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## The Bill Gates Line

Wednesday, May 23, 2018

Two of the more famous military sayings are "Generals are always preparing to fight the last war," and "Never interrupt your enemy while he is making a mistake." I thought of the latter at the conclusion of [last Sunday's 60 Minutes report on Google](#):

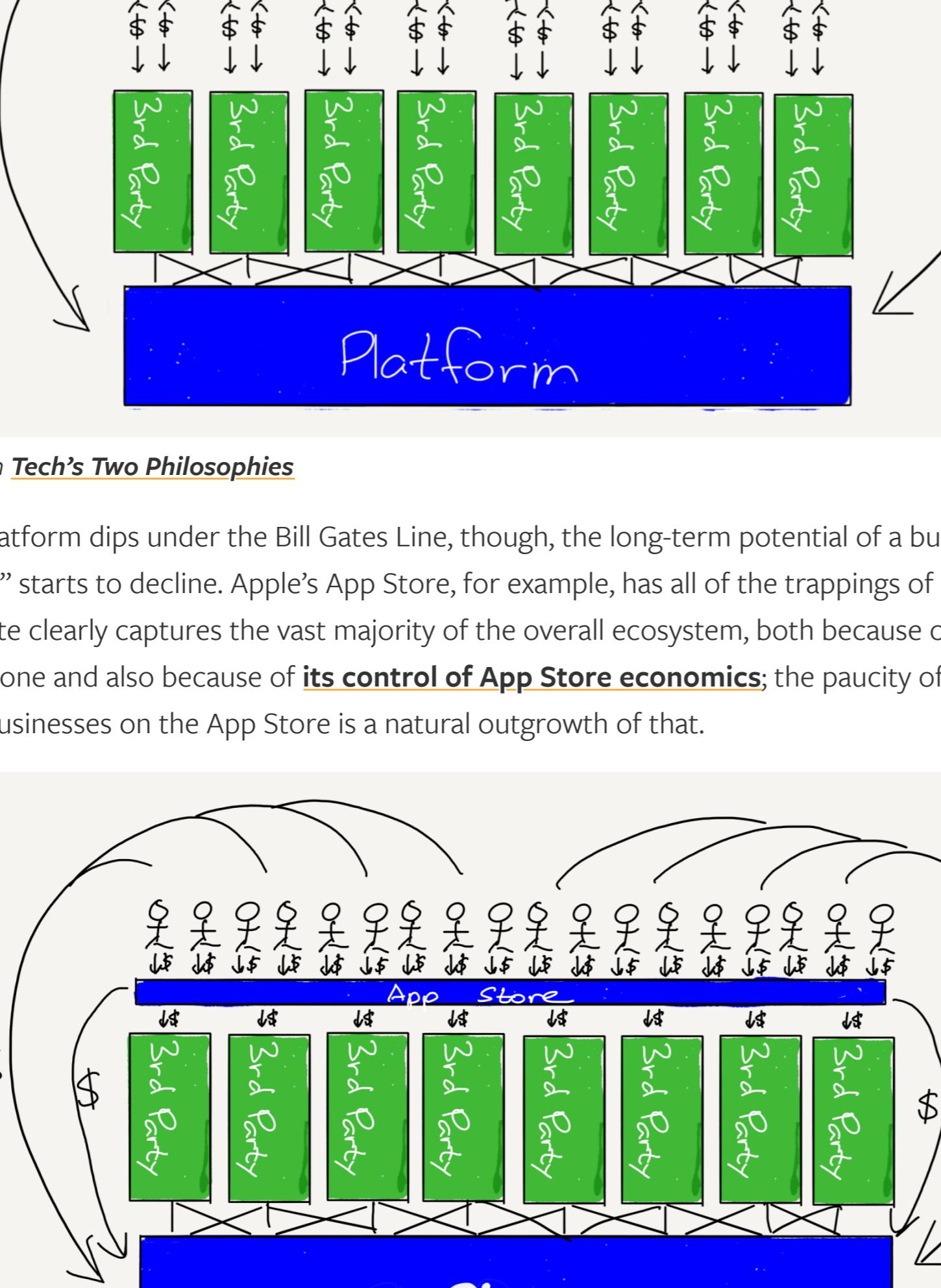
Google declined our request for an interview with one of its executives for this story, but in a written response to our questions, the company denied it was a monopoly in search or search advertising, citing many competitors including Amazon and Facebook. It says it does not make changes to its algorithm to disadvantage competitors and that, "our responsibility is to deliver the best results possible to our users, not specific placements for sites within our results. We understand that those sites whose ranking falls will be unhappy and may complain publicly."

