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THE PLATFORM

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Uber drivers are freelancers, not employees, judge rules

First federal ruling on the gig economy

By [Andrew J. Hawkins](#) | [@andyjayhawk](#) | Apr 12, 2018, 3:40pm EDT

Uber and Lyft drivers could get employment status under California court ruling

Gig work gets a boost

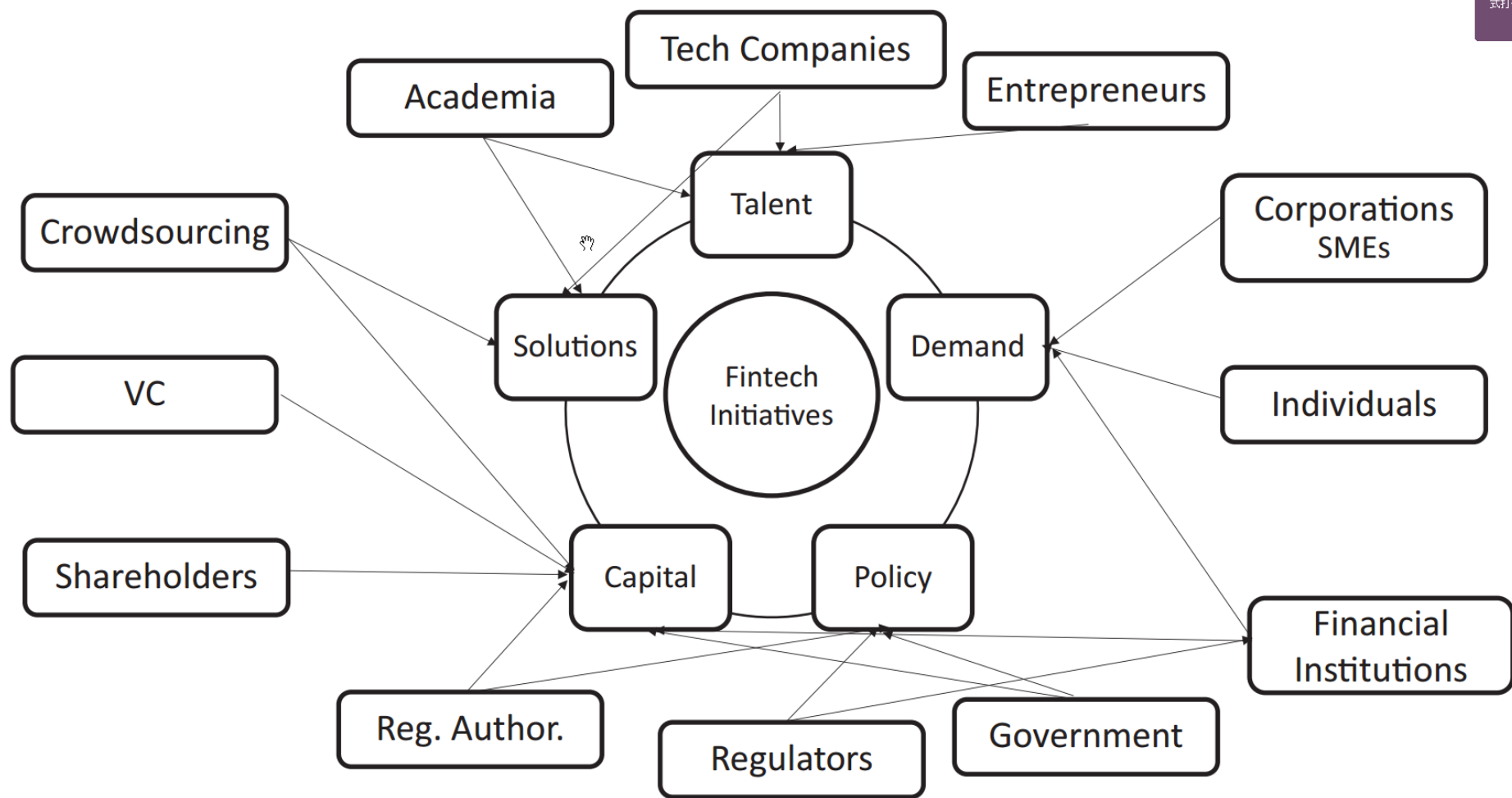
By [Andrew J. Hawkins](#) | [@andyjayhawk](#) | May 1, 2018, 2:56pm EDT

