

# Managing Platform Businesses

*Session 3 – Influence on culture, Netflix case, Penguin problem, doghouse case, chicken and egg problem*

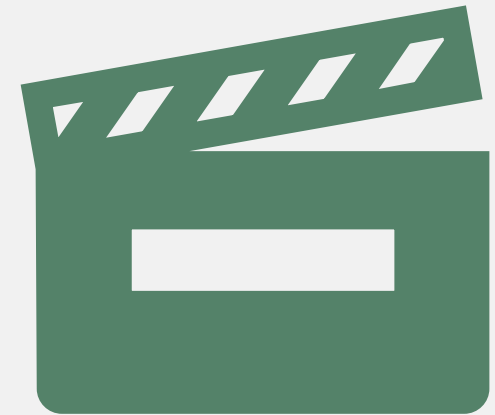




# Platforms Shaping Culture

- Cultural Impact: Disruption extends beyond business and economics.
- Redefining Social Norms: Platforms influence how we communicate, share, and connect.
- Changing Lifestyles: From entertainment to everyday activities, platforms reshape habits.
- Global Reach: Platforms create global cultures, transcending local traditions.

# **How Netflix's Content Strategy Is Reshaping Movie Culture**



# Netflix's strategic choice

- Option A: Offer a huge catalog so you almost always find the film you want (Blockbuster model).
- **Option B:** Invest in exclusive originals that you can't watch elsewhere (Netflix's current model).
- Netflix moved strongly toward Option B with streaming.



# What changed for viewers?

- Many iconic films are missing on Netflix streaming.
- Examples: The Godfather, Citizen Kane, E.T., Psycho, 12 Angry Men, etc.
- You can often rent them elsewhere, but they are not top-of-mind on Netflix.



# A quick data point

- Among IMDb's top 100 films (all-time), only 13 were on Netflix (as of 2017).
- This helps explain why many shared cultural references feel less common online.



# Saliience effect

**out of sight, out of mind**

- If Netflix highlights an original, you may not search for a classic you prefer.
- Platforms steer attention through homepages, rankings, and recommendations.



# Network effects

- We value movies more when people around us have watched them.
- the more people talking about a Netflix show, the more new viewers it attracts
- Buzz spreads locally (friends, colleagues, social feeds).
- More viewers → more conversation → even more viewers.






# Research insight

- Economists used weather shocks to study moviegoing patterns.
- If bad/good weather pushes one person to go now, more people go later.
- Effect is local and appears even when the movie isn't highly rated.





# Why this matters

- Platforms can shape demand, not just satisfy it.
  - What gets promoted becomes the shared reference point.
  - Classics risk fading when platforms push new exclusives.
- 



# Strategy implications (for platforms)

- Exclusive content + heavy promotion builds habit and buzz.
- Owning conversation lowers need to license expensive classics.
- But less breadth can frustrate some users and invite competitors.

# Strategy implications (for studios/rights holders)

1

Licensing choices  
decide what  
audiences can  
easily watch.

2

Windowing and  
exclusivity change  
cultural memory of  
'classics.'

3

Studios can use  
scarcity to raise  
prices but may lose  
relevance.



# Key takeaways

Platforms steer attention (salience) and conversation (network effects).

Netflix's originals-first strategy shifts what we all watch and discuss.

Content supply choices can reshape culture not just meet demand.



A large colony of penguins is gathered on the edge of a melting ice cliff. The penguins are looking out over a dark blue ocean. One penguin is seen falling from the edge of the cliff. The scene is set in a cold, icy environment with a clear sky.

# **Nobody wants to be the first person on a new platform**

- “penguin problem”

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# When Peter Thiel and Max Levchin started PayPal in 1998, they had a problem...

- Within a couple of years, the dot-com crash put pressure on PayPal.
- PayPal spent \$10m monthly to stay afloat.
- But getting buyers to use PayPal was tough because no shops accepted it.
- And it was equally tough to get sellers to adopt PayPal because no buyers used it.
- buyers wouldn't use it because stores didn't accept it, and stores wouldn't accept it because buyers weren't using it.
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# PayPal tried many things...

- They tried advertising... too expensive.
- They tried business development and banking deals... too bureaucratic.
- So, they realized they decided to pay people.
- \$10 to sign up, \$10 for every referral.
- ...an expensive way to reach 100m users.



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Payment types



## Paying users was expensive, but it ensured user acquisition and commitment

- Once a new user received their \$10 – they could only spend it through PayPal.
- After trying the convenient service, many users remained active.
- This triggered *positive feedback loops*.
- Buyers who liked PayPal encouraged sellers to sign up. Sellers displayed a PayPal logo to attract buyers and entice new users.

