

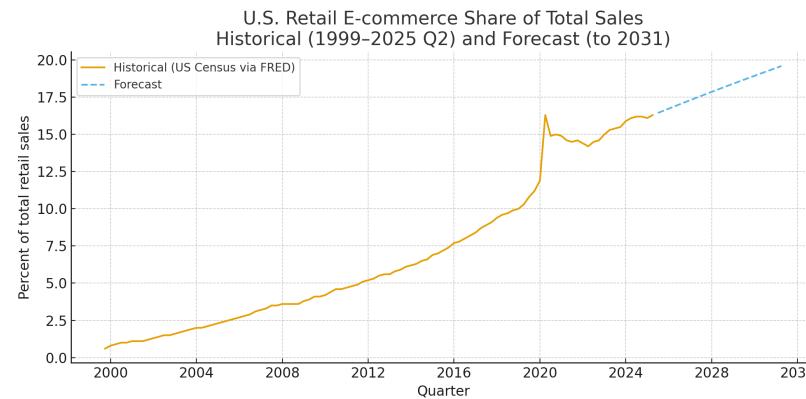
Week 3 (Tue):

e-Business

Semester 2, 2025

■ Today's Goal

- **Principles and features of Platform System**
- **Introducing Harvard Business Review articles**
 - 1) **The five forces: Competing for profits-understanding Michael Porter's best-known framework**
 - 2) **Platform-mediated networks: Definitions and core concepts**



Performance = f (Business X IT) ... HOW?

The Typical Questions of Business Strategies

- We raised several questions about business strategies based on core competences:
 - 1) Target customers
What are the targeted customers?
 - 2) Organizational structure:
What is the arrangement of organizational subunits and the accompanying hierarchy of authority?
 - 3) Key activities:
What is the key set of activities designed to produce a specified output for a particular customer?
 - 4) Value creation:
How does the firm add value to its inputs?

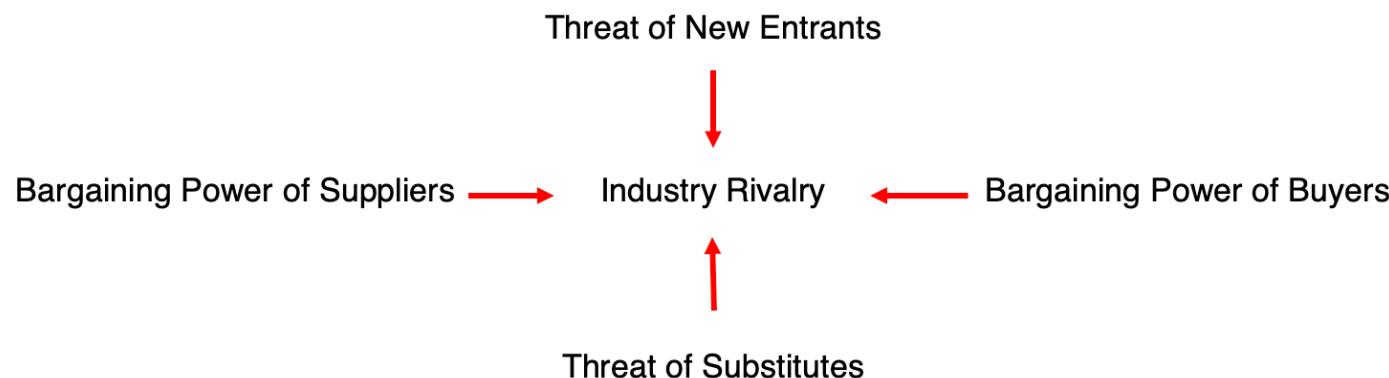
The Typical Solutions of Business Questions

- **How do we formulate a strategy or draw on an established framework to resolve the question?** Typically, companies are using some measures such as **CSF and KPI**.
 - CSF (Critical Success Factor): Critical Success Factors refer to the essential conditions a company must meet to achieve success. Every company has unique goals and visions, but effort alone is often not enough to reach those goals.
 - KPI (Key Performance Indicator): Key Performance Indicators are the key metrics a company must monitor to ensure that its goals are achieved. KPIs are used to check whether the CSFs are functioning effectively. For example, a company may prepare an evaluation scorecard.
 - Consider the case of a restaurant: its goal might be to increase revenue by 5% by a specific date by increasing lunch and dinner throughput by 10% without reducing gross margins.