Platform

- A platform is a business based on enabling value-creating interactions between external producers and consumers.
 - The platform provides an open, participative infrastructure for these interactions and sets governance conditions for them. The platform's main purpose is to create and operate interfaces among participants. In this way, platforms facilitate the exchange of goods, services, or social relationships. In addition, they enable value creation for all participants.
 - A platform is particularly effective in the exchange of information, as exactly happens in the financial world.
 - A platform is an ecosystem.
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Ecosystem

A business ecosystem is “an economic community supported by a foundation of interacting organizations and individuals - the organisms of the business world. The economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The member organizations also include vendors, lead producers, competitors, and other stakeholders. Over time, they co-evolve their capabilities and roles. They tend to align themselves with the directions set by one or more central companies. Those companies holding leadership roles may change over time, but the function of the ecosystem leader is valued by the community because it enables members to move toward shared visions to align their investments, and to find mutually supportive roles.”



The FinTech Ecosystem

Roles at a Platform

- The **Proprietors**, or Owners, are the controllers of the platform intellectual property and arbiters of who may participate and in which ways. The proprietors work on the innovation of the platform either modifying the business model or aggregating other business models;
- The **Providers** make available the platform, from an infrastructural point of view.
- The **Producers** are the creators of the platform's offerings.
- The **Purchasers**, or Consumers, are the buyers or users of those offerings.

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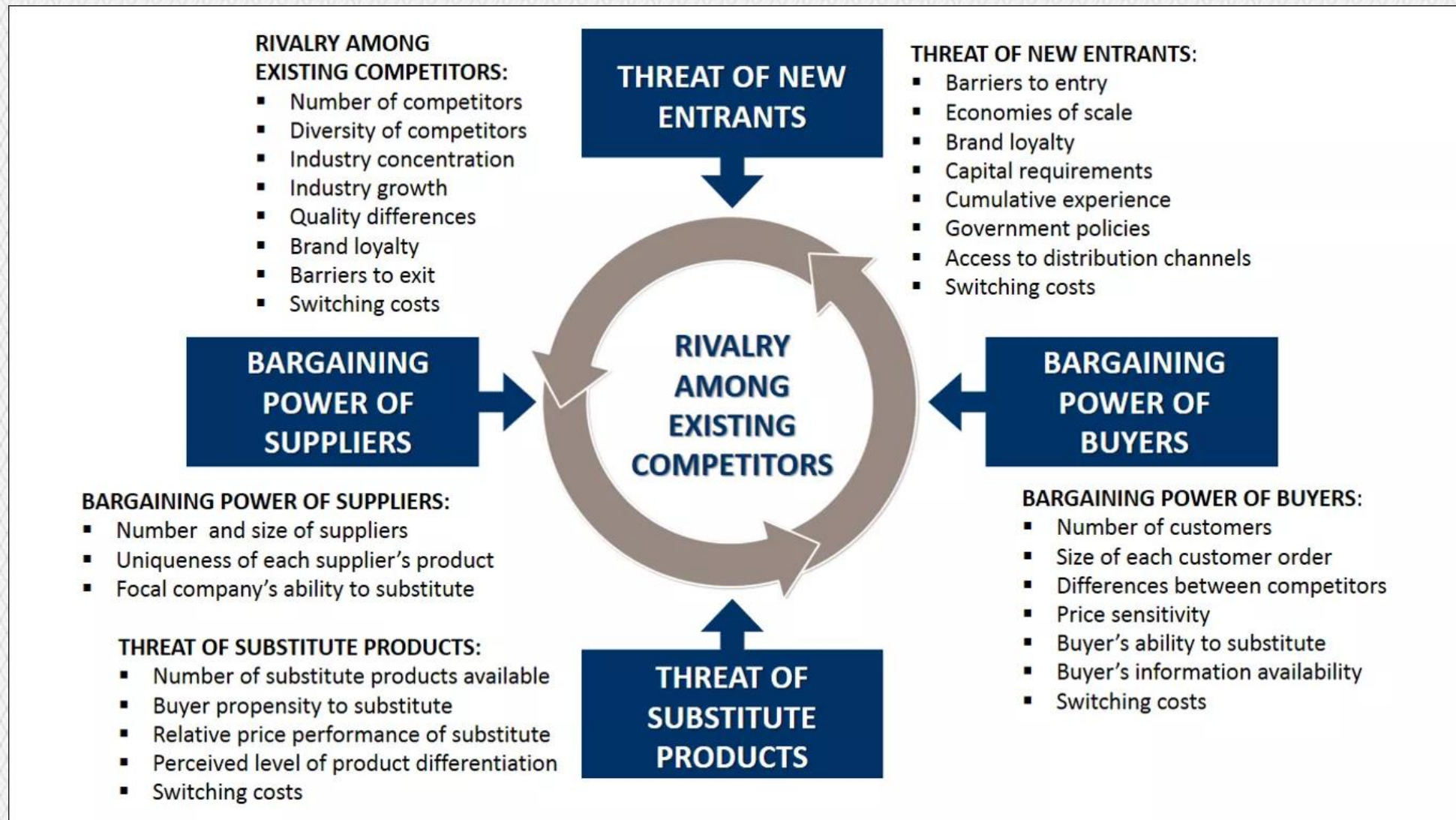
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From Banking to Fintech

