Don’t look back.

Think like it’s 2024.
A decade ago, platform challenges seemed straightforward and the possibilities seemed endless. Strategists focused primarily on reducing transaction costs and on solving basic business problems, explained Summit co-chair, Peter Evans. After that, they could drive scale and develop a revenue model. The mantra was: Get big fast!

Now that platforms are sprawling and prolific businesses, a host of complex and far-reaching concerns are on the rise: Governance and regulation are top-of-mind for market leaders—including the group that MIT IDE Director Erik Brynjolfsson referred to as MAAF: Microsoft, Apple, Alphabet, and Facebook. Increasingly, providers worry about fraud, hate speech, privacy, security, and trolls.

Speakers throughout the day painted a platform market that’s rapidly changing—and giving rise to at least four critical issues: Regulatory constraints, growth pressures, a shift to enterprise markets, and technology disruptions.

The MIT Platform Strategy Summit was launched in 2013 by Geoffrey Parker and Marshall Van Alstyne to explore the phenomenon of platforms in public and private organizations, and to better understand how to manage, govern, and regulate platforms. The Summit brings together thought leaders from industry and academia to share their experiences, engage in robust discussion, and to help chart a path forward for private and public-sector leaders who seek better understanding and more efficient regulation.
Platforms are plastered all over the news. From protests at Amazon to breaking up Facebook to sweeping regulations in the EU, the conversation about platforms is front and center. Emerging technologies, such as 5G networks and AI are also making headlines. 5G networks and AI are technologies, such as and center. Emerging the EU, the conversation breaking up Facebook to protests at Amazon to all over the news. From Platforms are plastered PLATFORM REVIEW AND FORECAST to many of today’s platform models.” Parker concludes that a new question to ask is: What is the harm created by platforms? This is critical since many answers offered are hypothetical and counterfactual. There is also suspicion that some of the clamor is not about economic harm, but reflects a desire by firms or countries to engage in digital industrial policy that keeps innovation within their own borders. A better path, says Parker, is to focus on data ownership, data sharing, and how to fairly share the value created from data.

AI, 5G POTENTIAL

Peter Evans discussed the transition to the next wave of technologies and their potential implications on platform ecosystems. For instance, “Uber wouldn’t have existed in a 1G or 2G world.” As 5G gains traction it appears started with the rise of startups, and we’re going to see them turn into $100 billion has been invested so far in AI services and micro services will be fueled by platform structures in the future, too. This market is immature, but over the next three years Evans expects it to blossom. “More than $100 billion has been invested so far in AI startups, and we’re going to see them turn into services that large enterprises will consume.”

AI services and micro services will be fueled by platform structures in the future, too. This market is immature, but over the next three years Evans expects it to blossom. “More than $100 billion has been invested so far in AI startups, and we’re going to see them turn into services that large enterprises will consume.”

Parker emphasizes how platforms differ from giant firms of the past. “Tech firms don’t fit the model of a traditional monopolist,” he says, because they “internalize network effects.” They provide free products and services that large enterprises will consume. “We offer rooms on Airbnb and rides on Uber. The companies don’t own or author any of these things.” Platforms are driven by network effects, not by products, and the biggest performance boost comes as partners create value for each other. Boosts can also happen when firms expand into adjacent markets and expand their ecosystems—as when Microsoft bought LinkedIn, and Google bought Kaggle. Even failed experiments yield valuable lessons: “Amazon’s Fire phone lost money but its voice technology later led to Alexa and an ecosystem of developers who extend the Alexa interface.”

The lesson? Create constellations of complementary partners. A platform appreciates value in as much as people use it, whereas, products depreciate when used, Van Alstyne says. Of course, governance is needed to motivate third-parties to create and capture value and to understand what the rules of engagement are on a given platform.

Regulatory unrest Platform markets are at the epicenter of many challenges today including “the push-pull between the new 1099 economy and the traditional W2 economy,” Geoffrey Parker notes. “In the U.S., this means independent contractors (1099 tax filers) are on the rise, antitrust rumblings can be heard, and regulators are trying to determine when and how to protect consumers and workers. Clearly, platforms such as Facebook, Amazon, and Google have vast data resources to mine and monetize, fueling much of the regulatory scrutiny. Nevertheless, Parker emphasizes how platforms differ from giant firms of the past. “Tech firms don’t fit the model of a traditional monopolist,” he says, because they “internalize network effects.” They provide free products and services to one market because they capture profits or revenue from another market connected by a layer of data tools, but they need to create demand to activate it. The platform shift, from consumer to enterprise markets, holds huge potential, considering that the largest 200 companies in the world post aggregate revenue of $17 trillion.