CSF (Critical Success Factor)	KPI (Key Performance Indicator)	Target
Market share	Ratio of restaurants within a 5 km radius	10%
Customer satisfaction	Percentage of satisfied customers	95%
Quality of meals	Percentage of meals returned due to poor quality	2%

The Five Forces for Business Strategy Framework

- **Porter's 5 forces model**
 - It is a framework for analyzing a company's competitive position by examining the key factors that shape its competitive environment. Its main purpose is to help determine whether a company should enter a specific market (such as a particular product, service, or geographic area).
 - Competition arises through:
 - 1) reducing the cost of conducting business
 - 2) adding value to products or services.
 - Center (core): Industry Rivalry — the intensity of competition among existing firms.
 - Top: Threat of New Entrants — potential new competitors entering the market.
 - Right: Bargaining Power of Buyers — ability of customers to influence pricing and terms.
 - Bottom: Threat of Substitutes — risk of replacement by alternative products or services.
 - Left: Bargaining Power of Suppliers — suppliers' ability to drive up input costs.



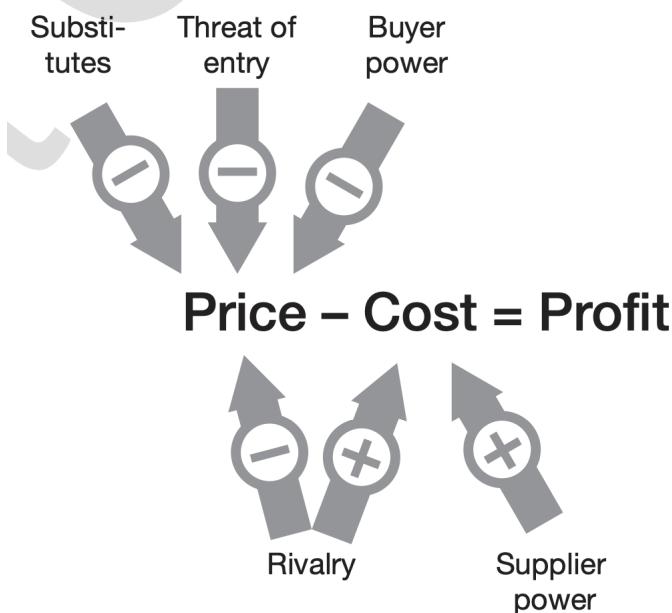
The Five Forces for Business Strategy Framework

- Porter's 5 forces model

Competitive Force	Description	Desired Level	Strategic Info System	Example
Threat of New Entrants	How easy is it for new firms to enter the market?	Low (new firms cannot easily enter)	Use exclusive customer data to create entry barriers.	Build information asymmetry so competitors cannot match.
Bargaining Power of Buyers	Customers' ability to lower prices or demand better terms.	Low (customers cannot demand better conditions)	Provide personalized service and economies of scale to reduce switching.	Reduce costs and improve customer loyalty.
Bargaining Power of Suppliers	Suppliers' ability to raise prices or exert market power.	Low (suppliers cannot demand higher prices)	Integrate suppliers or use online exchanges to lower costs.	Lower purchasing costs with e-procurement.
Threat of Substitutes	Risk of alternative products or services replacing offerings.	Low (no alternative products or services)	Create unique products or high switching costs.	Apple ecosystem and apps reduce substitution.
Industry Rivalry	Current level of competition in the industry.	Low (competition is limited)	Differentiate products with unique features to reduce rivalry.	Make products hard to imitate to reduce competition.