- Traditional financial services create value by controlling a linear series of activities: the classic value-chain model that is essentially a **pipeline**.
 - Pipeline vs. platform: Apple vs. Apple Store.
 - How is the transformation done?
 - From resource control to resource orchestration;
 - From internal optimization to external interaction;
 - From a focus on customer value to a focus on the ecosystem or shared value.
-

Porter's Five Forces Analysis

- Porter's Five Forces Framework is a tool for analyzing competition of a business. It draws from industrial organization (IO) economics to derive five forces that determine the competitive intensity and, therefore, the attractiveness (or lack of it) of an industry in terms of its profitability.
 - How is the framework different for a platform?
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Porter's Five Factors

The Power of Network Effects

- Network effects of a platform:
 - Direct network effects describe the increased value for platform users when more users join the ecosystem.
 - Indirect network effects emerge when new applications for the platform get introduced. They increase the value for users to join the platform.
 - This makes a positive-feedback loop. The winner takes all!
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How Platforms Change Strategy

- Forces within the ecosystem: Platform participants - consumers, producers, and providers - typically create value for a business. But not always so. Providers on a platform may become depletive, especially if they decide to compete with the platform owner. Platform companies must constantly encourage accretive activity within their ecosystems while monitoring participants' activity that may prove depletive.
 - Forces exerted by ecosystems. Managers of traditional financial institutions can fail to anticipate platform competition from seemingly unrelated industries.
 - Focus: Managers of traditional financial institutions focus on growing sales. For platforms, the focus shifts to interactions: exchanges of value between producers and consumers on the platform.
 - Access and governance: In a traditional financial institutions world, strategy revolves around erecting barriers. With platforms, while guarding against threats remains critical, the focus of strategy shifts to eliminating barriers to production and consumption in order to maximize value creation.
 - Metrics: Leaders of financial institutions have long focused on a narrow set of metrics that capture the health of their platforms. In a FinTech world, it is necessary to consider other metrics, e.g., interaction failure, engagement, match quality, negative network effects (such as congestions).
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Four Steps to Success

- Start with a defensible product and a critical mass of users;
 - Apply a hybrid business model: products and platforms can be done at the same time;
 - Drive rapid conversion to the platform: Existing customers are likely to use a platform if it provides enough new value;
 - Deter competitive imitation: Make it tough for rivals to copy the strategy of moving from product to platform.
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*Is it really **that** fascinating?*

ASSIGNMENT 1.

Search and read *Ohio et al. v. American Express Co. et al. No.16-1454 (June 25, 2018)*. Then answer:

- What are the facts of the case?
- What are the arguments for both sides?
- What is your opinion?

*Money **is** a platform as well!*

ASSIGNMENT 2.

Familiarize yourself with:

Sockin, Michael, and Wei Xiong. "A model of cryptocurrencies." Unpublished manuscript, Princeton University (2018).