He also described what it will take to move platforms from B2C to B2B markets. Value for an invested firm is created by partners and users, rather than by the firm itself. “You and I create the value on Facebook and Twitter,” he says. “We offer rooms on Airbnb and rides on Uber. The companies don’t own or author any of these things.” Platforms are driven by network effects, not by products, and the biggest performance boost comes as partners create value for each other. Boosts can also happen when firms expand into adjacent markets and expand their ecosystems—as when Microsoft bought LinkedIn, and Google bought Kaggle. Even failed experiments yield valuable lessons: “Amazon’s Fire phone lost money but its voice technology later led to Alexa and an ecosystem of developers who extend the Alexa interface.”

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To be an industry leader, you must clearly see three key hurdles before adopting a platform strategy: (1) embrace your value proposition, (2) disrupt traditional business practices; and (3) map your strengths to your peers and partners.

This is the process under way at Barclays, the 328-year-old British banking giant that posted 2018 revenue of $26 billion. Jes Staley, who joined Barclays as CEO in 2015, discusses the challenges the company faces.

Geoff Parker: How do you prepare an organization used to a slower pace of change for enormous transformation?

Jes Staley: Barclays has always been an innovation leader, but in my 40-year career, I haven't been as concerned by what I don't know about banking as I am today.

We continue to look at traditional competitors, such as Lloyds UK and JPMorgan Chase, but we're also paying enormous amounts of attention to companies beyond the realm of banking, like Amazon and Stripe. And just a couple of weeks ago, Facebook said it's creating a cryptocurrency, Libra, based in Switzerland.

There is tremendous uncertainty.

Staley: My management team told me that I needed to pay attention to platforms, but it took me a while to understand the opportunities and risks of not trying these new models. When I finally understood what a platform could do to transform Barclays, I realized that our scale and scope are our biggest assets.

The executive team has pivoted toward transformation from within. We are building a platform on our mobile banking app, which is the most widely used of its kind in the UK. We currently have eight million consumers, and we're adding 80,000 consumers every month. We also have the biggest platform of merchants and small businesses. If we can bring the consumers, merchants, and small businesses of the UK together, we can build a platform and create network effects.

Where we don't have data, we are partnering with firms like Salesforce to get information that can help us understand our clients' plans for the future. With PSD2, the EU's Payment Services Directive, we have to share our data—our corporate treasure. But we changed the paradigm to make PSD2 a huge win for us, since we have the client base and we have the scale. Barclays was the first bank to use PSD2 in APIs to get data from other banks.

Thanks to our two APIs, you can go onto our mobile app and make a payment from your Lloyd's account. It's a total reversal from fearing competition to embracing it.

And the stakes are high. We can't afford to fall behind. Roughly a third of the UK's GDP passes through our payment systems every day. We must keep the system safe and embrace advancements in cybersecurity.

Our biggest online banking competitor in the UK is Monzo, a digital, mobile-only bank. It downloads a new version of its banking app two to three times a week. At this time last year, we could safely download a new version of our banking app once a month. We now have it down to once a week.

Parker: What are some of your future growth paths?

Staley: We're focused on three paths. First, we pivoted the bank from being product-centric to completely consumer-focused. Second, we experienced a massive organizational shift. We turned the organization on its side and moved toward a consumer and corporate franchise around our brand, which is essentially the UK's largest. We are a top three online banking brand and a top five brand in total.

Third, which is completely novel, is an innovation side. We have a group called Platform Revolution. It's a total reversal from fearing competition to embracing it.

Parker: What's next in global markets and what are the implications for the industry?

Staley: There's a lot to learn from China and India. The big tech companies in China have basically relegated the banking industry to irrelevance. Visa and MasterCard effectively have no footprint in China. The second largest economy in the world is a great example of what could happen to Barclays if we don't adapt to this pace of change—particularly around payments.

Barclays' obligation to deliver a high level of profitability creates pressure, since we are massively regulated and are competing against firms that don't need to make money, have a much lower cost of capital and have no regulatory oversight.

