IMAT3614
Big Data and Business Models

Platform Business

2023/2024
Week 24

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DE MONTFORT UNIVERSITY LEICESTER

Platform - comparison

Network Effects

Pricing Models

Nasdaq

Enter symbol,

ebay

EBAY Company Financials

$36.58* **0.26** ↑ **0.72%**

*Delayed - data as of Feb. 15, 2019 - Find a broker to begin trading EBAY now

Income Statement | Balance Sheet | Cash Flow | Financial Ratios

Annual Income Statement (values in 000's)

Get Quarterly Data

Period Ending:	Trend	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Total Revenue		$10,746,000	$9,927,000	$9,298,000	$8,592,000
Cost of Revenue		$2,382,000	$2,221,000	$2,004,000	$1,771,000
Gross Profit		$8,364,000	$7,706,000	$7,294,000	$6,821,000

Profit margin

Nasdaq

Enter symbol, name or keyword

amazon.com

AMZN Company Financials

Income Statement | Balance Sheet | Cash Flow | Financial Ratios

Annual Income Statement (values in 000's)

Get Quarterly Data

Period Ending:	Trend	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Total Revenue		$232,887,000	$177,866,000	$135,987,000	$107,006,000
Cost of Revenue		$139,156,000	$111,934,000	$88,265,000	$71,651,000
Gross Profit		$93,731,000	$65,932,000	$47,722,000	$35,355,000

20. What can be learned by comparing the annual reports for Amazon and eBay below? (Choose more than one)

A. The profit is the difference between the revenue and the cost

B. eBay's net profit margin is larger than Amazon's, although its revenue, cost and profit are smaller

C. Amazon's revenue, costs and profits are lower than eBay's

D. eBay's annual report is more typical for a platform company than Amazon's

Type of network effects

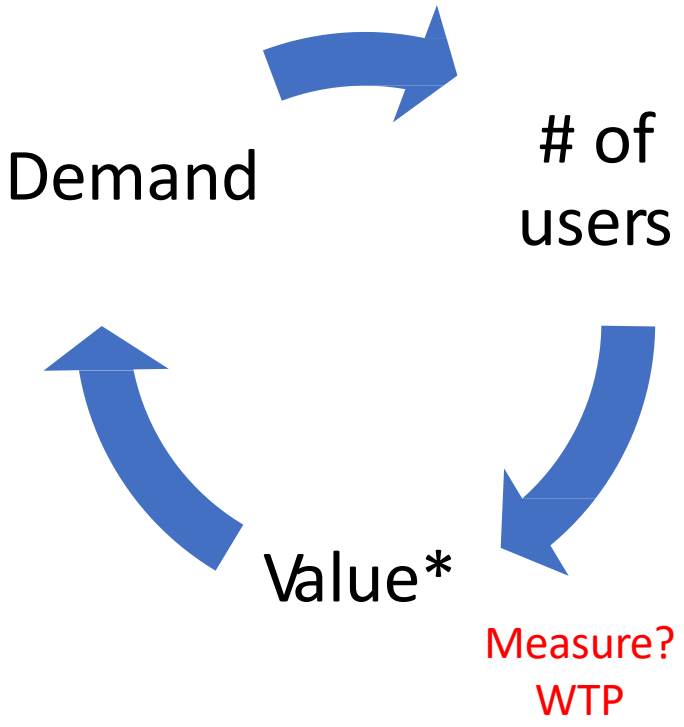
The term Network Effect refers to any situation in which the VALUE of a product (or service) depends of the number of buyers/users.

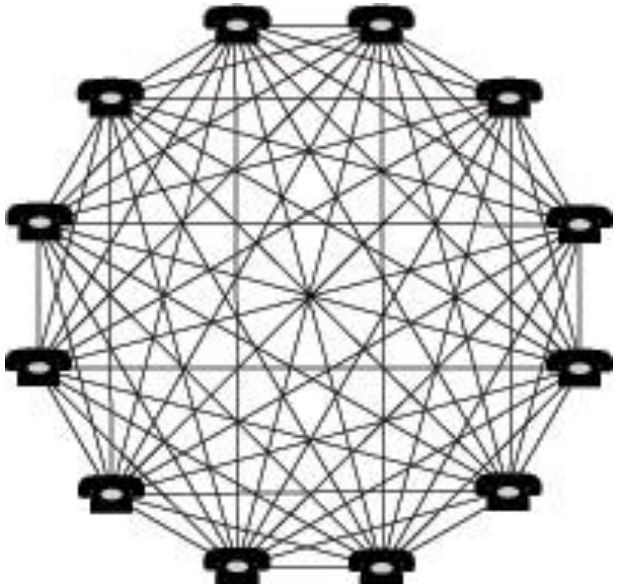
The willingness to pay (WTP) for a buyer increase as the number of buyers (or seller) for the business grows.

