MIT PLATFORM STRATEGY SUMMIT 2019

Don’t look back.
Think like it’s 2024.

MIT INITIATIVE ON THE DIGITAL ECONOMY
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.

On July 12, 2019, more than 300 attendees descended on MIT’s campus for the 2019 Platform Strategy Summit. The seventh annual summit was hosted by the MIT Initiative on the Digital Economy (IDE).

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.

The platforms of today don't fit into traditional monopoly categories.
Platforms are plastered all over the news. From protests at Amazon 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.

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 rubbishes 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 network effects.

That difference is important to understand. "Traditional tests of monopoly power consider issues like the ability to fix prices, the ability to exclude competition, willful acquisition, or maintenance of power—issues that don’t apply 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 to offer much greater capacity and a dramatic expansion of data that can flow through the network while removing latency. These capabilities will open new opportunities.

Evans believes that "5G allows for data on steroids." It’s bound to have a huge impact—from manufacturing to healthcare, and financial services to the energy sector. High-speed networks can enable smart buildings and redefine the entertainment and media sectors, too. Augmented Reality and Virtual Reality have stalled because of latency issues which will disappear with 5G.

Extending AI’s benefits to customers and stakeholders will take more work. Platform providers own the data and they’re building 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. 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.”

Evans and others challenged attendees to think ahead and ask if they are doing enough today to prepare for the future. "You need to be ready to create value on top of these new infrastructures.

INVERTING THE FIRM FOR VALUE
Marshall Van Alstyne anticipates many promises and also challenges as the Inverted Firm rises. He also described what it will take to move platforms from B2C to B2B markets. Value for an inverted 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 boosts come 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 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.


PLATFORM REVIEW AND FORECAST
Platforms are plastered all over the news. From protests at Amazon 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.


PLATFORM FORECAST
Today’s platforms don’t fit into traditional monopoly categories.

Draconic remedies, such as breaking up providers, would hurt the ecosystem.

Create more competition and allow third-parties to create links and spillovers.

5G will bring ‘data on steroids’ to many sectors.

Don’t look backwards. Anchor your thinking to 2024.

More of a platform’s value is created by external users and less by internal employees.

Amazon processes 44% of all e-commerce sales, including 83% of e-book transactions and 90% of print online sales.

Facebook and Google control 84% of global online advertising.

THINKERS50 identifies, examines, and ranks the leading management ideas from experts around the world. It creates a platform for sharing the most innovative solutions and discoveries from both industry and academia.
PIVOTING TO PLATFORMS AT BARCLAYS

To be an industry leader, you must clearly 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 boasted 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 JP Morgan Chase, but we’re also paying enormous attention to companies beyond the realm of banking, such as Amazon and Stripe. Just a couple of weeks ago, Facebook said it’s creating a cryptocurrency, Libra, based in Switzerland. We can’t avoid the reality that Barclays is competing with companies beyond the realm of banking, such as Amazon and Stripe.

We 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. We’ve heard that Barclays has been a slow mover in terms of sharing data, 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 platforms. How are you changing your peers and partners?

Parker: We’ve heard that Barclays has embarked upon an ambitious agenda around platforms. How are you changing operations as a result?

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.

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

And the stakes are high. We can’t afford to fail, since 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 our corporate treasure. But we changed the paradigm to make PSD2 a huge win for us, since we have the client base and have the scale. Barclays was the first bank to use PSD2 in APIs to get data from other banks.

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We have already cleared the first hurdle. But we face many others. However, we believe that is the key. We are focused on making PSD2 a huge win for us, since we have the client base and have the scale. Barclays was the first bank to use PSD2 in APIs to get data from other banks.

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Karl Wagner, Christopher Krebs, Jennifer Bisceglie, and Edna Conway explain the advances and pitfalls in platform security.

SECURITY IN A HYPERCONNECTED WORLD

The third party ecosystem is becoming a more critical security threat. “With every connection we make,” she notes, “we’re expanding that ecosystem exponentially.”

Data manipulation, espionage, and disruption—these are three fundamental risks Edna Conway of Cisco Systems says platforms should worry about. The key for me is taking a layered approach in engaging with private industry. It’s true that the more networked you are, the more vulnerabilities you need to mitigate. But if you stay too closed, you’ll miss opportunities. I’m trying to be a bridge between the federal government and Silicon Valley, Austin, Texas—wherever the industry may be.

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. Hurricane Maria, pallets of cash were flown on planes to the island. This 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 on the ground are worried about.

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’m 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.

Conway: I think of my customers and their risk. What is their risk-tolerance level? How do I protect them? Krebs: 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.

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 private sector partners, 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 in vulnerability management, risk assessments, and incident response.

Wagner: My worldview is international systems. We have to push back on giving other nations the advantage and the ability to dictate the terms of the relationship. 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.

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

Christopher Krebs

Customers first

Cisco’s Edna Conway says she now focuses on how to protect customers from risk.
ALL IN ON 5G NETWORKS

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

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 if we thought 5G was going to enable IoT, one prerequisite is already available in agriculture: “The future is here, it just hasn’t scaled yet.”

FUELING IOT

Terry Halvorsen of Samsung is eager to see 5G 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 chips and the equipment manufacturers have something to build on,” she says, “which is why we were early out the gates with our 5G network.”