Nevertheless, we've built 328 years of trust. We have an enormous, loyal consumer and corporate franchise around the world. We have a scale advantage. We need to make sure we don't lose on the innovation side.
Karl Wagner, Christopher Krebs, Jennifer Bisceglie, and Edna Conway explain the advances and pitfalls in platform security.

SECURITY IN A HYPERCONNECTED WORLD

PANEL

Data manipulation, espionage, and disruption—these are three fundamental risks Edna Conway of Cisco Systems says platforms should worry about. The third party ecosystem is becoming a more critical security threat. “With every connection we make,” she notes, “we’re expanding that infrastructure exponentially.”

Jennifer Bisceglie: When business is conducted digitally, there are new levels of vulnerability and threat compared to when your partner makes a widget. We have no idea who we’re connected to globally. It may be malicious or it may be unintended, but your network can be interrupted or impacted by people you don’t even know.

Christopher Krebs: At the Department of Homeland Security, we are the federal and civilian lead for cybersecurity and critical infrastructure protection.

The department was originally established as a counterterrorism organization. Cybersecurity was an afterthought that became baked into the legislation. Over the past 15 years, our responsibilities have grown. I now engage on a regular basis with our federal government partners, and our state and local government partners. Currently, the greatest example of our work is in election security. DHS has provided security clearances, briefings, and technical support to every state and local election official. We ask our partners, “What vulnerabilities do you need to mitigate? What is your risk tolerance level? How do I protect them?”

Edna Conway: When it comes to risk, DHS looks at three critical elements: technical, legal, and the relationship. At the highest levels, we’re seeing a rise in autocratic states that are weaponizing their tech sector. Ultimately, what we’re talking about is truly protecting democracy. It manifests in elections, but it’s also manifesting in supply chain conversations.

Christopher Krebs: Before 2016, no one in the U.S. government was thinking about providing security assistance against the Russians, the Chinese, and the Iranians—whatever.

Customers first

Cisco’s Edna Conway says she now focuses on how to protect customers from risk.

Openness and security: Are they mutually exclusive?

Krebs: We ask our partners, “What are the most critical services and functions that if disrupted, corrupted, or degraded would impact the national economy, national security, public health, and safety?” We’re developing risk architecture. If an ATM network in a city goes down, there are ways to get cash in Puerto Rico after Hurricane Maria, pallets of cash were flown on planes to the island. This wasn’t the government saying these are the things that if disrupted, corrupted, or degraded would impact the national economy, national security, public health, and safety. It wasn’t the government saying these are the five things that we think are most important in your sector; it was demand-driven. Government must get ahead of risk and know what those five things are.

Bisceglie: Platforms change the risk discussion. We’re so hyper-connected that even partners don’t understand what’s coming at them directly or indirectly. The vulnerability may be three hops away. The risk discussion is changing, and so is how we’re looking at uninterrupted operations. People are less concerned with how much I spend with my supplier base or who I am connected with, compared to the consequence of our transactions. That’s a huge shift in thinking. We need to ask, “How a transaction could impact me and what do I have in place to protect me?” If there’s a red flag, we stop the transaction or figure out other ways to mitigate the risk.

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Wagner: Risk versus gain analysis must permeate our work continuously. Security, as we now do it, doesn’t work. Everything is online and there are conflicts of interest. For instance, we want China and Russia as business partners, yet we don’t want to share everything, and we don’t want them to dictate the terms of the relationship. We have to push back on giving other nations the advantage and the ability to dictate the cultural values of our international systems.

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Christopher Krebs
ALL IN ON 5G NETWORKS

from this next-gen reality than hype group of experts: There’s consensus from this
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PANEL

FUELING IOT
Terry Halvorsen of Samsung is eager to see

FROM FOX HOLE TO THE PENTAGON
Colonel Randolph S. Wardle of the Army views 5G as

The U.S. Army, one of the largest

SECURITY STILL TOP OF MIND
Colonel Wardle says he is constantly

Is 5G all hype? The consensus from this
group of experts: There’s more reality than hype from this next-gen networking technology.