The Five Forces for Business Strategy Framework

- Porter's 5 forces model



<u>THE FORCE</u>	<u>IMPACT</u>	<u>WHY</u>
IF threat of entry ↑	Profitability ↓	because (Prices ↓ Costs ↑)
IF supplier power ↑	Profitability ↓	because (Costs ↑)
IF buyer power ↑	Profitability ↓	because (Prices ↓ Costs ↑)
IF substitutes ↑	Profitability ↓	because (Prices ↓ Costs ↑)
IF rivalry ↑	Profitability ↓	because (Prices ↓ Costs ↑)

The Five Forces for Business Strategy Framework

- Porter's 5 forces model

Strategic Action	Description
Superior Stakeholder Satisfaction	Strategically add value to maximize customer satisfaction.
Strategic Soothsaying	Use new knowledge to anticipate and create new opportunities.
Positioning for Speed	Prepare to respond as quickly as possible.
Positioning for Surprise	Prepare to surprise competitors and respond to the market in unexpected ways.
Shifting the Rules of Competition	Reinvent the industry by finding new ways to deliver services to customers.
Signaling Strategic Intent	Communicate intentions that disrupt competitors' responses.
Simultaneous and Sequential Strategic Thrusts	Take actions to confuse competitors, disrupt their efforts, or block their strategies.

The Five Forces for Business Strategy Framework

- Porter's 5 forces model
 - Value chain model



The Principle of Platform System

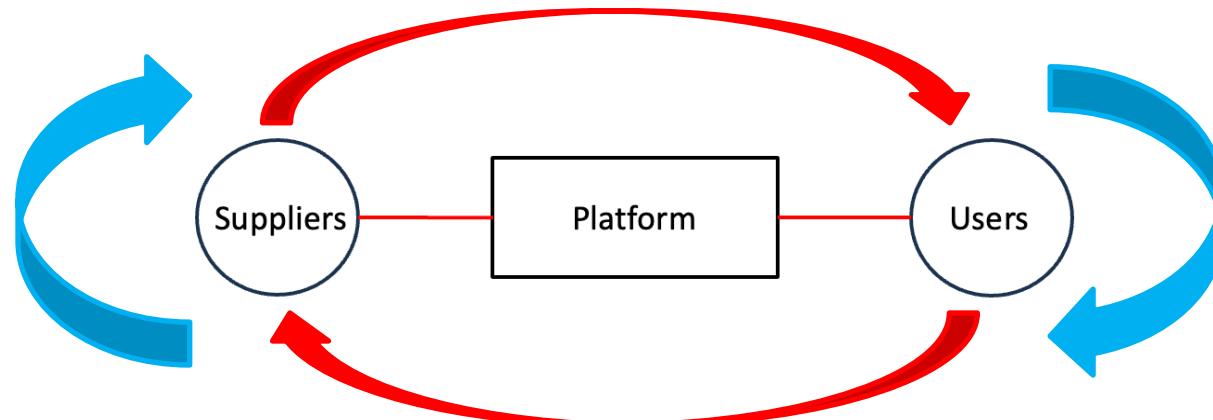
- **What is a platform system?**

- A platform as a digital infrastructure connects two or more groups of users who interact through a common platform.
- Focused on value creation through connections, not just production
- Network effects (or externalities): value to each user grows as more users join
- Examples: Uber (drivers & riders), Airbnb (hosts & guests), Apple app store (developers & users)



The Feature of Platform System

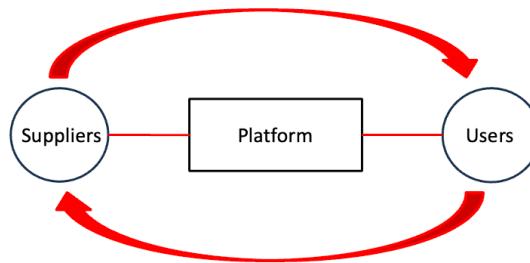
- **Nature of a two-sided market**
 - Two key user groups interact and provide value to each other.
 - Platforms facilitate and govern these interactions.
 - Platform value increases with the size of each side (cross-side network effects)
- **Network effects (or externalities)**
 - Positive network effects: more users = more value (e.g., fax, social apps)
 - Negative network effects: congestion or crowding reduces value.
 - Same-side effects: more users on your side (blue color-coded arrows)
(positive: gaming community; negative: competition in online markets)
 - Cross side effects: more users on the other side (red color-coded arrows)



