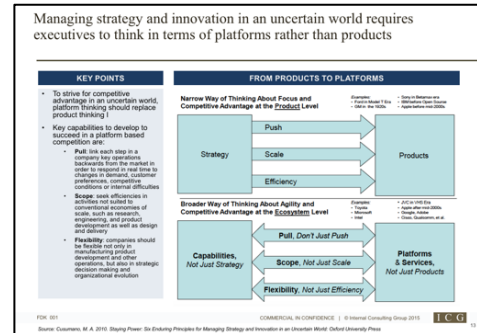
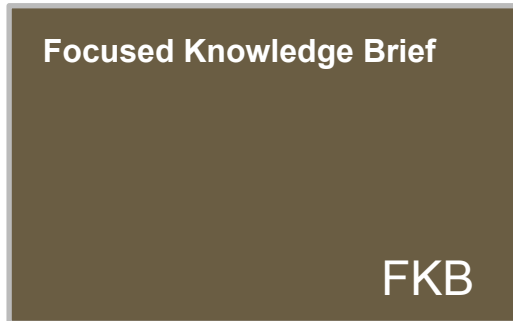




Focused Knowledge Brief (FKB)



Focused Knowledge Brief (FKB)



Examples of two-sided markets from a variety of industries provide a springboard for innovation in your industry

Networked market	Side 1	Side 2	Platform Providers
PC operating systems	Consumers	Application developers*	Microsoft, Macintosh
Online recruitment	Job seekers*	Employers	Monster, CareerBuilder
Massive Yahoo! Pages	Consumers*	Advertisers	Bull/Dough, Verizon
Web search	Searchers*	Advertisers	Google, Yahoo
HMOs	Patients*	Doctors	Kaiser, WellPoint
Video games	Players*	Developers	PlayStation, Xbox
Minnesota shipping mails	Shoppers*	Retailers	Mail of America, Southfish Center
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
Phone Numbers Association	Home buyers*	Home sellers	Web-real estate brokerage firms
Gasoline-powered engines	Auto owners	Fueling stations	GM, Toyota, Exxon, Shell
Universal Product Code	Product suppliers	Retailers	McK, Symbol Technologies

*Unless otherwise noted, side 1 is the side that is more numerous.

FKB 001
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Source: Chesbrough, M. A. 2003. "Strategy: Six Thinking Patterns for Managing Strategy and Innovation in an Uncertain World." Oxford University Press.

Focused Knowledge Brief

FKBs (Focused Knowledge Brief) are documents containing information rich slides summarizing leading articles, books and key frameworks along with any published materials on areas of research and/or practice. They comprise over 30 pages of power point slides that contain:

- Review of frameworks relevant to the applied management science of the specific business operation under study
- Certification by ICG that all information is verified as accurate at time of publication and no information was obtained as part of any ICG engagement
- FKBs are a companion resource to our monthly global periodical The Insights Review (TIR), deeper full dives on a specific topic – our Knowledge Area Reviews (KAR) - unique highly distilled synthesis of the newest thinking in an industry, sub sector or function – and Certified Case Studies (CCS) - information rich slides which comprehensively describe an important case study in the world of management

ICG IP Publications span general needs (through public and syndicated reports) and specific needs (through case studies) to custom needs optimising your spend