Nicola (Nicki) Palmer of Verizon is an emphatic advocate of 5G. "If we didn’t think it was real, we wouldn’t be investing $1 billion in fiber or $18 billion annually to build out the next gen network. We’re all in.” Big advances in networks—from 2G to 4G—occurred in a relatively short time, and the same will be true for 5G, notes Palmer. The technology promises gigabit-per-second access rates and latency that will decrease to the single-digit millisecond range. 5G will allow a million connected devices in a square kilometer. “We’re imagining the ancillary technologies that 5G may fuel, such as AI and XR (mixed or crossed-reality environments),” she says. “As an engineer, the term ‘fourth industrial revolution’ may sound dramatic, but when you think of 5G that way, it is dramatic.”

FUELING IOT
Terry Halvorsen of Samsung is eager to see the Internet of Things (IoT) come to fruition with 5G. “We’ve been hearing about IoT for 20 years, but it’s not there yet,” he says. “If 5G is going to enable IoT, one prerequisite is massive computing and storage at the edge of the network. You can’t be wasting time sending data back and forth to a central point.” IoT is already available in agriculture and tracking mechanisms, yet it hasn’t scaled for larger applications due to high infrastructure, which includes smart costs, mobility, and training. Wardle is already looking ahead. “What will 6G and 7G be like? By the time I get everything in place, I’m already cycling out the old technology.”

Quinn Bottum of Swoop Search notes that this company began in government service and has spread to enterprise customers. “The company’s cognitive search engine collects global sensor data from various networks. As for 5G, he is positive the technology is real, but is less impressed on the implementation side. Bottum thinks that connecting sensors to the network will be key, yet he has concern about spectrum issues and the ability to build apps on a 5G platform. “How do you create an App Store on the 5G network?”

Bottum notes that connecting sensors to the network will be key, yet he has concern about spectrum issues and the ability to build apps on a 5G platform. “How do you create an App Store on the 5G network that produces something meaningful?”

Beyond Trials
Palmer notes that Verizon is well beyond Trials. Five years ago, the company assembled a 5G technology forum with international carriers, VCs, investors, and tech firms to learn about 5G efforts. “Since then, the chipsets and the equipment manufacturers have something to build on,” she says, “which is why we were early out of the gates with our 5G network.”

Verizon knew that the spectrum is a building block in wireless networks. The low-band and mid-band spectrum weren’t transformative enough for what 5G offers, so it acquired heightened frequency levels. “When we launched 4G LTE in 2010, it was on 20 megahertz,” explains Palmer. “Today, as we launch 5G, it is at 800 to 900 megahertz of spectrum. That’s where the speed comes from.”

The future is here. It just hasn’t scaled yet.”

Nicki Palmer talks about Verizon’s $18 billion annual investment in building its 5G network.

Is 5G all hype? The consensus from this group of experts: There’s more reality than hype from this next-gen networking technology.

BEYOND TRIALS
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Security still top of mind
Colonel Wardle says he is constantly aware of threats since the risks to crypto security increase as sensors and quantum computing are introduced. “I absolutely expect 5G will change the entire security model for the better,” says Halvorsen. “The model is going to flip from a focus on endpoint protection to protection of the full system.” Data will be protected while it’s moving and processing, which will radically change the way companies implement security.

Halvorsen also notes that South Korea leads the world in 5G as a result of political, economic, and technology commitments. “It’s a smaller country, so it’s a lot easier to achieve.”

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Small and medium businesses comprise more than 50% of China’s GDP—and 80% of its workforce.

China’s approach to the platform market isn’t well-known in the West. Meng (Mark) Ye, CTO of Zhu Bajie, provided firsthand insights.

Meng (Mark) Ye oversees tech strategy, big data governance, and R&D at Zhu Bajie (ZBJ). With more than 17 million users and small business stakeholders, ZBJ is one of the largest online labor markets in the world. The China-based platform allows businesses that need freelance contract workers to connect with website developers, register intellectual property, and find other work-related services. In addition to ZBJ’s huge online labor marketplace, it’s now branching into offline services.

In China, small and medium businesses (SMBs) comprise more than 50% of the country’s GDP and 80% of employment. The typical channel for outsourcing can be expensive for SMBs. ZBJ offers a cost-effective way to help businesses identify high-quality workers—and for workers to find jobs.

Unlike ordinary B2C e-commerce, where the platform matches customers and goods, ZBJ matches needs and service providers, and is partially involved into service delivery. "Due to the customizable nature of services," says Ye, "it’s very comprehensive, and more complex than traditional e-commerce platforms."