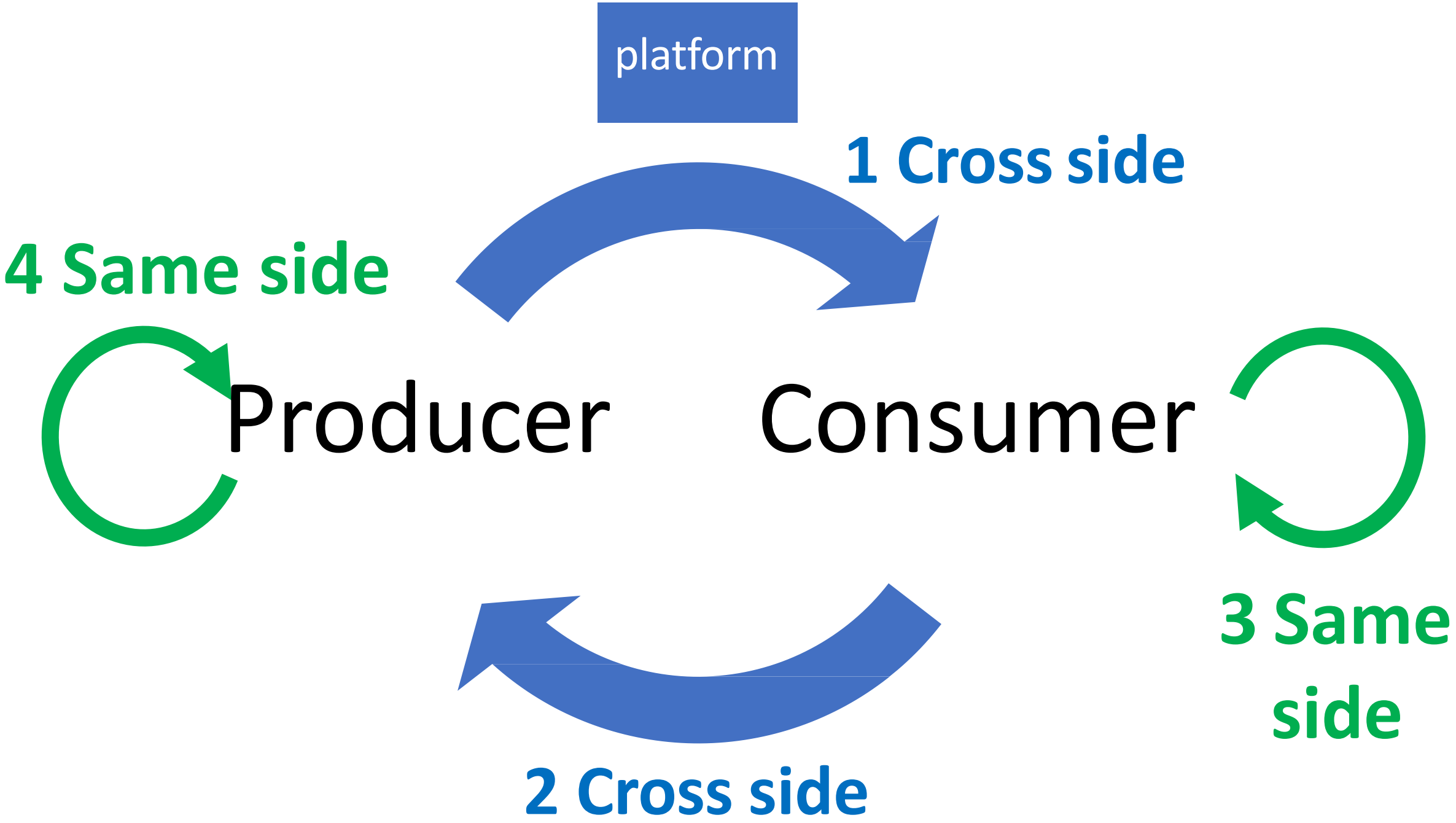
Example: AirBnB platform

Network effects:

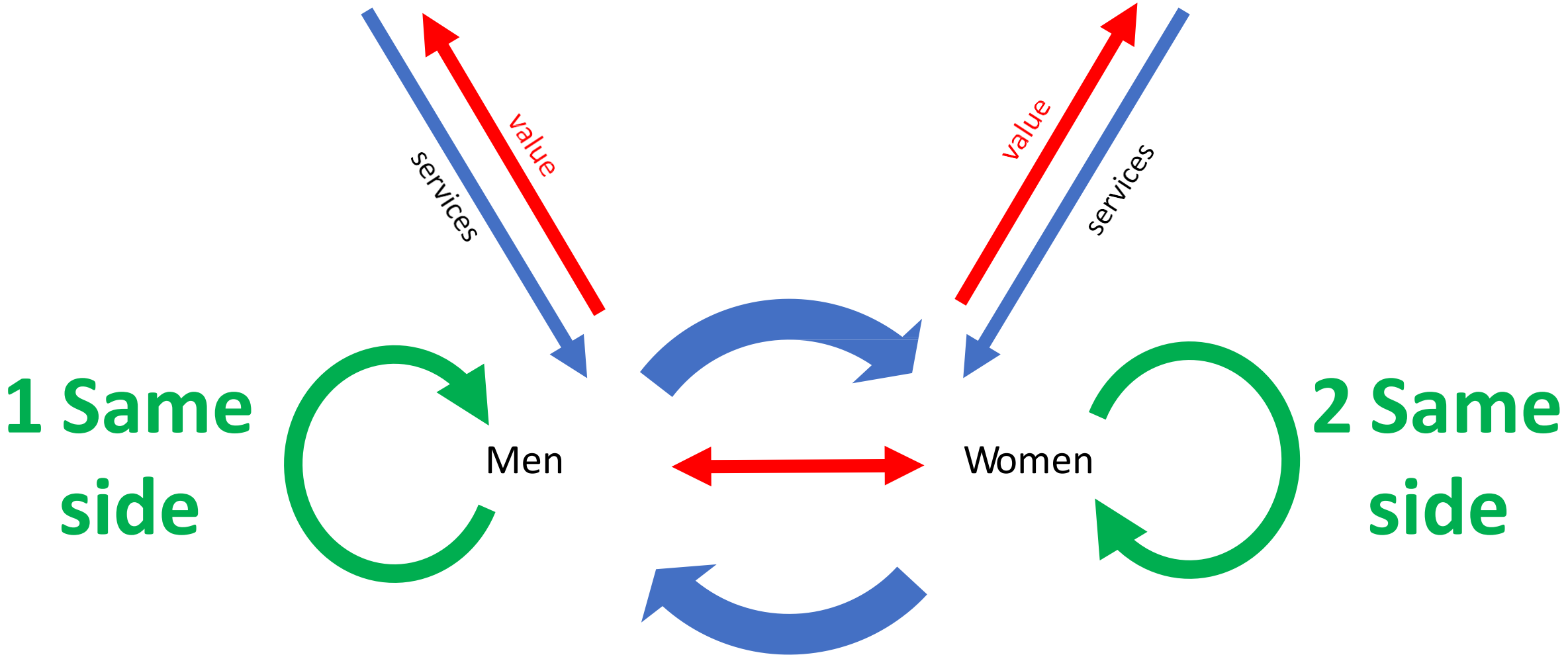
Users create value for other users

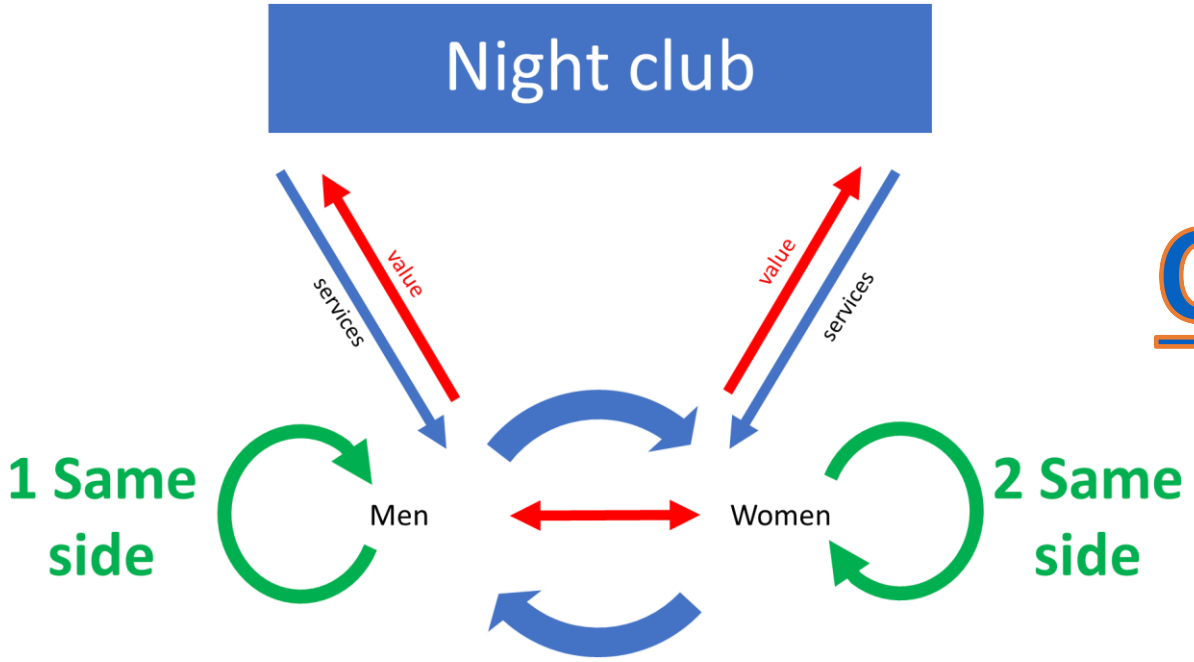





platform
1 Cross side
4 Same side
Producer
Consumer
3 Same side
2 Cross side

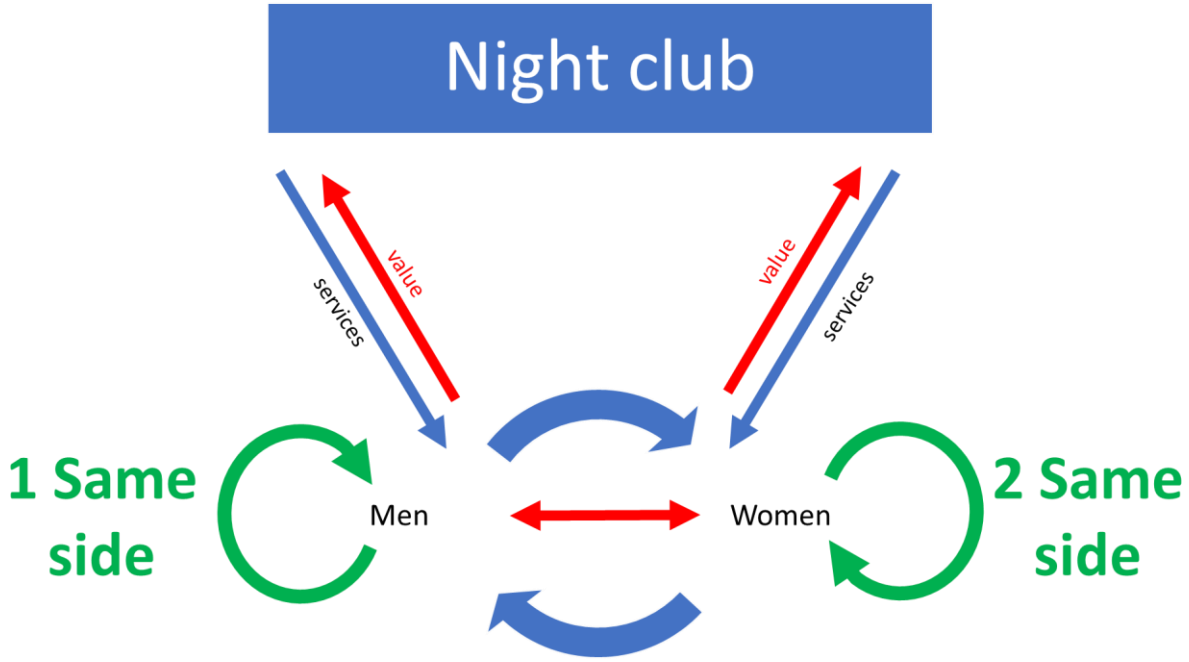
Night club


value
services
value
services
1 Same side
Men
Women
2 Same side



Clubbing in the wild