The 60 Minutes report was not exactly fair-and-balanced; it featured an anti-tech-monopoly crusader [XXXX](#), an anti-tech-monopoly activist, an anti-tech-monopoly regulator, and Yelp CEO Jeremy Stoppelman. And, in what seems highly unlikely to have been a coincidence, [Yelp this week filed a new antitrust complaint in the EU against Google](#). To be sure, just because a report was biased does not mean it was wrong; while I am a bit skeptical of the EU's antitrust case against Google Shopping, the open case about [Android](#) seems pretty clear-cut. Neither, though, is Yelp's direct concern.

## Yelp's Case Against Google

This is from a [blog post about the 60 Minutes feature](#):

Yelp did participate in the piece because Google is doing the opposite of "delivering the best results possible," and instead is giving its own content an unlawful advantage. We've made a video to explain exactly how Google puts its own interests ahead of consumers in local search, which you can watch here:



Yelp's position, at least in this video, appears to be that Google's answer box is anticompetitive because it only includes reviews and ratings from Google; presumably the situation could be resolved were Google to use sources like Yelp. There are three problems with this argument, though:

- First, the answer box originally included content scraped from sources like Yelp and other vertical search sites; under pressure from the [FTC](#), driven in part by complaints from Yelp and other vertical search engines, Google agreed to stop doing so in 2013. [XXXX](#)
- Second, in a telling testament to the power of being on top of search results, Google's ratings and reviews have improved considerably in the two years since that video was posted; this isn't a static market (to be sure, this is an argument that could be used on both sides).
- Third — and this is the point of this article — what Yelp seems to want will only serve to make Google stronger.

No wonder Google declined the request for an interview.