# PayPal acquires eBay \$1.5 billion deal

2002



1



0

...uction house eBay has announced its  
...to-person payment operator PayPal  
...deal.

...y-floated PayPal, which recently announced  
...y profit, has been at the centre  
...by eBay for some time.

## But eBay where PayPal was growing fastest hit back

- eBay realized that sellers and buyers who used PayPal were giving a transaction fee to another company.
- eBay even started its own PayPal copy ('Billpoint') to compete, but it failed because eBay couldn't overcome the same first-user (chicken-and-egg) problem
- In 2002, eBay gave up on Billpoint and bought PayPal for \$1.5b.

[illegible]

- As the PayPal story shows, *pull* strategies are more effective than *push* strategies for platforms.
- Push strategies: traditional marketing through advertising and commercials.
- Works best when there are few options.
- Pull strategies include offering monetary rewards and referral programs.





# **If all it takes is money, why don't the big companies crush new entries?**

- While big companies like Meta, Alphabet, and Samsung could be seen as intimidating, they play by different rules.
- Large companies are more risk-averse because they have to observe strict quarterly checkpoints.
- Large companies move slowly and usually have a long bureaucratic pipeline for major decisions.
- So go launch your platform!

# There are many ways to launch a platform!

## YouTube

- First popular anyone-can-upload video platform.
- Focused on content creators early on.
- This filled the platform with content.
- Curated content by a thumbs up/down button.
- Created a community of loyal creators.

## Megaupload

- Megaupload was a late-mover with video.
- Focused on viewers by allowing content banned on YouTube (pirated videos and pornography)
- This made the platform popular but also made it controversial.

## Vimeo

- Another late-mover.
- Succeeded with a creator-first strategy.
- Offered high quality tools to filmmakers who felt they were too good for YT.
- Integrated better with blogs and allowed higher quality uploads.

# Strategies to overcome penguin problem

1

## Constrain the marketplace

- Constrain the marketplace (geo or category) to reach local liquidity fast

2

## Focus on Advertising

- Focus advertising on WOM, direct sales, referrals before SEO/paid at scale

3

## Portraying suppliers to look good

- invest to make supply attractive, trustworthy, and successful

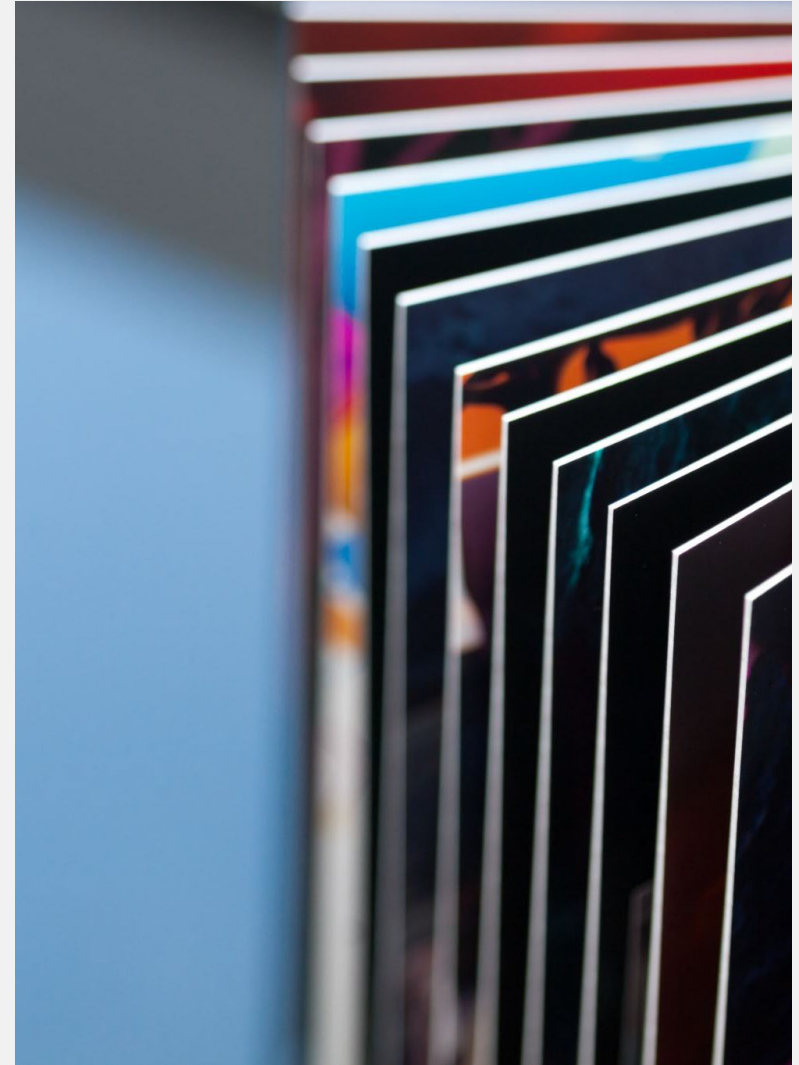
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## Reduce Friction

Trust & safety, Onboarding etc

# Examples – How they overcame the penguin problem

- Constrain the marketplace
  - Focus on a particular service like Amazon did with books.
  - Focus on a particular area, like Uber did in San Francisco.
- Focusing on advertising
  - Use coupons, monetary incentives, and social recognition,
  - Referral programs, or door-to-door sales.
- Portraying suppliers
  - Spend money to make your suppliers look good.