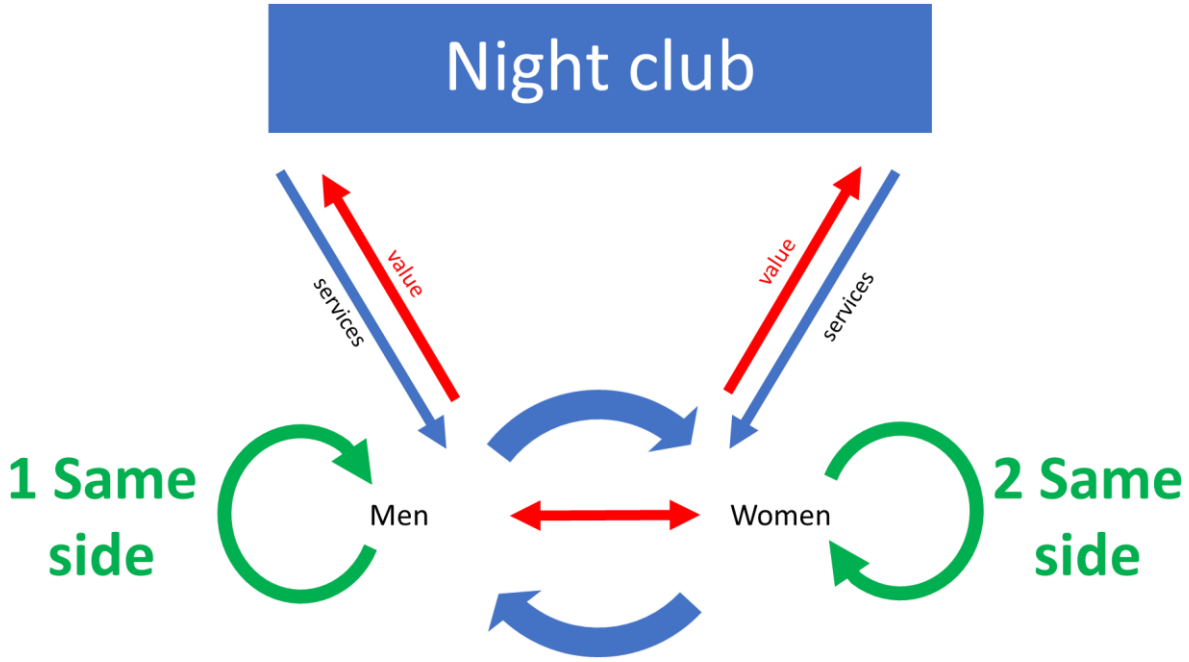
	To Men	To Women
From men	SS+ / SS-	CS+ / CS-
From women	CS+ / CS-	SS+ / SS-



Example: Same side, Women
Negative: Competition

Example: Same side, men
Negative: Competition

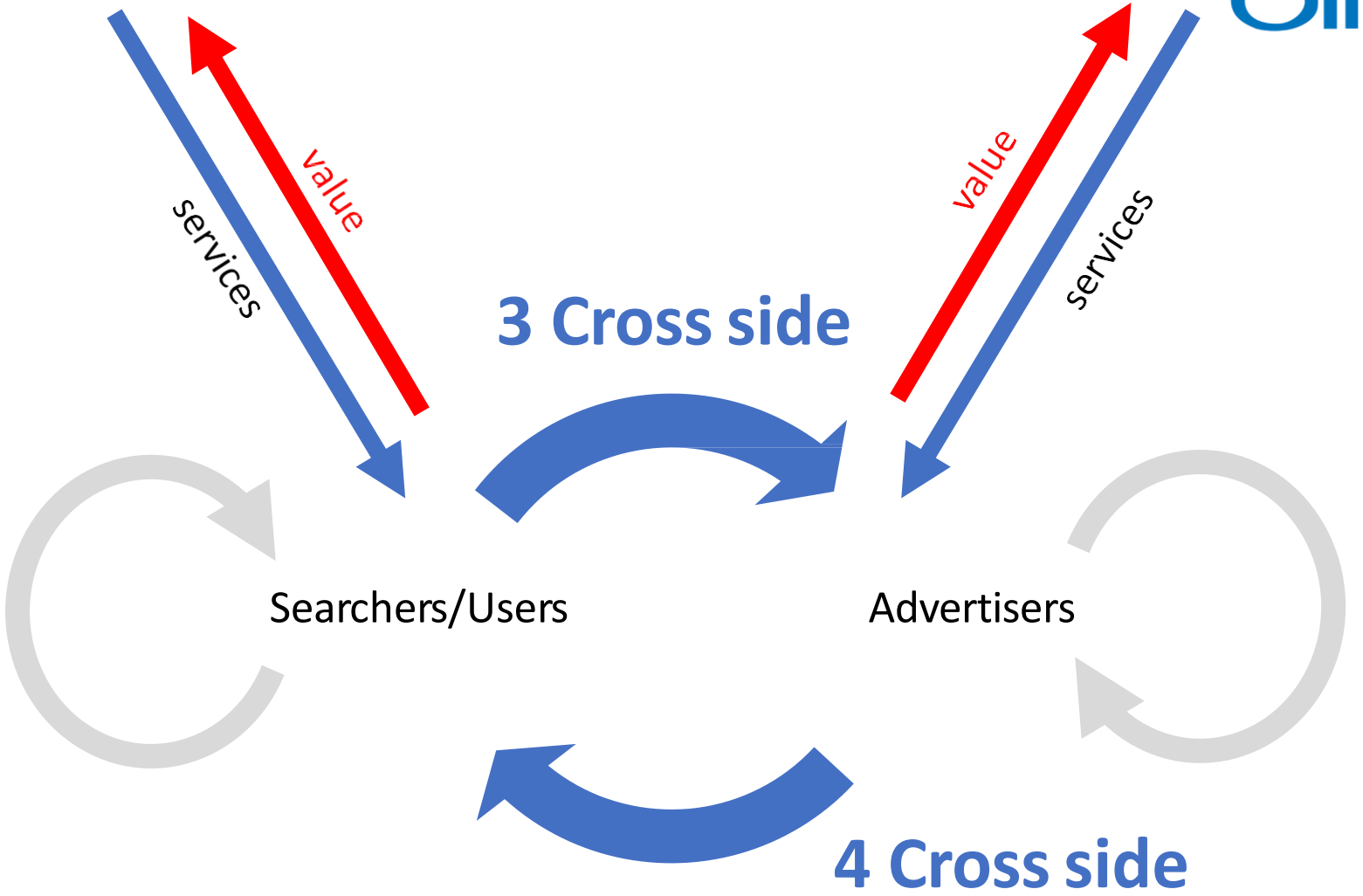
	To Men	To Women
From men	SS+ / SS-	CS+ / CS-
From women	CS+ / CS-	SS+ / SS-



