Platform Economics: The Big Picture

After this lecture, you will see digital markets differently.

Platforms are the dominant business model of the digital economy. They power payments, lending, trading, and insurance — yet most people cannot explain *why* they work or *when* they fail.

This lecture gives you a complete analytical toolkit:

Theory
- What makes a platform different from a traditional business
- How network effects create explosive growth — and collapse
- Why some markets tip to one winner while others stay competitive

Practice
- How platforms price, launch, and compete
- How to evaluate whether a FinTech has a real moat
- How regulation and decentralization are reshaping the landscape

Format
8 sections — 59 frames — 13 diagrams — 4 case discussions — 2 self-assessments — 1 group workshop

After the Lecture: Six Things You Will Be Able To Do

1. **Distinguish platforms from pipelines** — instantly classify any business by asking: "Does it *connect* or does it *produce*?"
2. **Identify all four types of network effects** — direct, indirect, data, and negative — and explain how each shapes competition
3. **Diagnose the chicken-and-egg problem** and pick from six proven launch strategies (subsidize, single-player mode, seed supply, piggyback, marquee user, micro-market)
4. **Evaluate unit economics** using CAC, LTV, payback period, and churn — and spot when growth is real vs. venture-subsidized
5. **Apply a six-question framework** to any FinTech platform: network effects? unit economics? switching costs? data advantage? defensibility? regulation?
6. **Debate the future**: centralized vs. decentralized platforms, token economics, AI-driven network effects, and the regulator's dilemma

The Core Skill

Analyze any platform business and assess whether it has a sustainable competitive advantage — or just expensive user acquisition.

Key Frameworks You Will Take Away

1. Platform Classification

Pipeline vs. platform; transaction, innovation, investment, integrated types.

2. Network Effects Toolkit

Four types, critical mass S-curve, winner-take-most conditions (network effects + switching costs + low multi-homing).

3. Pricing Logic

Subsidy side vs. money side; Rochet-Tirole pricing principle; access, usage, and enhanced fees.

4. Business Model Assessment

Commission, subscription, freemium, advertising, PFOF, float; unit economics health check.

5. Data Flywheel

More users → more data → better algorithms → better experience → more users. Why this moat compounds.

6. Sustainability Test

Six-question evaluation framework applicable to any FinTech you encounter — in this course or in your career.

Ready?

These frameworks will let you move from "I use platforms" to "I understand how platforms work, compete, and fail."

Lecture based on Rochet-Tirole (2003/2006), Parker-Van Alstyne-Choudary (2016), Eisenmann-Parker-Van Alstyne (2006), Evans-Schmalensee (2016).