The Feature of Platform System

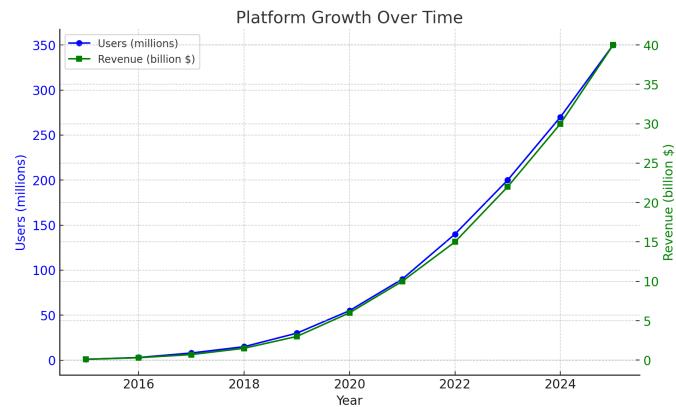
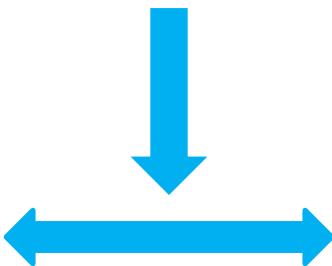
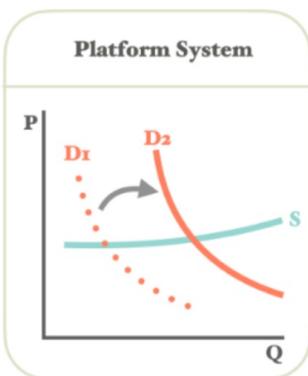
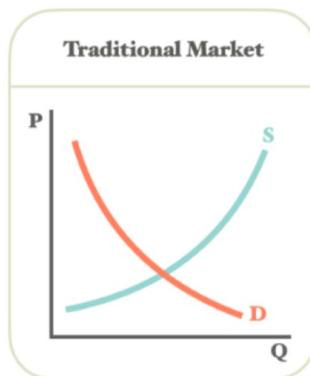
- **User Expectation and Growth (or Profits)**

- Users join based on expected future network size, not the current size.
- Penguin problem: nobody joins until others join first → risk of stalled adoption.
- Solutions: early-adopter subsidies, side payments, or permanent cross-side subsidies.



Performance = f(Business X IT)

The platform works as a function of IT



The Feature of Platform System

- **Direct relationship between suppliers and users**

- The shift in the value chain model

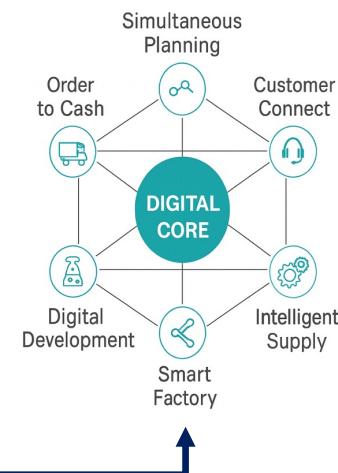
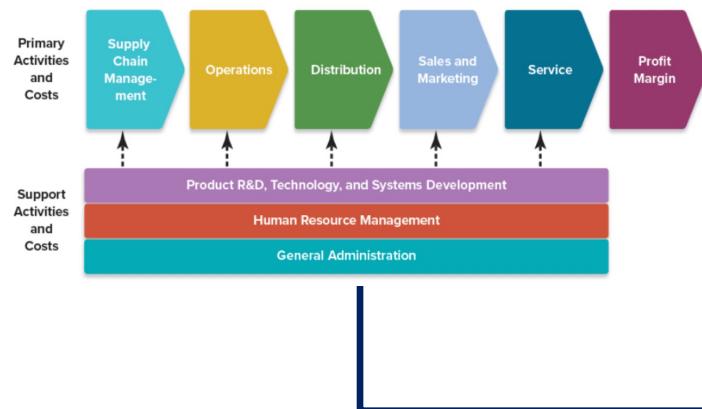
The traditional multi-layer value chain is being reconstructed as suppliers and end users connect directly

- Organizational structure change

: Companies may need to reorganize functions and processes to support the shorter value chain.

