17V-M>
- [Platform Revolution by Sangeet Paul Choudary](#)
- [Geoff Parker Presentation on Platform Revolution](#)