During the past 13 years, ZBJ has amassed more than 13 million subscribers as service providers, 7 million as service buyers, and incubated more than 100,000 companies.

In the B2B arena, ZBJ links service buyers and service providers. "We are challenged if the service needs are infrequent or one-time only," says Ye. "This raises customer acquisition costs."

To meet these needs, ZBJ offers three online service markets: ZBJ market, a bazaar where people can bargain with service providers, Pick & Go Market, a portal that lists selected and self-operated services, and a solution market that reaches mid-sized and large enterprises. In addition, ZBJ has an offline presence. "We offer physical co-working spaces, known as ZBJ Work, in more than 70 cities—a total of 40,000 seats," notes Ye. "By the end of 2019, the company will increase the number of cities to 100 and provide 100,000 seats." This is a natural extension of ZBJ’s online services to the service providers who need office services, as well as a community environment.

If you want to participate on the ZBJ platform, you must be a member of ZBJ. The platform links service providers and service requesters and offers business opportunity distribution and access to a massive, on-demand service network. "This helps us cross-pollinate the platform and use it as a monetization plan."

ZBJ charges members a fee, and then they can use the platform for free. "We also charge for the extended, value-added services such as online advertisement. ZBJ plans to include additional services, such as professional training, over time."

ZBJ is pursuing many technology areas such as blockchain as a trustworthy credit system and for copyright protection, and AI for better analytics. The combined marketing and technology expertise seem to be a winning formula.

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During the past 13 years, ZBJ has attracted more than 13 million subscribers and has incubated over 100,000 companies.
Direkt Didascalou of Amazon Web Services (AWS) outlined the overarching principles that guide Amazon.com and AWS: Continuous innovation, intense customer focus, and an open corporate culture.

At Amazon, we don’t strategize around platforms. In fact, we don’t even use the term platform within AWS. We talk about innovation on behalf of our customers. Organizationaly, Amazon.com and AWS are two distinct companies, yet we share common principles, culture, and beliefs in how to use technology.

**STICKING TO CORE PRINCIPLES**

More than two decades ago, Amazon was founded on three big ideas, which still resonate today. First is our customer obsession. Second is our passion for building and experimenting, which requires the willingness to fail. The third principle is patience. Jeff Bezos said, “Put the customer first, invent and be patient.” It’s critical to know what the customer values, so Amazon concentrates on price, selection, availability, and convenience. No customer will ever say, “I would like to pay more” or “I would like to wait longer” or “It’s okay if you don’t have an item.”

Amazon.com offers millions of items—more than half of physical gross merchandise sales are made by independent third-party sellers. This helps us offer a wide selection. We’ve created more than 600,000 jobs and independent third-party retail sales reached $160Bn in 2018. Perhaps that’s the network effect of Amazon.

In 1994, Amazon was created on the premise that anyone could benefit other companies. We realized that if this is good for us, it’s most likely good for other companies that could benefit from the knowledge that we amassed internally. Thirteen years later, we have millions of active customers using our services. AWS set out to monetize our internal services and turned into one of the broadest, deepest platforms for today’s builders. That’s not what we set out to do; but that’s the outcome.

We empowered every startup to have the exact same tools as the Fortune 500, or even just the Fortune 30 companies. You don’t need $1 billion to build a giant data center anymore. We give the same tools to everyone. We empowered every startup to have the same tools as the Fortune 500, or even just the Fortune 30 companies. You don’t need $1 billion to build a giant data center anymore. We give the same tools to everyone.

**AMAZON’S BUSINESS PRINCIPLES**

Customer obsession. Passion for building and experimenting. Invent and be patient.

Innovation needs to be imagined and applied. Cultivate the culture. Work backwards from customer needs.

**KEYS TO BUSINESS**

Amazon approaches its business with these concepts in mind:

**Make bold investment decisions.** If you want to innovate, you must continuously experiment and take risks, measure relentlessly, then reflect on what has been learned. In 2006, people wondered why we entered the web services business. It was a risky bet, but we stuck to it because we believed the customer value would be worth it.

**Innovation needs to be ingrained and applied.** Amazon was created in 1994 and grew so rapidly that by 2000 we were limited because we couldn’t update our website fast enough. The decision was made to use technology in a very different way: to build a service architecture for Amazon.com, without a monolithic stack. In nine years, we went from monolithic to multi-services and micro services.