- The reduced transaction fees

: Intermediary fees (commissions) that were typically paid along the value chain are reduced.

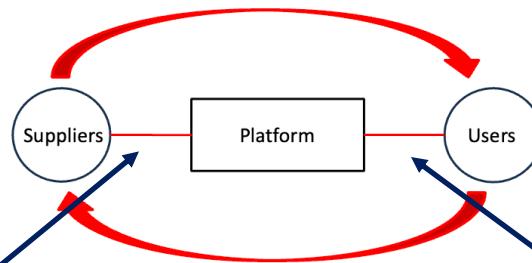


The Feature of Platform System

- Direct relationship between suppliers and users
 - Transactions do not necessarily follow a traditional value chain structure
 - Transactions take place on platforms, where intermediary fees are charged to both sides



Intermediary fees
from suppliers



Intermediary fees
from users

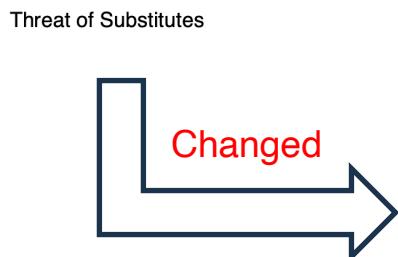
Sales Volume	Commission Fee	Delivery Fee (KRW)
Top 35% or New Merchants	7.8%	2,400 – 3,400
35% – 50%	6.8%	2,100 – 3,100
50% – 80%	6.8%	1,900 – 2,900
80% – 100%	2.0%	1,900 – 2,900

Order Amount	Commission Fee	Merchant Delivery Fee	Payment Processing Fee	Tax	Total	Difference
10,000 KRW	980 (680)	2,900 (3,200)	300 (300)	418 (418)	4,598 (4,598)	No Change
15,000 KRW	1,470 (1,020)	2,900 (3,200)	450 (450)	482 (496)	5,302 (5,137)	+165 KRW (+3.2%)
20,000 KRW	1,960 (1,360)	2,900 (3,200)	600 (600)	546 (516)	6,006 (5,676)	+330 KRW (+5.8%)
25,000 KRW	2,450 (1,700)	2,900 (3,200)	750 (750)	610 (565)	6,710 (6,215)	+495 KRW (+7.9%)

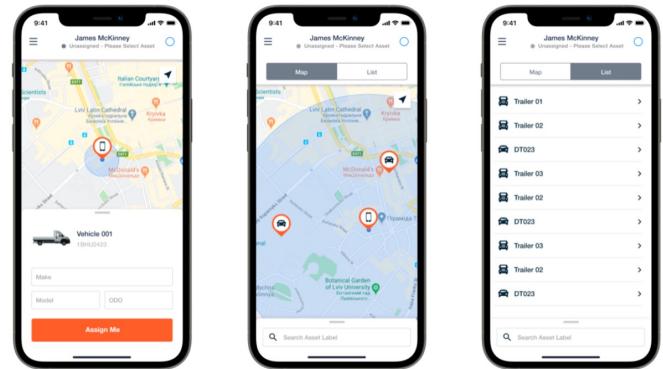
The Feature of Platform System

- **Openness and Boundaries**

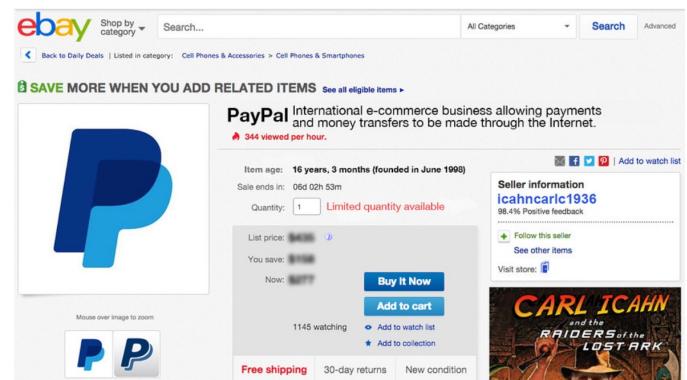
- Openness varies by role (user, developer, provider, sponsor)
- Platforms can be nested (e.g., paypal inside eBay inside the web)
- Each network has one core platform; networks and platforms are interchangeable terms.