Palmer points out the implementation side. “From V30 to V50, the chipsets and the equipment improve. We have 5G phones out there. And 5G wasn’t transformative enough for what 5G offers, so it acquired heightened spectrum levels. “When we launched 4G LTE in 2010, it was on 20 megahertz,” he says, “which is why we were early out the gates with our 5G network.”

Terry Halvorsen of Samsung Electronics is impressed on the implementation side. “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.”

THE EVOLUTION OF NETWORKS

The emergence of 5G follows a steady evolution in network innovation and capabilities.

Interoperability + SMS messaging

Improved speed + latency decreases

Enable IoT + AI and XR

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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.”

Alex Holt

“Beyond Trials

Palmer notes that Verizon is well beyond beyond trials. “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 his 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 that’s 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 that produces something meaningful?” he asks.

I’m starting to believe that 5G is the real deal. It will genuinely change the world.”

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

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.”

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.

ZBJ is one of the largest online labor markets in the world.

ZBJ charges members a fee, and they 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.

Marshall Van Alstyne introduces the comprehensive offerings of ZBJ—from providing freelance workers access to employment opportunities to B2C e-commerce and fulfillment.

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During the past 13 years, ZBJ has attracted more than 13 million subscribers and has incubated over 100,000 companies.
AMAZON’S FORMULA FOR INNOVATION

Dirk 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.

1997

Dirk Didascalou shares the story of the genesis of AWS as an internal infrastructure service that executives realized could benefit other companies.

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. Organizationally, 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.

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.

AMAZON’S KEY PRINCIPLES

Three years later, we had 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 empower every startup to have the exact same tools as the Fortune 500, or even just the Fortune 50 companies. You don’t need $1 billion to build a giant data center anymore. We give the same tools to everyone.

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That’s enabled by the cloud, and we realize 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 it 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.

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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 determine our end goals. The first Kindle was not about creating a device, it was a vision. There had been

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.

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AMAZON’S BUSINESS PRINCIPLES

Customer obsession. Passion for building and experimenting. Invent and be patient.
THE PLATFORMICATION OF INCUMBENTS

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 need to be willing to disrupt yourself. In a platform world, you go beyond your existing businesses. You need to be willing to disrupt yourself. You go beyond your existing businesses. You need to be willing to disrupt yourself.

Adrien 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 what is happening around you. 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 end game. The biggest challenge is to find out what your brand stands for and how you can fit the traditional model. They’re learning more about what their brands stand for and how they can fit the traditional model.

Adrien Nussenbaum: When I look at our 190-plus clients every day, they’re all selling items that they never carried before, that their buyers wouldn’t have bought because it didn’t fit the traditional model. They’re learning more about what their brands stand for and how they can fit the traditional model.

In 20 years, no business will survive without building an ecosystem, whether it’s mass market or high-end luxury. Even Hermes, the great French brand, is implementing an ecosystem with one design team to offer related services to their clients. We’re living in a world of ecosystems.

Baharloo: 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 our stock orders jumped to 80% overnight. Without the customer experience, a platform alone is not going to do much.

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Fahrner: I’ve worked with eBay over the years, and was fascinated by their origin. eBay started with collectibles, like bearie babies. They owned that niche, then went to the next niche, and the next. Every marketplace has to find out what their bearie baby is. You can’t be everything to everyone, especially not at first. Just be sure the customer comes back.
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.

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

“What 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.

THE HYPER 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 wants clarity, too. The challenge is what does good regulation look like?

Who will be the true beneficiaries of this political, regulatory and legislative fragmentation? Michael argues 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 had 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.

STEPPING 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.”

“Marketplaces 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

“... in extreme cases,” involving health, safety or political point of view it advocates. Finally, Elliot noted that the company announced that it is creating an independent board, to review controversial decisions, removing them from any business association. This, he argued, is an important step in governance mechanism design. “It is dangerous for a platform to get into the business of deciding what is true and what is false, except in extreme cases,” involving health, safety or harm, says Elliot.

He closed the chat by referencing former Supreme Court Justice Louis Brandeis: “The best way to fight bad speech is with good (more accurate) speech, not to censor the content.”
Lessons From A Platform Pioneer

Lorrie Norrington believes 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. In the case of Intuit, technology constraints—not fortitude—were the problem. “We wanted to open our software to developers,” says Norrington. “We couldn’t innovate fast enough to fill the void, but APIs didn’t exist yet. We got there very slowly.”

MIT IDE Co-director Andrew McAfee asked Norrington about the financial differences among platform companies and what makes an outstanding platform investment. “The advantage goes to those that ensure that customers have tremendous choice and the ability to self-serve,” says Norrington. “Consumers want choice, but at the same time they want ease of use.” Companies also need to let go of the idea of building infrastructure, she notes. “It’s faster to buy a platform-as-a-service.” So what are the best practices for CEOs in need of funding for platform investments?

“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.”

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.

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. 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

Andrew McAfee

MIT IDE
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.

"We are navigating uncharted waters." — Geoffrey Parker, Dartmouth College, MIT IDE

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 it, 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."

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MIT PLATFORM STRATEGY SUMMIT 2019

Marshall Van Alstyne, Geoffrey Parker, and Peter Evans

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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