**Cultivate the culture.** Organizationaly, we create small, empowered teams. We’re a really big company, and those resources allow us to scale for our customers. At the same time, we would like to be as nimble as a startup. The only way to do that is to have small teams with full autonomy and a single leader. These teams own what they create, understand the pain points, and make fast decisions. There’s no hand off of problems. It makes for a very flat and nonhierarchical organization, as well.

When we hire, we look for builders and let them build. Work backwards from customer needs. That’s how you get funded and how to learn from mistakes. We talk to customers to understand the pain points, and measure the impact of the work they build. The first Kindle was not about creating a device, it was a vision. There had been "no customer will ever say, ‘I would like to pay more or wait longer.’”

E-readers before, but the idea was not the device, it was the value for the customer: Every book, everywhere in the world, in every language, in 60 seconds.

Technology is important. At AWS, we started building infrastructure services for ourselves and we realized that we were pretty good at that because we were able to run really big data centers at very low cost. Then we realized that if this is good for us, it’s most likely good for other companies that could benefit from the knowledge that we amassed internally.

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We empowered every startup to have the exact same tools as the Fortune 500, or even just the Fortune 30 companies. You don’t need $1 billion to build a giant data center anymore. We give the same tools to everyone.

That means a small business can scale up to the biggest supercomputers in minutes, and scale it down afterwards to cut costs. That’s enabled by the cloud, and we brought it forward. We are also accelerating our innovation even as we grow in 21 geographical regions.

**KEYNOTE**

**AMAZON’S FORMULA FOR INNOVATION**

Put the customer first, invent and be patient.

Jeff Bezos
Five of the largest market cap companies are platforms—nearly all are digital natives that developed platforms as part of their business plan or acquired other firms. It’s a trend that worries incumbents, yet many see incumbents as growth engines for platforms in the future.

Peter C. Evans: A lot of people think you must hire a bunch of coders to build a platform infrastructure. Yet third parties like Mirakl can offer that service to customers, much like AWS jump-started cloud services. Help us explain platforms as a service.

Adrien Nussenbaum: We help them recognize that digital completely disrupts the value chain and breaks down the boundaries of your business. In order to win in the digital world, you need to go beyond your existing businesses. You need to be willing to disrupt yourself. Starting a digital-first business from scratch is easy. Our clients have more difficult challenges. In a platform world, starting a digital-first business from scratch is easy. Our clients have more difficult challenges. In a platform world, you must be willing to disrupt yourself.

Evans: So you are organizing a market in an area that’s highly fragmented, but there is also a lot of unrealized transaction value. Baharloo: I was fortunate to start this 20 years in the industry. Our revenue model is based on charging suppliers a small fee on transactions. There’s no charge to our customers, whether they’re online or part of the e-commerce integration that takes place at key accounts. Thousands of smaller manufacturers gain access to the largest pharmaceutical companies in the world through Labviva. Before, they had to go through a distributor to get that access—and had to give up significant margins.

Nussenbaum: There’s really a new economy emerging. Every day we tell incumbent companies, ‘Don’t look at yourself from this little field that you’ve protected; look at everything that’s around. Look at how you can be disrupted.’ When Amazon, Alibaba, and others were startups, they had two benefits. First, they could disrupt themselves because they were new. Second, they were digital first, so they understood from day one that digital was the endless aisle. The biggest struggle our clients and prospects face is realizing those opportunities and acting on them. Once they understand, we focus their efforts on execution.

Evans: What is Albertsons able to provide through these marketplace offerings?

Baharloo: Fifteen million households shop with Albertsons every year. In any given location, there might be 10 customers looking for a special dietary need, or something that’s trending, so it wouldn’t make sense to stock that item for a small market. With the marketplace platform, perhaps 10,000 people of those 50 million have the same dietary need—and we’re allowing them to shop digitally for that item. We’re vetting this network of third-party sellers for our customers, and they can get in the Albertsons ecosystem.

Fahrner: Sometimes, you have to sacrifice margins early on to attract new customers. Forget about the economics of this for a second. What’s the perfect customer experience? When I was at Zappos, we were one of the first to offer free shipping and free returns. Our investors were getting sick over it, but everybody started talking about us and reordering orders jumped to 80% almost overnight.

