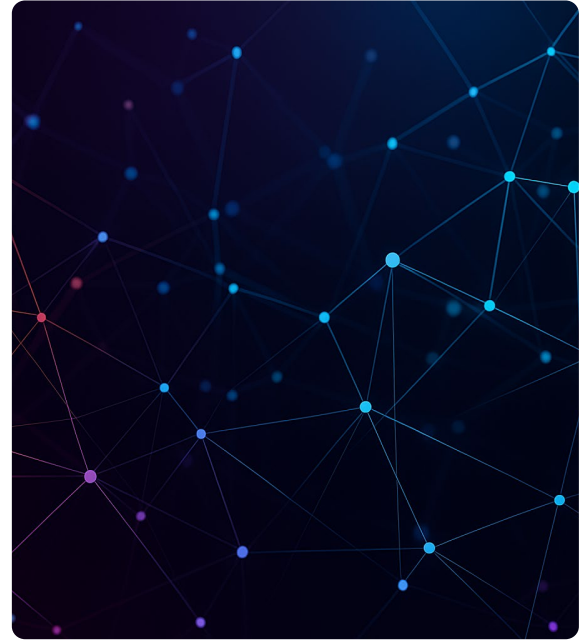# Managing Platform Businesses

Session 1 – Fundamentals of Platforms

Course Overview

This course examines how platform businesses disrupt industries, shape markets and transform strategy and governance.

Learning Objectives

- Define and distinguish platform types and their core characteristics.

- Apply analytical frameworks (network effects, architecture, governance, monetisation, metrics, strategy) to real cases.

- Analyse competitive dynamics in industries with strong network effects.

- Evaluate ethical, social and regulatory implications of platform business models.

- Synthesise theory and practice via a course-long platform development exercise.

Course Structure & Materials

- Weekly modules combine lectures, case discussions and applied group work.
- Materials (slides, readings, videos) provided via Canvas. Harvard cases are accessible through the Coursepack.
- Course-long project: Platform Development Exercise (groups of 5).

Modules & Session Plan

Module 1 – Siddhesh Rao

1 Fundamentals: Definitions, History & Network Effects

2 Disruptive Platforms

3 Network Effects & The Penguin Problem

4 Scaling & Monetising

5 Metrics & Strategy

6 Platform Regulation

Module 2 - Vera Haataja

7 Winner Takes All Markets

8 Data & Surveillance

9 Platforms & Inequality I

10 Platforms & Inequality II

11 Platform Ethics

12 Taboo Platforms

13 Wrap-Up & Exam Prep

Group Project – Platform development (see Canvas for more information)

- In-class exercise
- Done throughout the course
- Each group develops their own platform idea
  - Not a business plan competition
  - Can be modification/improvement of an existing one
  - Addresses a specific market need or social challenge
  - Will also form a key component of your final exam
  - Sign up for a group in Canvas
  - Make sure you belong to a group by Thursday's class

- Main purpose of the project is to give you an opportunity to reflect on the topics taught in the class and the course literature!

Sign up for a Group by Thursday's class

- In the course Canvas page you can find the groups under people-> groups -> class exercise
- You can choose to work with your friends or take chance and get to know new people and randomply pick a group
- Note! Make sure your group members are in the same class as you!
  - Sign up to one of the groups numbered 1-11 (morning students)
  - Sign up to one of the groups 12-22 (afternoon students)
  - Random selection start from the highest group numbers

Administration & Contact

- **Contact information:**
- Dr. Siddhesh Rao – sir.bhl@cbs.dk
- Dr. Vera Haataja – vh.bhl@cbs.dk
- *Office Hours: By appointment*

The Rise of Platforms

Platforms dominate global business in 2025. Companies such as Google, Amazon, Uber, Facebook, TikTok and Alibaba have transformed industries by creating ecosystems instead of merely producing goods.

Platforms are the backbone of modern capitalism, reshaping how we consume, work and interact. Understanding platforms is key to understanding today's business world.

The Age of Platforms

Five of the ten most valuable companies derive much of their worth from multisided platforms: Apple, Alphabet, Amazon, Facebook/Meta and Microsoft.

Platforms facilitate interactions or transactions between different parties and often surpass traditional firms in value.

Airbnb has been valued higher than Marriott, demonstrating how platforms can eclipse incumbent counterparts.

Why Platforms Matter

- They scale faster than traditional firms by harnessing external resources.
- They reduce transaction costs and enable entirely new markets.
- They disrupt incumbents by leveraging community resources.
- They reshape power relations between firms, workers and regulators.

Research shows successful platforms are ~2× more profitable, grow ~2× faster and are ~2× more valuable than comparable conventional firms, often with roughly half the number of employees.

Exercise: Platforms in Everyday Life

Identify three platforms you used in the last 24 hours. For each platform, discuss:

What interaction did it enable (e.g., communication, shopping, finding information)?