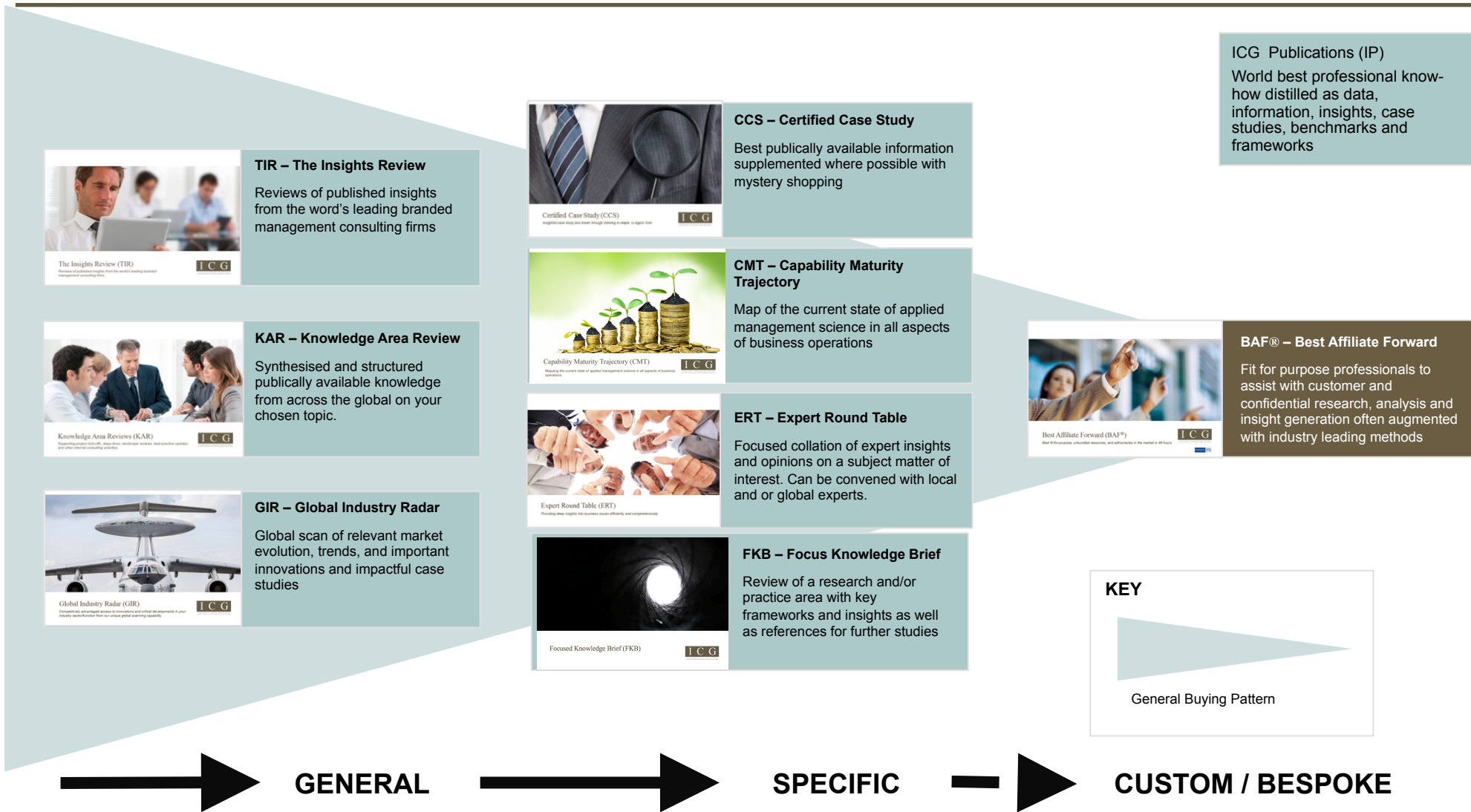


Table of Content

Section	Component	Description
1	Executive Summary	<ul style="list-style-type: none">• Overview of our research and findings
2	What is a Platform?	<ul style="list-style-type: none">• Key Frameworks• Relevant articles and books
3	Appendix	<ul style="list-style-type: none">• Relevant published materials for further reading

Sample 1: Platform businesses: definition and the chicken-and-egg problem

Definition and network effects

- A platform business model creates value by facilitating interactions between the different customer segments (eg matchmaking and transaction costs reduction)
- Platform business models are often labelled “two-sided markets” or “multi-sided markets”, on the basis of how many customer segments they work with
- The value of the platform grows to the extent that it attracts more users
 - **Direct/same side network effects:** the more users in one customer segment will attract more users in that customer segment (users of fax machines; users of an instant messaging system)
 - **Indirect/cross-side network effects:** the more users in one customer segment will attract more users in the other customer segment (users of videogames and game developers)

Key success factors

- Attract both customers on board at the same time through a **sophisticated price mechanism**
 - You might need to subsidize the more **price sensitive segment** and charge the side that increases its demand more strongly as a result of the other side growth (Xbox, PSP)
 - In markets with high **sensitivity to quality**, you may need to charge more the side that has to supply quality. In this way, you are able to attract providers of high quality products (Xbox, PSP) and maintain a quality platform that attracts the other side of the market
- Acquire new customers at a low cost
- Retain customers for a long period of time
- Attract “**lead**” users, with lower joining prices or agreements not to join rival platforms

Sample 2: Managing strategy and innovation in an uncertain world requires executives to think in terms of platforms rather than products