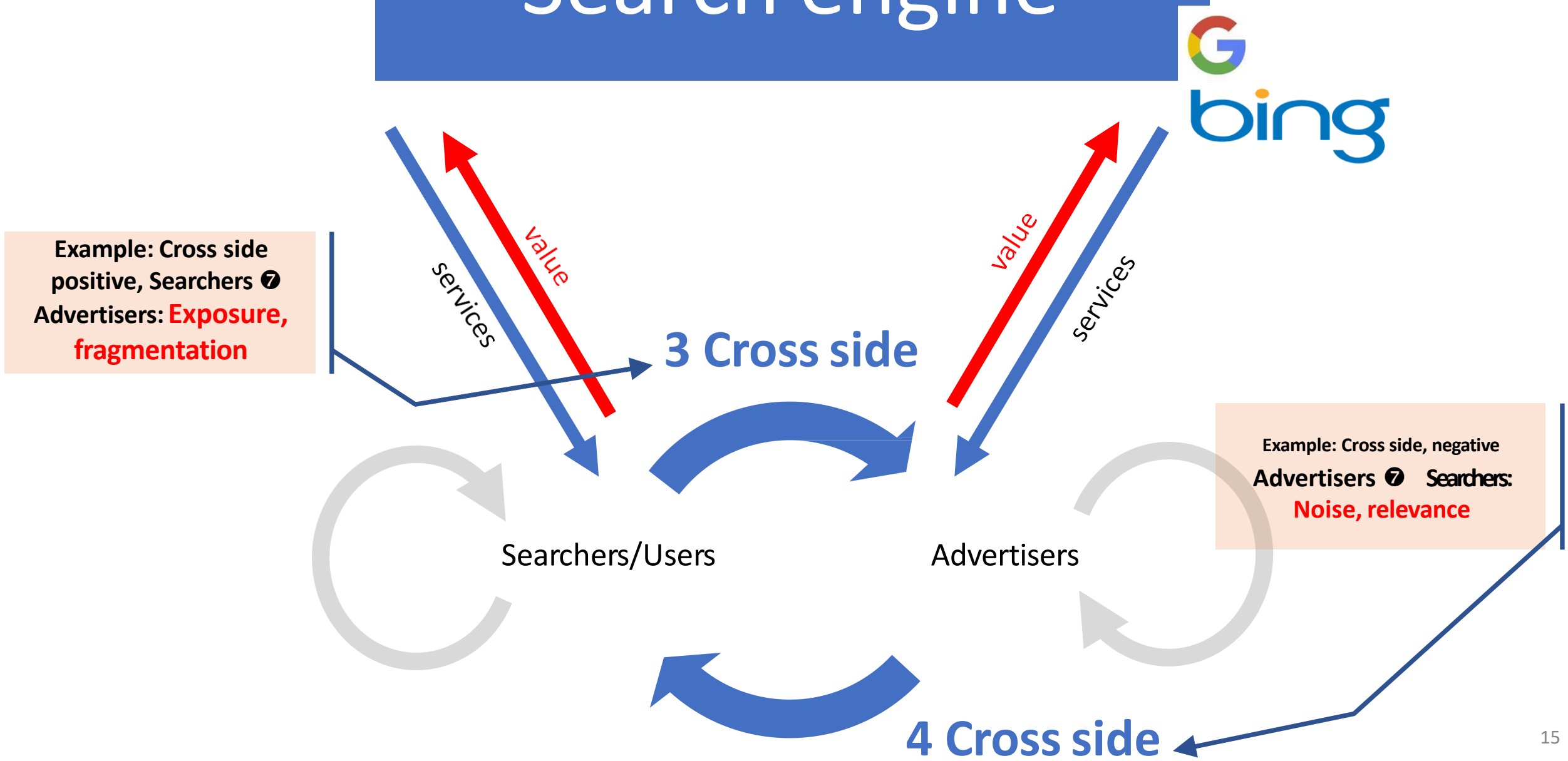
Example: Same side, Women
Positive:
Protection,
non-drinking driver

	To Men	To Women
From men	SS+ / SS-	CS+ / CS-
From women	CS+ / CS-	SS+ / SS-

Search engine



Search engine



Pricing Models:

Revenue from both sides

Pricing the Platform: Choose a price for each side – one side is "***Subsidy side"***, and the other is **"Money side"**

Goal: To generate cross side network effects.

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Which Side? And for how long?

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Which Side? And for how long?

Presence makes platform attractive to "subsidy-side"

Goal: To generate cross-side network effects.