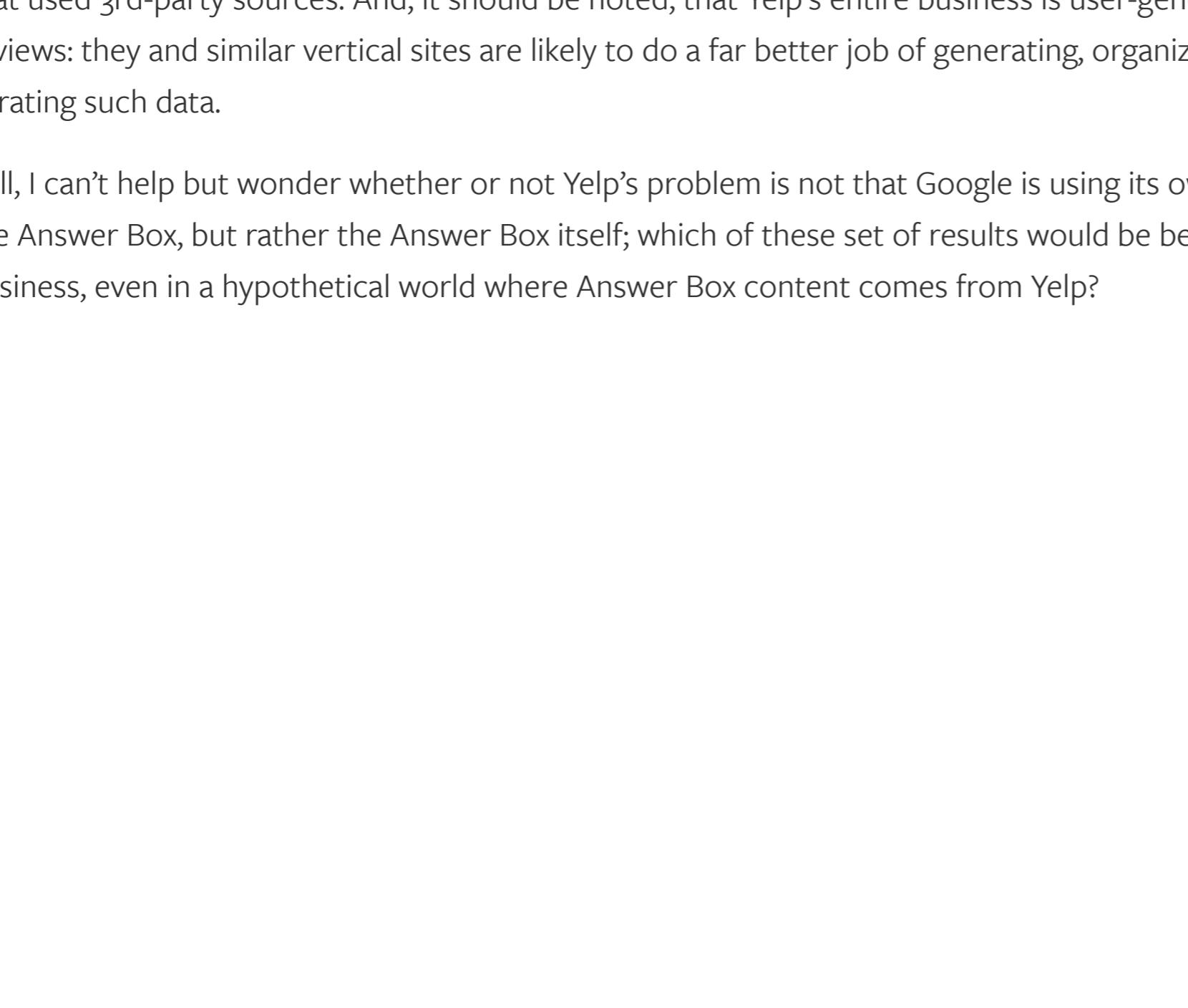
## The Bill Gates Line

Over the last few weeks I have been exploring what differences there are between platforms and aggregators, and was reminded of this anecdote from Chamath Palihapitiya in [an interview with Semil Shah](#):

**Semil Shah:** Do you see any similarities from your time at Facebook with Facebook platform and connect, and how Uber may supercharge their platform?

