MIT IDE

Platforms: Review & Forecast

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News
Platforms working with Governments

• QR code check required for trains, cafes, shopping malls & restaurants
• Yellow / Red status might apply to someone who had contact, visited a virus hot zone, or reported symptoms
• Apple coordinating with Google at OS. Will tracking disappear post covid-19?
• Antitrust?

Source: Connie Chan A16Z
More than Data Nationalism:
India bans Chinese platform apps

WeChat, QQ, TikTok, Baidu maps, Baidu translate, Weibo …
Trump signs exec order to curb Section 230 if platforms curb speech

Fact check on voter fraud

Removes hate speech icon

Bans “TheDonald” for hate speech

Won’t censor conservatives

“We’ve taken the decision to stop political ads on Twitter”
Shaved $70 Billion Off Facebook Stock

#StopHateForProfit

Facebook Stock
Tools & Strategy
Decision Tree: platform vs. federated platform vs. product on a platform

Market Transform?
- Yes → Resources to Tip Large Market?
  - Yes → Control Customer Relationship?
    - Yes → Platform
    - No → Coalition Resources to Control Market?
      - Yes → Federated Platform
      - No → Product/Service on Platform
  - No → Product/Service

How easy is an “inverted firm”?
1) Info Value?
2) Modular?
3) Safe Experiments
Quibi is “midtail” content

<table>
<thead>
<tr>
<th>Value</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
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<tr>
<td>High</td>
<td>High</td>
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Game of Thrones
Breaking Bad
Sopranos
(Hi Value)

YouTube or TikTok
(Hi Volume)

Not
Which Platform Investment is better?

1) Marketing to acquire users (CAC)

Econometrics for 1800 values Baseline = $54

Net after CAC = $-16

2) Discounts to attract users

Net after discount = $-0.75

3) Design network effects for user value

Net after NFX = $+$37

4) Architecture to keep users

Net after no disintermediation = $+$797
Platform Design (same business)

- Coupon redeemed with merchant, off platform
- Subsequent business likely direct with merchant
  - New matches must be generated fresh

- Groupon is a “leaky bucket”

- Order & scheduling through platform
  - Delivery through platform
  - Payment through platform

- Data used to tell missing products, SKUs that sell
  - Data identifies people in 1km who will buy
  - Recommend new store locations

Meituan has 5x per user value, 56x market cap value
Analysis
Platforms & Regulation Collide

1) Section 230

2) Competition Policy
Antitrust Challenges

Market Share Dominance

Mkt share hi and abused?

Restricted Output

Q < f(MC) test of restriction

SSNIP Test
Predatory Pricing

P > MC test of market power
P < MC test of predation
Proposition (1) Platform breakup fragments the user base reducing the scale of network effects. It creates competition (affecting prices) but destroys value (affecting production)

Proposition (2) GDPR restores privacy but creates islands of negotiation and hidden information. Overall it reduces value
How does value rise with Network Effects?

But if we grant competitive access, is it the right data and WhatsApp?

Breakup destroys value relative to other kinds of interventions

Competitive access adds users. Consider “essential facilities” doctrine: Don’t have 3 firms lay railroad tracks. Have 3 firms compete to deliver over the same tracks.
Proposal: A Truth Market for False Political Ads

1) Politicians warrant their claims by placing pledge in escrow
2) 3rd party fact check
3) Pledge refunded if no challenge or if challenged and true
4) Governance just like normal:
   • Legislature / Judiciary / Executive
   • Fox & CNN / Fact Checker / Facebook
5) Honest ads, no extra cost. Lies are expensive!
Platform Research on: SSRN.COM

1) Antitrust & Digital Platforms (Parker, Petropoulos, Van Alstyne)

2) Winning the Race for Survival (Joglekar, Parker, Srai)

3) Platform Talent 2020 (Evans, Finkhausen)

4) Proposal: Truth Markets for False Ads (Van Alstyne)

5) How Users Create Platform Value (Zhou, Zhang, Van Alstyne)