Pricing the Platform: Choose a price for each side – one side is "***Subsidy side***", and the other is **"Money side"**

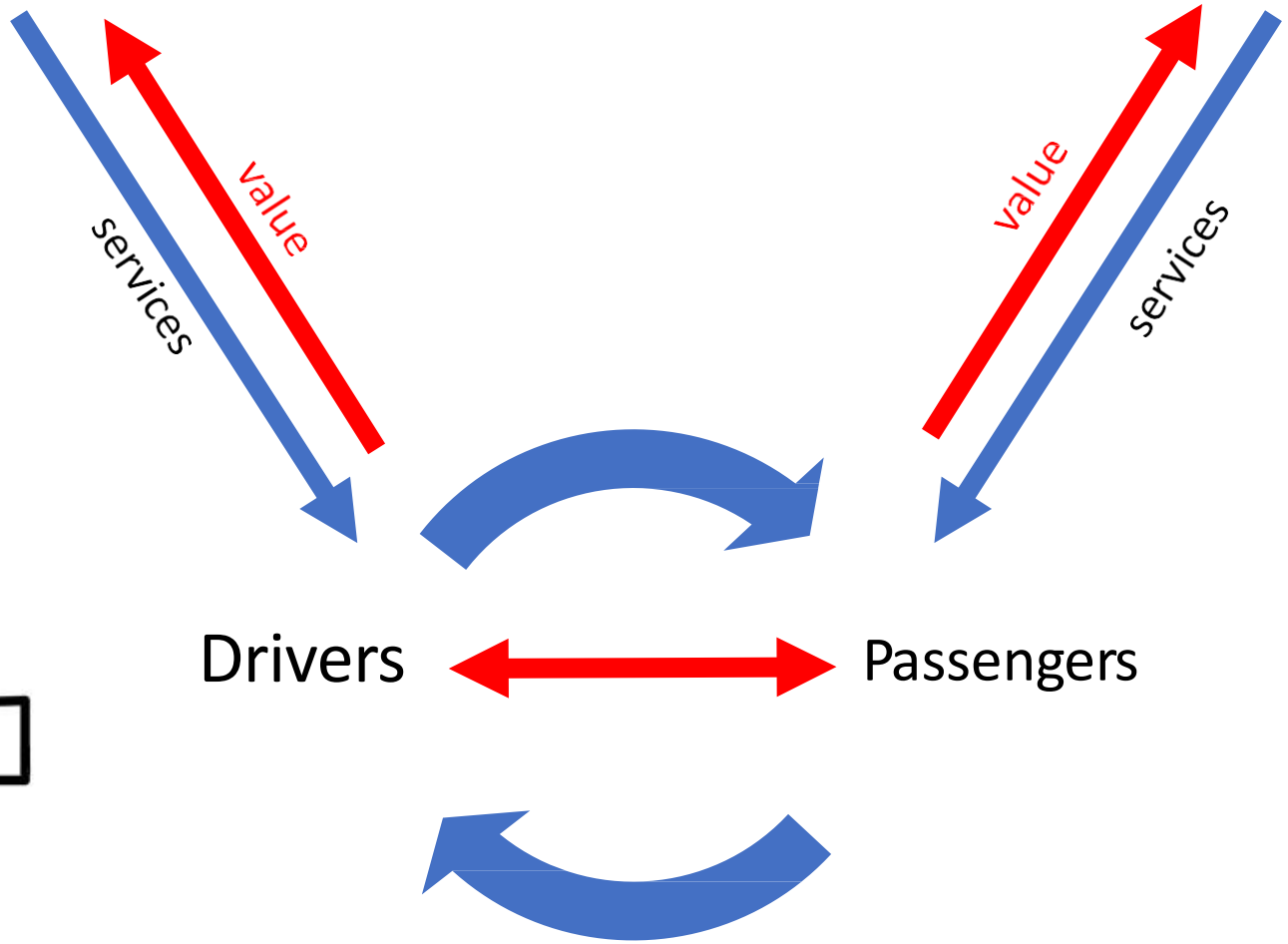
Which Side? And for how long?