PETER EVANS
PLATFORM STRATEGY INSTITUTE

ADRIEN NUSSENBAUM
MIRAKL, INC.

SIAMAK BAHARLOO
LABVIVA

JON FAHRNER
ALBERTSONS COMPANIES

“Trending, so it wouldn’t make sense to stock that item for a small market. With the marketplace platform, perhaps 10,000 people of those 50 million have the same dietary need—and we’re allowing them to shop digitally for that item. We’re vetting this network of third-party sellers for our customers, and they can get in the Albertsons ecosystem.”

Siamak Baharloo: How Labviva has enabled smaller manufacturers to gain access to large pharmaceutical companies.

“By 2029, no business will survive without building an ecosystem, whether it’s mass market or high-end luxury.”

Adrien Nussenbaum
FACEBOOK: LESSONS OF PLATFORM GOVERNANCE

As platforms proliferate, so do the social, political, and governance issues they face. Facebook’s governance concerns are echoed throughout the platform landscape and perhaps a leading indicator of challenges all platforms face as they grow. The company operates in the social media world where trust and transparency collide and regulatory controls hover over the business model.

THE HYPE CYCLE OF PLATFORM GOVERNANCE

Elliot’s remarks highlighted changing popular attitudes to communications platforms, particularly social media. “The period of glorification of new media generated by Facebook, Google, and YouTube has ended,” says Elliot. “Everyone thought these platforms were as wonderful as apple pie. Now everybody thinks they’re horrible.”

Today, he noted, “People emphasize the risks and the dangers.” Schrage observes that platform champions and users alike live in the “trough of disillusionment.” He believes that Mark Zuckerberg’s call for regulation is genuine, since the platform was “longer than the U.S. Constitution.” “We gave users very granular controls over their privacy experience,” says Elliot. “We were criticized because they were too much. People felt overwhelmed. So in response Facebook cut back on the number of controls and offered simpler explanations. And then we were criticized for explaining too little.”

Noting that governments and government oversight isn’t monolithic, Michael queried which bodies “should have regulatory oversight over platform power.” “Is it the FTC, FCC, Congress, the Courts, or Justice’s anti-trust department?” he asked. “The more global the platform, the more conflicted and regulatory and legislative fragmentation?”

WHO WILL BE THE TRUE BENEFICIARIES OF THIS POLICY?

Elliot argued that industry incumbents embrace regulation that entrenches their market leadership, referencing Nobel Laureate George Stigler’s concept of regulatory capture.

In fact, he argued, most of the social media lobbying in Washington, Brussels and elsewhere has less to do with better articulating sustainable ‘governance’ principles than protecting and entrenching corporate interest. This self-serving approach has come back to hurt platform reputation.

STEMMING FAKE NEWS

One of the most pressing issues social media companies face today is fake news. Elliot explained in some detail the framework Facebook deploys to address fake news.

Elliot emphasized that Facebook is “not making these decisions for commercial reasons...we are making them because we believe they reflect some definition of public interest, either national law, or international standards.” Despite assertions from many media or political figures, Schrage reiterated that Facebook does not decide which content to post or remove based on the political point of view of its advocates.

Finally, Elliot noted that the company announced that it is creating an independent appeals process, including an independent board, to review controversial decisions, removing them from any business association. This, he argued, is an important step in governance ‘mechanism design’.

“Marketsplaces are evolving. We’re building ecosystems and offering people community. But be careful what you wish for, because there are many gray areas.” Elliot Schrage

Since 2008, Elliot Schrage has served as a Facebook VP in charge of government outreach, public policy, global media, and for a time, platform marketing. During that time, platforms have skyrocketed, while definitions and boundaries are blurring.

“Where are the boundaries between public and private platform governance?” asks Marshall Van Alstyne.

Marketplaces are evolving, and Facebook is building ecosystems and offering people community. But those advocating greater regulation should be careful about what they wish for, warns Elliot. “There are many gray areas, such as the rules governing appropriate behavior and a healthy ecosystem—and who decides the rules.” These questions will only grow more complicated as platforms increasingly rely on sensors, machine learning and AI. Rethinking ‘platform governance principles’ has become a regulatory, legal and executive challenge.
LESSONS FROM A PLATFORM PIONEER

LORRIE NORRINGTON
LEAD EDGE CAPITAL

ANDREW MCAFEE
MIT IDE

Early on, a handful of platforms, such as eBay and Intuit, blazed trails. Lorrie Norrington helped bring those platforms to market, as well as Autodesk, HubSpot, and many others. Andrew McAfee spoke to Norrington about her perspective on today’s markets and what she’s learned along the way.