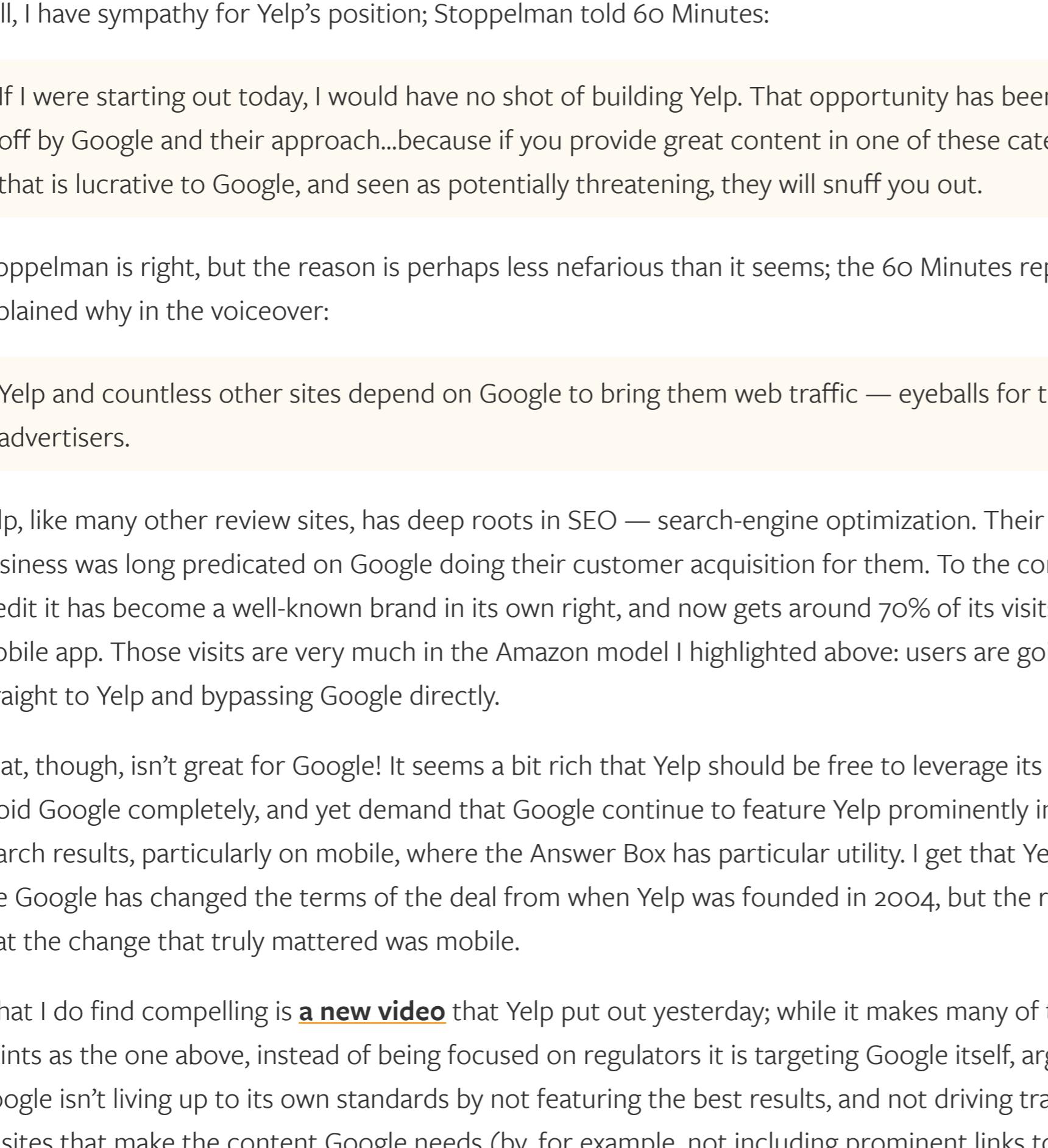
**Chamath:** Neither of them are platforms. They're both kind of like these comical endeavors that do you as an Nth priority. I was in charge of Facebook Platform. We trumpeted it out like it was some hot shit big deal. And I remember when we raised money from Bill Gates, 3 or 4 months after — like our funding history was \$5M, \$83M, \$500M, and then \$1B. When that \$1B happened a few months after Facebook Platform and Gates said something along the lines of, "That's a crock of shit. This isn't a platform. A platform is where the economic value of everybody that uses it, exceeds the value of the company that creates it. Then it's a platform."

By this measure Windows was indeed the ultimate platform — the company used to brag about only capturing a minority of the total value of the Windows ecosystem — and the operating system's clear successors are Amazon Web Services and Microsoft's own Azure Cloud Services. In all three cases there are strong and durable businesses to be built on top.



From [Tech's Two Philosophies](#)

Once a platform dips under the Bill Gates Line, though, the long-term potential of a business built on a "platform" starts to decline. Apple's App Store, for example, has all of the trappings of a platform, but Apple quite clearly captures the vast majority of the overall ecosystem, both because of the profitability of the iPhone and also because of its control of App Store economics; the paucity of strong and durable businesses on the App Store is a natural outgrowth of that.



Note that Apple's ability to control the economics of its developers comes from intermediating the relationship of those developers with customers.

## Aggregators, Not Platforms

Facebook and Google take this intermediation to the extreme, leveraging their ability to drive discovery of the sheer abundance of information on their network and the Internet broadly.

To that end, this is why the best strategies entail business models that avoid Google and Facebook completely: look no further than Amazon, which [last month stopped buying Google Shopping ads](#), something the company can afford to do given that [half of shoppers start their product searches on Amazon](#). To be sure, Amazon is plenty powerful in its own right, but it is a hard-to-ignore example of Google's favorite argument that "competition is only a click away."

Still, I can't help but wonder whether or not Yelp's problem is not that Google is using its own content in the Answer Box, but rather the Answer Box itself; which of these set of results would be better for Yelp's business, even in a hypothetical world where Answer Box content comes from Yelp?

I wrote a follow-up to this article in [this Daily Update](#).

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