Convergence through reduced organizational boundaries



[Fleetsu](#) app we built



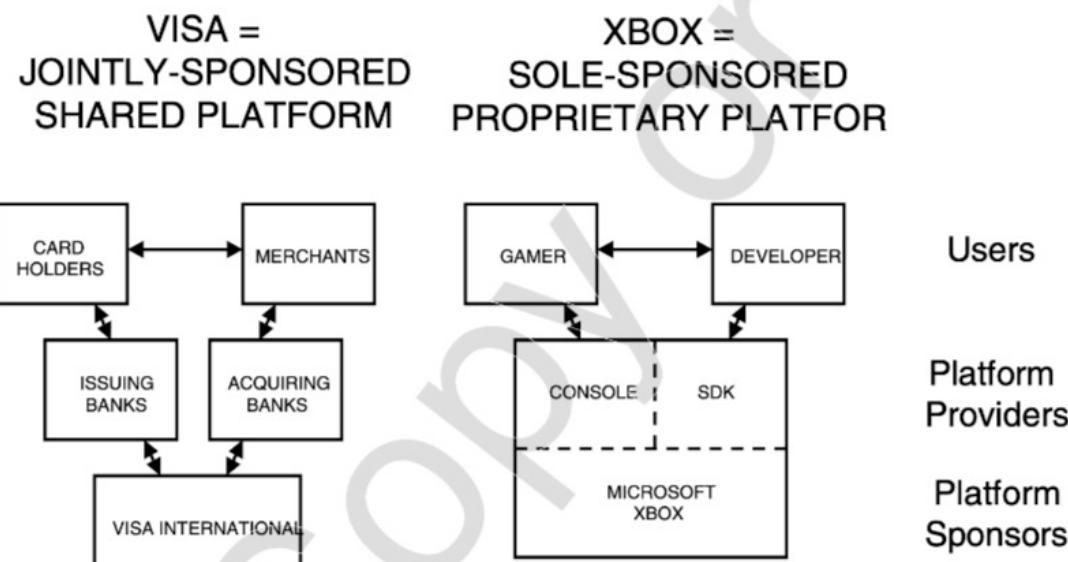
The Feature of Platform System

- **Platform roles**

- Platform provider - manages day-to-day interactions (e.g., eBays as market place)
- platform sponsor: owns IP/standards and controls access (e.g., Apple for iOS)
- component suppliers: supply essential goods/service (e.g., game developers)

- **Platform structure**

- Proprietary: one sponsor, one provider (e.g., Xbox, eBay)
- Licensor: one sponsor, many providers (e.g., American Express with partner banks)
- Joint venture: many sponsors, one provider (e.g., Orbitz)
- Shared: many sponsors, many providers (e.g., Linux, Visa)



Grouping

The screenshot shows a Google Sheets interface with the following details:

- Title:** [CAU_BIZ]e-business_2025
- Toolbar:** Includes File, Edit, View, Insert, Format, Data, Tools, Extensions, Help, and various search/filter icons.
- Search Bar:** Contains a magnifying glass icon, a refresh arrow, a print icon, a file icon, 100% zoom, currency symbols, decimal separators, and number formats.
- Cell Selection:** H4 is selected.
- Table Structure:** A grid with 22 rows and 6 columns. Column A is labeled "Group". Columns B through F are labeled "Member 1" through "Member 5".
- Data:** Rows 1-3 show values 1, 2, and 3 respectively. Row 4 is highlighted with a blue background and contains the value 3. Rows 5-22 contain values 4 through 20 sequentially.

	A	B	C	D	E	F
1	Group	Member 1	Member 2	Member 3	Member 4	Member 5
2		1				
3		2				
4		3				
5		4				
6		5				
7		6				
8		7				
9		8				
10		9				
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21		20				
22						

https://docs.google.com/spreadsheets/d/1D7jvii9-EZjRlFppPCmajuwd_2CYsuYjj8gZn2EpdQ/edit?usp=sharing