Who are the producers and who are the consumers on that platform?

How might the service be different if it were run as a traditional pipeline business instead of a platform?

Defining Platforms

A platform is a business model that creates value by enabling interactions between interdependent user groups.

Platforms provide an open infrastructure and set rules to facilitate exchanges. Unlike pipeline businesses with linear supply chains, platforms orchestrate multi-directional exchanges.

- Search & matching: Help buyers and sellers find suitable partners through algorithms or browse options.

- Price setting & payments: Determine or facilitate pricing (dynamic pricing, seller-set prices) and simplify payments (escrow).

- Building trust: Screen providers, implement reputation systems and offer insurance to encourage participation.

Core Functions

Platforms are not just marketplaces; they are orchestrated ecosystems.

They encompass common components (hardware, software, services) and rules (technical standards, information protocols, behaviour policies, contracts) used by network participants. This view highlights platforms as critical infrastructures shaping economies and societies.

Platforms as Infrastructure

Pipeline vs Platform

In pipeline models, value flows in one direction. Platforms orchestrate multi-directional interactions.

Feature	Pipeline Business	Platform Business
Value creation	Internal production & controlled supply chain	Enable interactions among external users to co-create value
Scaling	Increase internal production capacity	Increase user participation (leveraging network effects)
Control	Own assets & employ staff	Coordinate an ecosystem of independent actors
Examples	Ford, Coca-Cola, ExxonMobil	Uber, Airbnb, Google, TikTok

Visual Comparison: Pipeline vs Platform

Left: Linear pipeline processes goods in a single direction.

Right: Platform networks orchestrate many-to-many interactions.
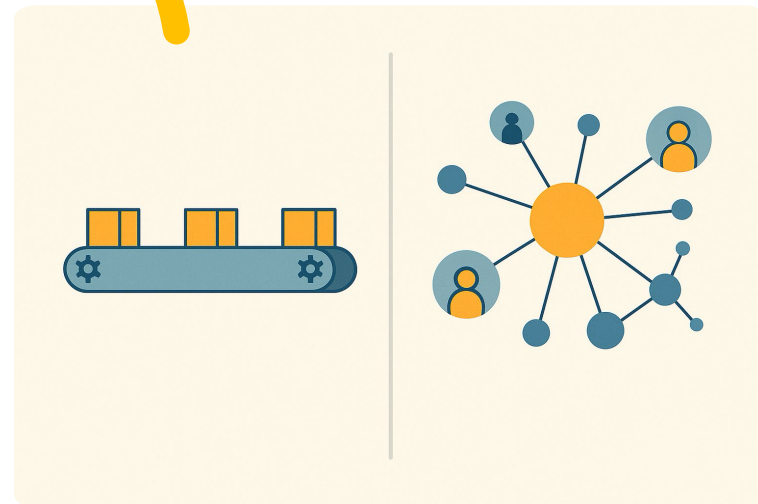
From Pipeline to Platform

- Move from resource control to resource orchestration: the network of producers and consumers becomes the chief asset.

- Shift focus from optimising internal processes to facilitating external interactions.

- Locus of value creation moves from maximising individual customer value to maximising the total value of an expanding ecosystem.

- Firms often pursue hybrid models combining pipeline and platform approaches.

Platform Examples: Retail & Media

- **Retail:** Amazon Marketplace connects buyers with third-party sellers and advertisers, rather than just selling its own inventory.

- **Media:** YouTube and TikTok allow users worldwide to create and share videos, disrupting traditional broadcast TV models.

Platform Examples: Education, Finance & Healthcare

- **Education:** Coursera and edX aggregate courses from many universities and instructors, democratising access to learning.

- **Finance:** Cryptocurrency and fintech platforms like Coinbase or Stripe enable global peer-to-peer transactions outside traditional banks.

- **Healthcare**: Platforms such as Zocdoc and telehealth apps connect patients with doctors for appointments and remote consultations.

Multi-Sided vs One-Sided Platforms

- Platforms span even more sectors beyond the examples above.

- Multi-sided platforms connect distinct user groups (buyers and sellers, content creators and viewers).

- One-sided platforms provide services to a single group without mediating interactions between different user groups.

- *Determining whether a company mediates interactions among multiple distinct groups helps clarify its platform strategy.*

Exercise: Pipeline → Platform

Choose a traditional pipeline business (e.g., a car manufacturer like Toyota or a fast-food chain like McDonald's) and redesign it as a platform. Consider: Who would be the distinct user groups on the new platform? (For example, if "Toyota" became a platform for mobility, the user groups might be car owners, drivers, and riders.)What value or service would those groups exchange via the platform?

- How would scaling up this platform differ from scaling the original pipeline business?
- (Think about whether growth comes from adding internal capacity or attracting more participants.)