- **Price sensitivity**
- **Quality sensitivity**

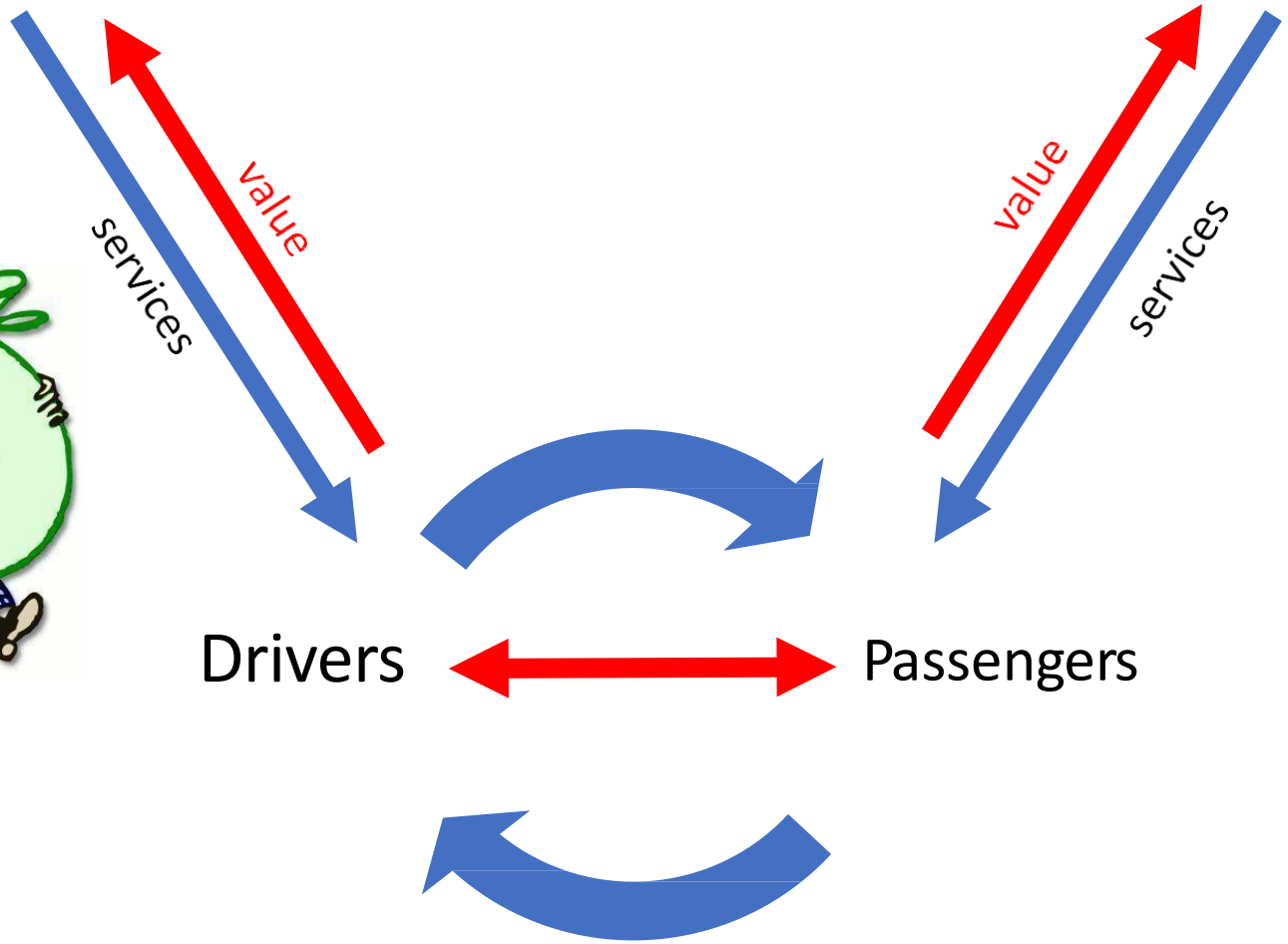
Presence makes platform attractive to "subsidy-side"

Goal: To generate cross-side network effects.