Lorrie Norrington believes that the primary obstacle to platform innovation is timidity. The lack of speed and agility isn’t helping either. “Too many companies have a fear of keeping the engine running while the plane is in the air,” says Norrington. “But they have to move fast. Perfect is the enemy of the good.” Few firms have the desire to disrupt themselves, but that hasn’t been the case for Autodesk, of which Norrington is a board member. Since its founding, executives have believed that the company could reach its goals even if it meant disrupting its business model.

Yet many businesses don’t know the first thing about how to disrupt the status quo. The good news is that people are coming out of business school who know it’s critical. “At Autodesk, market cap declined by $2 billion,” Norrington says. “Yet there was a steadfast belief that if we did not disrupt our model, somebody else would.” She admits that this mindset is unusual—and that 90% of Fortune 500 companies probably wouldn’t take the same path or even know where to begin. “Technology is no longer a constraint, but you still have to be sure that the community understands you. You need to have an ongoing dialogue. You have to do more than connect based on algorithms. You have to connect in person.”

McAfee notes that the virtualization of the economy requires a huge amount of “good old fashioned face-to-face interaction.” “Humans still want to connect,” Norrington says. “You need to deliver content on a consistent basis and create relationships, because relationships are difficult to repair once they go wrong.”

Drawings and text: PS2019 11

WISE WORDS FROM A PLATFORM PIONEER

An ecosystem can out-innovate a company, and as a result, it can move faster. So it’s actually a two-way benefit.

Boards are becoming more diverse, except when it comes to digital. “They need a digital education.”

Brand building will be very different going forward. Startups are more likely to die of overeating than starvation. Focus on the business you’re in. Don’t try to build everything.

Culture is critical—nurture it! Without a strong culture, a company can fall apart. We are in the midst of a revolution in machine learning and AI. Get on board!

In the platform economy ball game, we’re only in the second inning. We’re definitely not in the third.

“Consumers want choice. At the same time they want ease of use.”

LORRIE NORRINGTON
LEAD EDGE CAPITAL

Companies need to let go of the idea of building infrastructure.

Lorrie Norrington believes we are only in the second inning of the platform revolution game and that most Fortune 500 companies don’t know how to manage the transformation.

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WHAT WE LEARNED

Marshall Van Alstyne, Geoffrey Parker, and Peter Evans closed the event with highlights and calls to action.

During the summit, we learned that platforms are the business in so many cases, and there is huge optimism in what platforms and technology can do. There were also sober reminders that unchecked growth can harm the marketplace, the ecosystem, and society.

Several speakers—from Amazon to Albertsons to Barclays—emphasized the importance of always starting with the customer and staying relentlessly with that focus.

On the financial side, it’s better to be a giant business with low margins than a tiny business with fat margins.

From Facebook VP Elliot Schrage, we learned that governance is challenging. If it were easy, it would already be done.

Cultural and societal problems are beyond what any one firm can tackle alone.

5G is going to move to the boundaries of the firm and is, by itself, a technology platform but not a business platform.

However, there are strong platform business models to be built on top of the technology. The ability to invert the firm is not equally distributed.

As Lead Edge Capital Partner Lorrie Norrington said: “We’re only getting started in the platform economy; we’re in the second inning of the game.”

Most corporate boards aren’t willing to disrupt the business they’re in, but those that do, reap the benefits.

Dirk Didascalou, VP at Amazon Web Services, reminded us that experimentation leads to rapid innovation. Don’t overthink reversible decisions; save scarce management attention to analyze the “one-way doors.”

“We are navigating uncharted waters.”

6 BIG TAKEAWAYS

1. Create organizations with the ability to rapidly experiment.

2. Incumbent organizations must undertake massive change to adapt to new digital and platform delivery service models.

3. We’re at most three hops from a security threat. You’re hyper-connected to everyone in your ecosystem.

4. Consumers are attracted to what platforms can do and facilitate, not the platforms themselves.

5. If governance were easy, we would have already done it.

6. Think like it’s 2024.

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