

Building a Better Platform

By Sunjay Kaushal

In the ever-changing business world, the race among competitors to build better digital platforms is heating up. The traditional model—where companies thrive or die on the financial success of self-built newer, faster, cheaper, brighter products—remains in play. However, look at a significant number of the world's biggest companies (by market capitalization) and they're digital platform firms. Think Apple Inc., Amazon.com Inc. and Facebook.

Such companies allow other businesses to easily link with them and to create products and services on their "stages." The resulting combination generates value for both sides.

Take Apple Inc. as an example. It first changed the world with its computers, and new products still drive performance. However, with its 2003 launch of the iTunes Store, Apple added another revenue stream, without owning or initially producing musical content.¹ Think of the App Store on every iPhone or iPad and the additional value its millions of choices have created for Apple and various app developers since its launch in 2008.

Not all digital platform companies start with a product at all. For instance, Airbnb, Inc., the global lodging/hospitality company, does not own "rooms." Instead, its mobile app facilitates the peer-to-peer interactions of two or more people—those willing to rent their property and those who need a place to stay.

Sometimes, as Uber Technologies Inc. has discovered in Europe, how a digital platform company is defined remains a matter of debate. The outcome can influence how life unfolds on many levels, including tax and regulatory processes. Well-known for disrupting the taxi industry, Uber's ride-hailing app links drivers with would-be riders. Is it a digital platform providing a service or is it really a transport service provider currently operating outside of traditional regulations and labour codes?² That briefly is the issue brought to the European Court of Justice by an association of Barcelona taxi drivers who have claimed Uber's use of unlicensed, untrained drivers represents unfair competition.³ As I write, the decision on what's considered a landmark case is due later this year. The decision either way could have ripple effects on other sharing economy companies and their revenue and profit picture moving forward.

1. Feng Zhu and Nathan Furr, "Products to Platforms: Making the Leap," *Harvard Business Review*, April 2016, <https://hbr.org/2016/04/products-to-platforms-making-the-leap>.
2. Julia Kollwe, "New Uber blow as European legal adviser says service should be licensed like taxis," *The Guardian*, May 11, 2017, <https://www.theguardian.com/technology/2017/may/11/uber-cabs-taxis-us-app-ecj>.
3. Kollwe, "New Uber blow."
4. Leigh Gallagher, "Q&A With Brian Chesky: Disruption, Leadership, and Airbnb's Future," *Fortune*, March 27, 2017, <http://fortune.com/2017/03/27/chesky-airbnb-leadership-uber>.



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THE ONGOING RACE FOR CUSTOMERS

Past or present, customer loyalty is central to any competitive business race. In today's digital world, it can be easier for competitors to enter the market and harder to keep customers. This reality demands that companies keep doing things differently to win that loyalty. Netflix, once a leading disrupter, has evolved from streaming movies to producing original content as a means of differentiating itself from the likes of Hulu, LLC, Amazon and CraveTV. In a similar vein, Brian Chesky, Airbnb CEO and Head of Community, has said he expects "most of Airbnb, by 2021 or so, will probably be new things that we're shipping as of 2017."⁴ The firm is already experiencing rapid growth with its recently launched "local experiences" business.

While rapid technological advances mean there's more talk of changing the focus from products to platforms, it's clear that traditional values such as innovation and new ideas remain a constant force in today's business race.