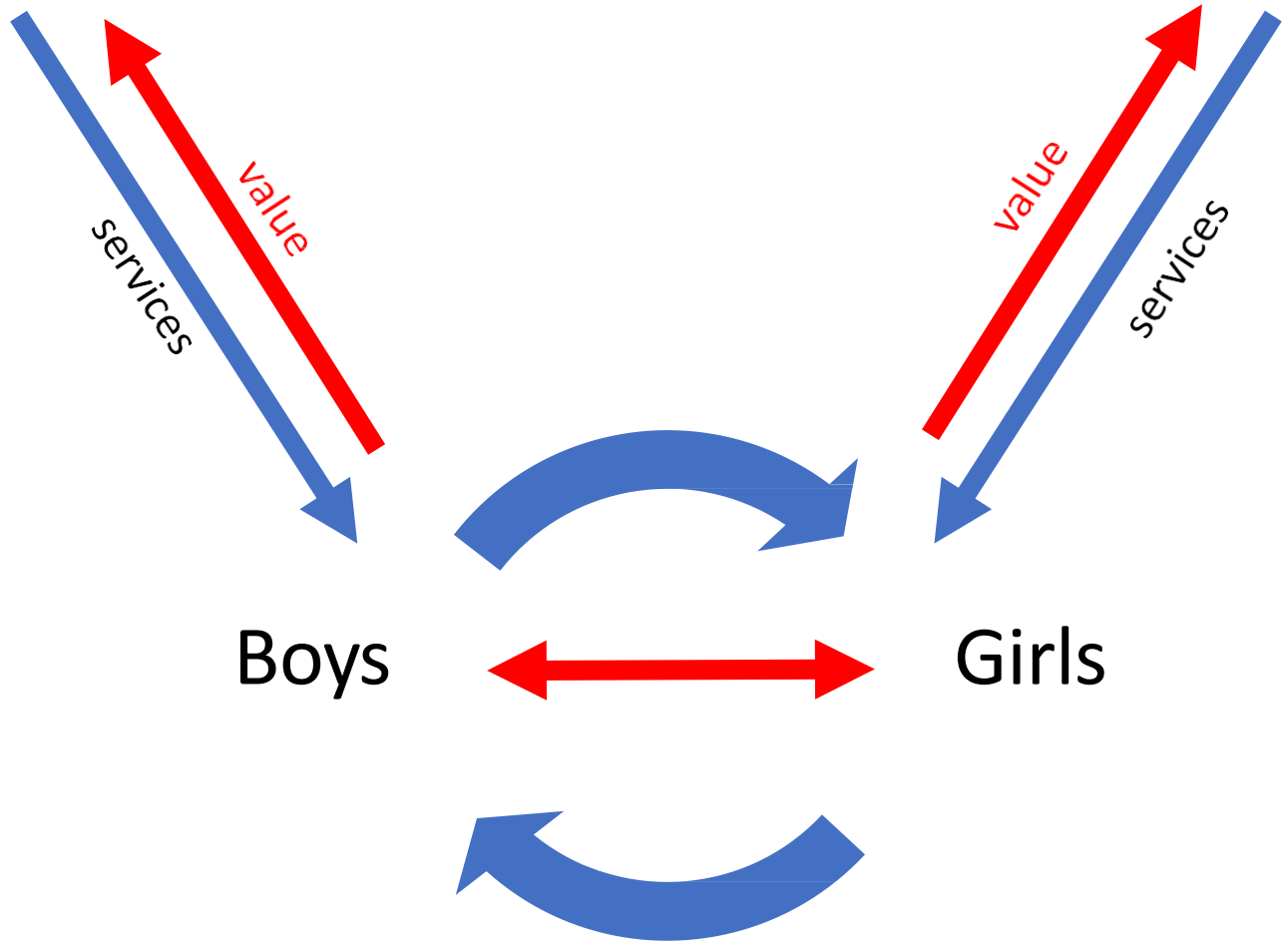
Uber



Uber

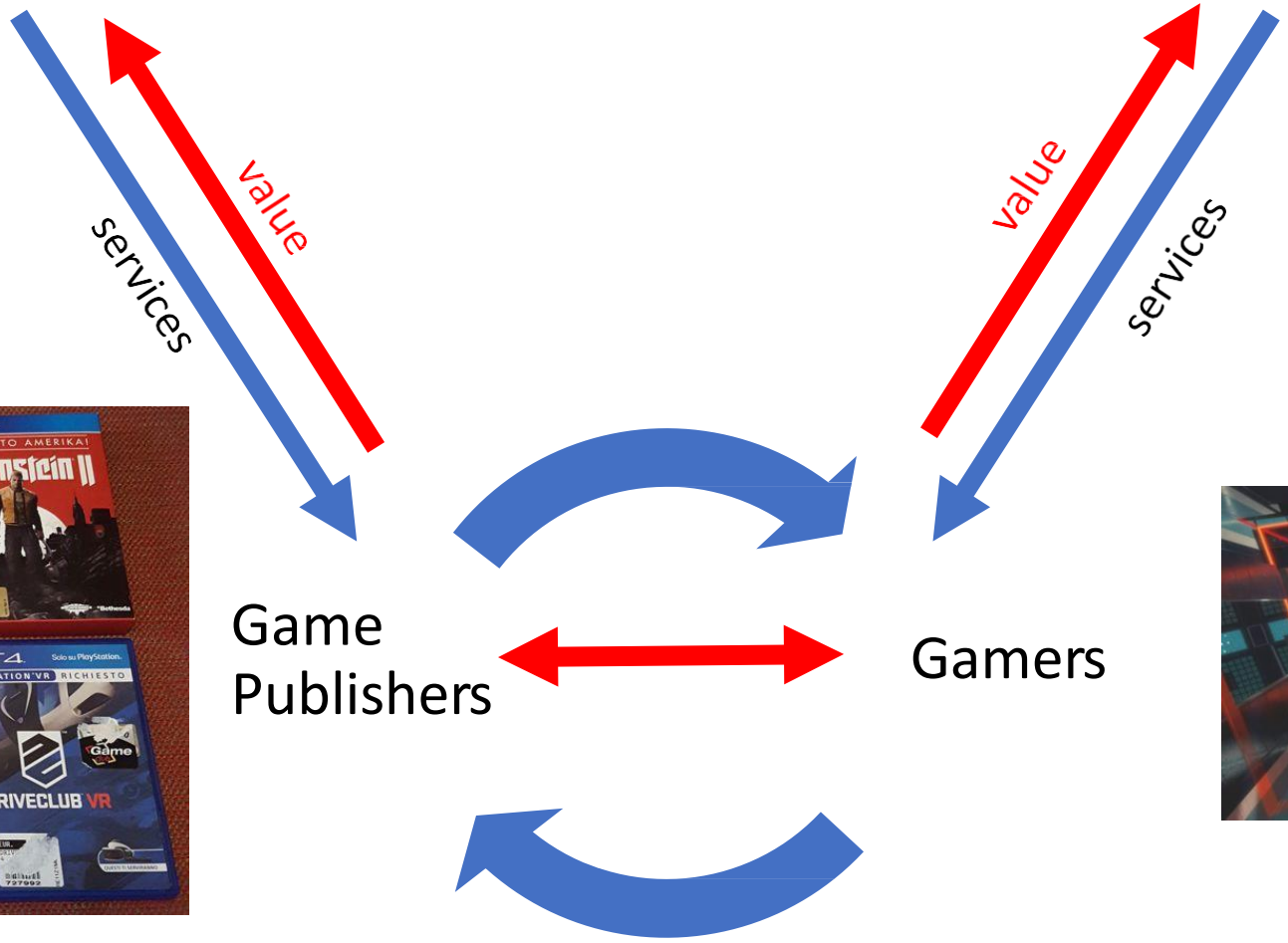


Night club



Sony's

PS4


services
value
value
services
Game Publishers
Gamers

WATCH DOGS 2
MAFIA III
WELCOME TO AMERIKA!
Wolfenstein II
THE LAST OF US REMASTERED
ROBINSON
DRIVECLUB VR

NETWORKED MARKET	SIDE 1	SIDE 2	PLATFORM PROVIDERS
			Rival Providers of Proprietary Platforms
PC operating systems	Consumers	Application developers*	Windows, Macintosh
Online recruitment	Job seekers*	Employers	Monster, CareerBuilder
Miami Yellow Pages	Consumers*	Advertisers	BellSouth, Verizon
Web search	Searchers*	Advertisers	Google, Yahoo
HMOs	Patients*	Doctors	Kaiser, WellPoint
Video games	Players*	Developers	PlayStation, Xbox
Minneapolis shopping malls	Shoppers*	Retailers	Mall of America, Southdale Center
			Rival Providers of Shared Platforms
Linux application servers	Enterprises	Application developers	IBM, Hewlett-Packard, Dell
Wi-Fi equipment	Laptop users	Access points	Linksys, Cisco, Dell
DVD	Consumers	Studios	Sony, Toshiba, Samsung
Phoenix Realtors Association	Home buyers*	Home sellers	100+ real estate brokerage firms
Gasoline-powered engines	Auto owners	Fueling stations	GM, Toyota, Exxon, Shell
Universal Product Code	Product suppliers	Retailers	NCR, Symbol Technologies

*Denotes network's subsidy side