# Eventbrite (ticketing)

- Constraint: category focus (tech meetups, conferences) to build density
- Seeded supply first: event creators bring their own demand; free events boost SEO
- Potraying suppliers : attendees → future creators; UGC pages indexed; content marketing
- Friction: free tier; simple tools for organizers; spotlight high-quality creators





# TaskRabbit (local tasks)

- Constraint: task categories (handyman, cleaning, moving) to ensure liquidity
- Early on: staff acted as 'Taskers' to guarantee fulfillment & quality
- Potraying suppliers : organic word-of-mouth > early paid ads; brand partnerships for credibility
- Friction: trust & safety; onboarding to select service-oriented Taskers; quality > breadth



# GRUBHUB<sup>®</sup>

## Restaurants you love, delivered.

**Grubhub  
(takeout  
delivery)**

- Constraint: hyper-local (start in one neighborhood; expand city-by-city)
- Seeded supply first: door-to-door restaurant sales; zero-risk signup; tools & assets (pages, signage)
- Potraying suppliers : restaurants drive demand via in-store promos; SEO from menus
- Friction: remove excuses (fees, contracts); monitor reviews; target eater personas

# Instacart (grocery delivery)

- Constraint: market selection (income, car ownership, weather) and geo expansion
- Seeded supply first: shopper onboarding ahead of demand to ensure fill rates
- Potraying suppliers : premium CX → WOM & referrals; minimal early paid marketing
- Friction: invest in substitutions & catalog images; redeliver at own cost to 'save dinner'



# Who are the target user segments, and what value does the platform offer each

- Pet owners: reliable, vetted care on-demand; trust, convenience, flexibility
- Dog walkers/caregivers: steady bookings, safety, fair pay, scheduling tools
- Core exchange: booking + safe handoff + feedback loop (reviews, rebooking)



# Where to Constrain at Launch?

- **Geography** – e.g. “Start in 1-2 dense neighbourhoods near parks (where dog owners cluster)”
- **Service scope** – e.g. “Offer just weekday mid-day walks and evening check-ins to start”
- **Quality bar** – e.g. “Vetting and training for walkers, insurance coverage, live customer support”, etc.



# Who to Seed First - Owners or Walkers?

- *Likely recruit dog walkers first (supply) to ensure there are services available.*
- *Use a **concierge MVP**: Initially, Susan's team or a few trusted walkers should fill any gaps to guarantee every request from owners gets fulfilled (preventing early users from seeing an empty platform).*
- *Design referral loops: e.g. , owners who join invite their neighbours; early walkers bring their existing clients onto the app; and offer referral credits to incentivise this.*



# How to portray Walkers.

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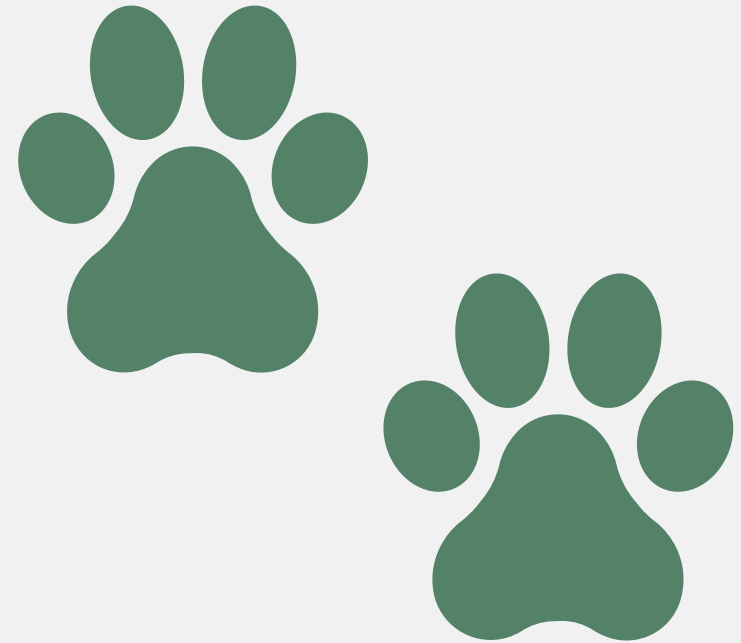
High-trust profiles: photos, bios, certifications, ratings, repeat-owner badges