KEY POINTS

- To strive for competitive advantage in an uncertain world, platform thinking should replace product thinking I
- Key capabilities to develop to succeed in a platform based competition are:
 - Pull:** link each step in a company key operations backwards from the market in order to respond in real time to changes in demand, customer preferences, competitive conditions or internal difficulties
 - Scope:** seek efficiencies in activities not suited to conventional economies of scale, such as research, engineering, and product development as well as design and delivery
 - Flexibility:** companies should be flexible not only in manufacturing product development and other operations, but also in strategic decision making and organizational evolution

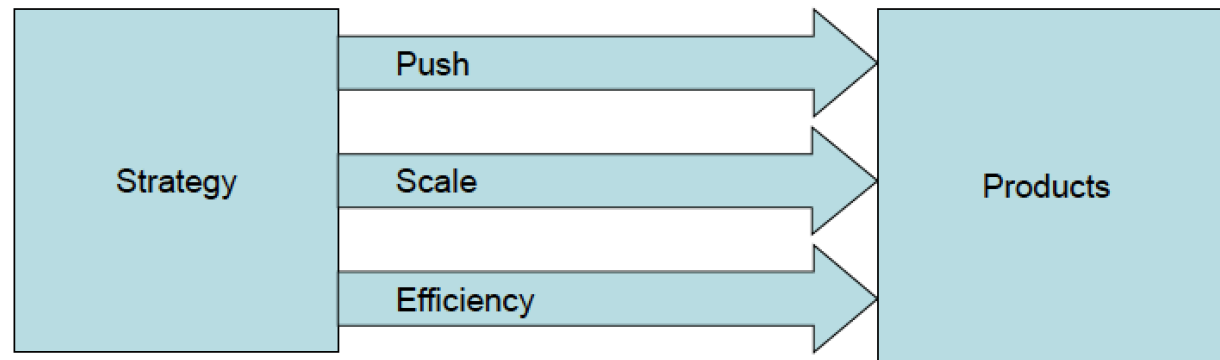
FROM PRODUCTS TO PLATFORMS

Narrow Way of Thinking About Focus and Competitive Advantage at the Product Level

Examples:

- Ford in Model T Era
- GM in the 1920s

- Sony in Betamax era
- IBM before Open Source
- Apple before mid-2000s

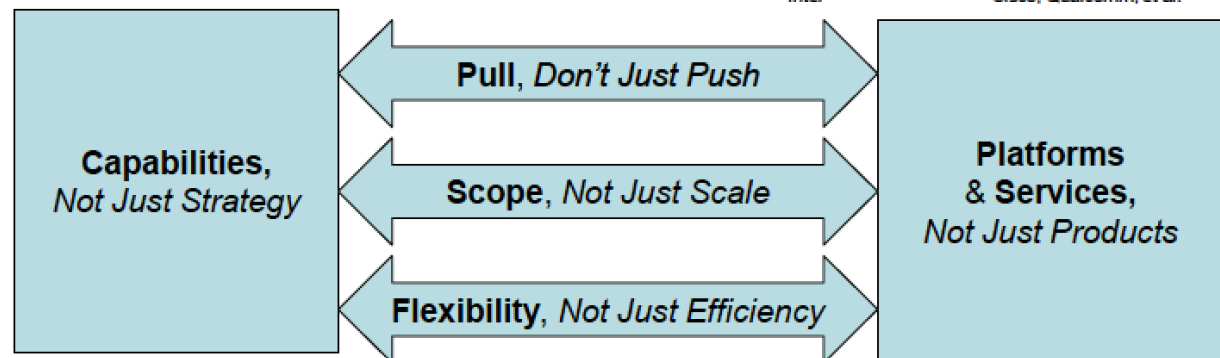


Broader Way of Thinking About Agility and Competitive Advantage at the Ecosystem Level

Examples:

- Toyota
- Microsoft
- Intel

- JVC in VHS Era
- Apple after mid-2000s
- Google, Adobe
- Cisco, Qualcomm, et al.



Sample 3: Freemium as a business model: providing the service for free to some customer segments to subsidize other customer segments



KEY POINTS

- Skype is an example of platform business model with a freemium component
- A large base of free users is subsidized by a small base of paying users

BUSINESS MODEL CANVAS

PARTNER NETWORK	KEY ACTIVITIES Infrastructure development & maintenance	OFFER Free basic service Premium service	CUSTOMER RELATIONSHIPS Automated and mass customized	CUSTOMER SEGMENTS Large base of free users Small base of paying users
	KEY RESOURCES Platform		DISTRIBUTION CHANNELS	
COST STRUCTURE			REVENUE STREAMS	
Fixed costs	Cost of service for premium users	Cost of service for free users	Free basic services	Paid premium services



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