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Quality toolkit: photo check-ins, GPS route, care notes; automated tip prompts

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Upside: top walkers earn higher visibility; micro-bonuses for on-time, 5★ streaks



# Friction Removal

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Trust & safety: background checks, insurance, key-exchange protocol, emergency hotline

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Onboarding: ID verification, short training, pet-handling basics, incident reporting

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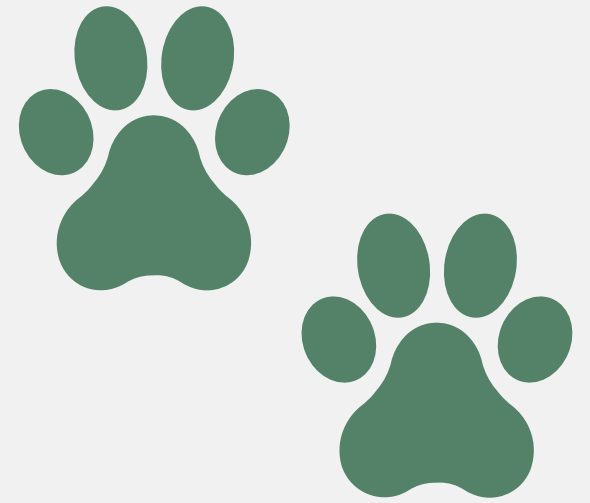
Booking UX: instant confirmations within zone; transparent pricing; ETA tracking

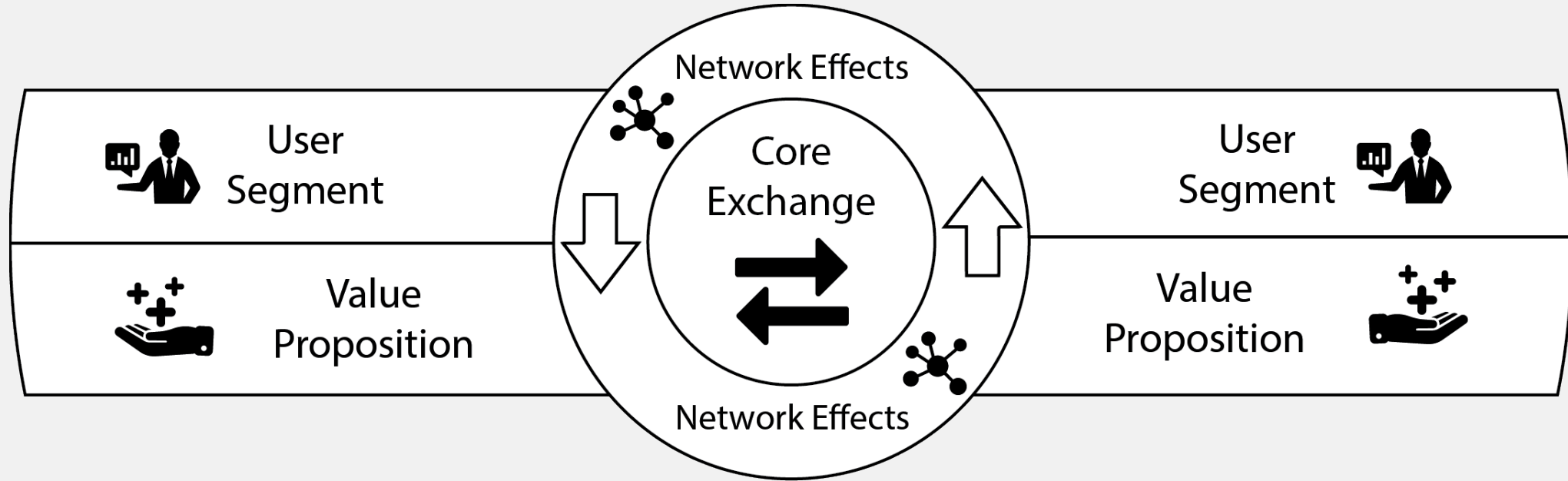




# Getting the First 1,000 Users

- Neighborhood seeding dog-park pop-ups, vet/groomer partnerships, flyers with QR
- Community: partner with shelters/rescues; first-walk free for adopters; ambassador walkers
- Concierge MVP: guarantee fulfillment 8am–8pm; founders cover gaps; fast support
- Referrals: owners & walkers credit loop; track K-factor and retention, not just signups





- What is the core exchange your platform facilitates?
- Who are your main user groups?
- What is your value proposition (motivation to participate the platform)
- What network effects might emerge?