

# MIT IDE

## Platforms: Review & Forecast

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MIT PLATFORM  
STRATEGY SUMMIT

**2020**

MIT INITIATIVE ON  
THE DIGITAL ECONOMY



**News**

**3.1**

# 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?



**Green** =  
the person  
can move  
about  
unrestricted

**Yellow** =  
may be  
asked to  
stay home  
for seven  
days

**Red** =  
two week  
quarantine

Source: Connie Chan A16Z

# More than Data Nationalism: India bans Chinese platform apps



Vs.



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



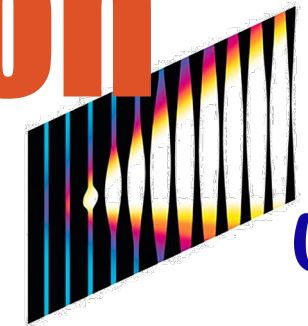
Won't censor conservatives



"We're making the decision to stop all political advertising on Twitter" of truth"



Shaved  
**HATE**  
**\$70 Billion**  
**FOR**  
**PROFIT**



#StopHateForProfit

**Facebook Stock**

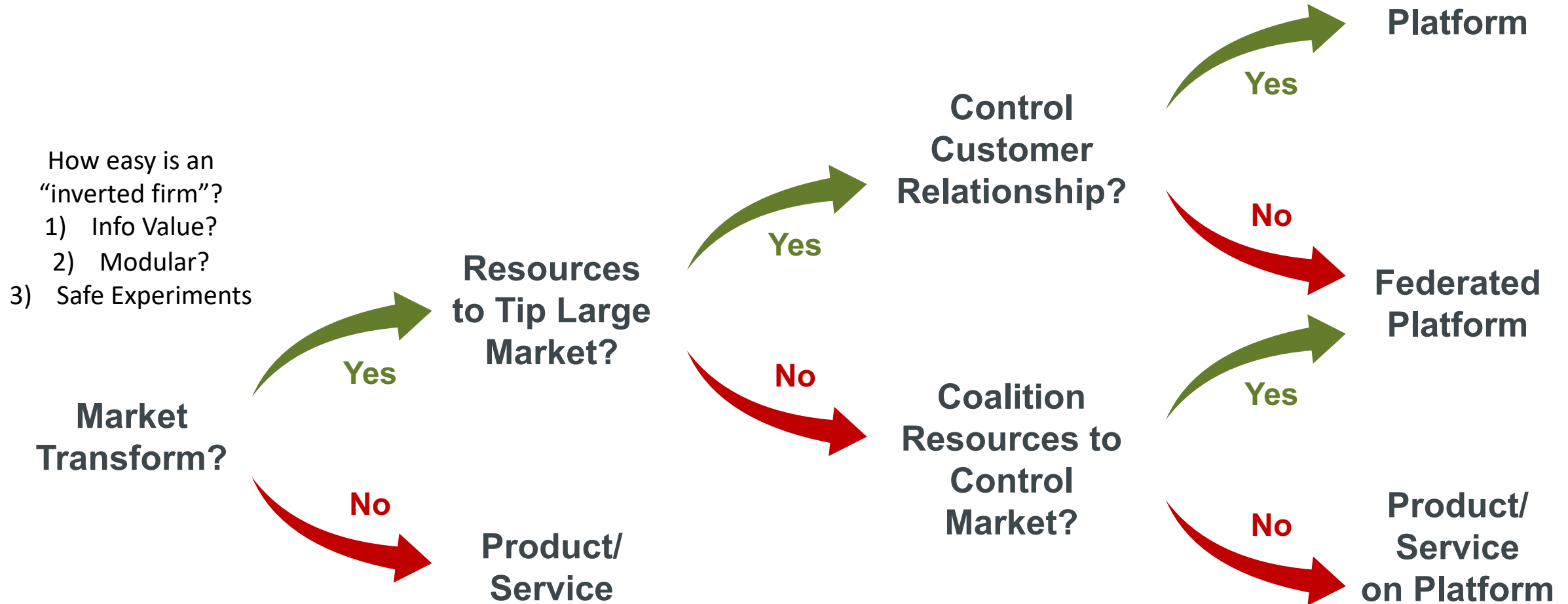




3.2

# Tools & Strategy

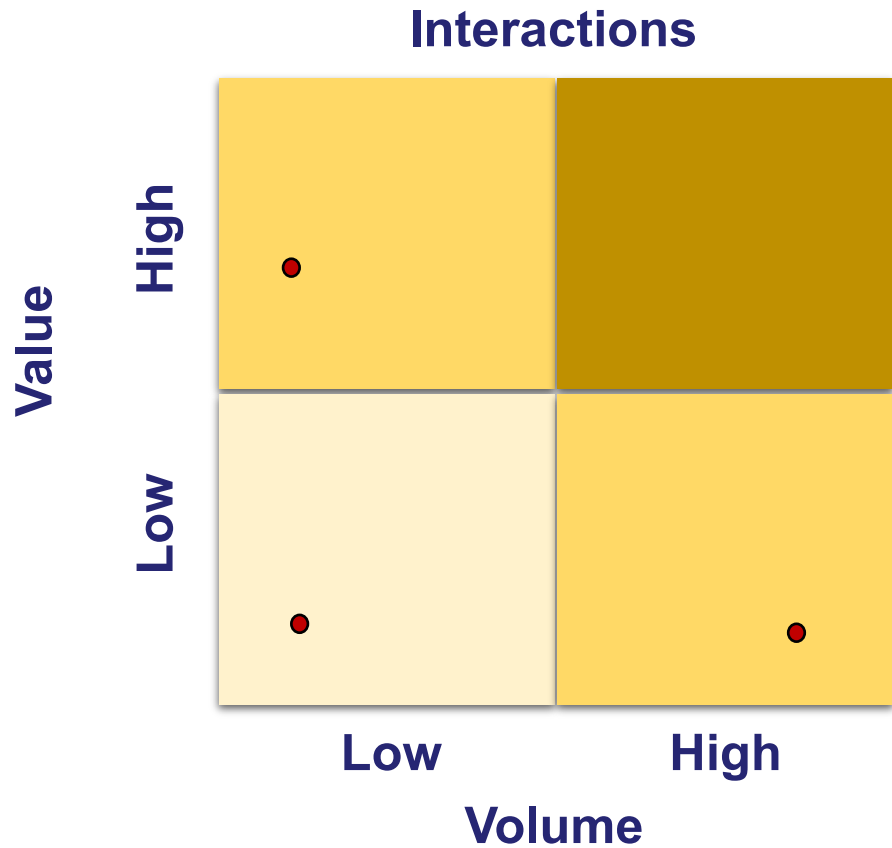
# Decision Tree: platform vs. federated platform vs. product on a platform







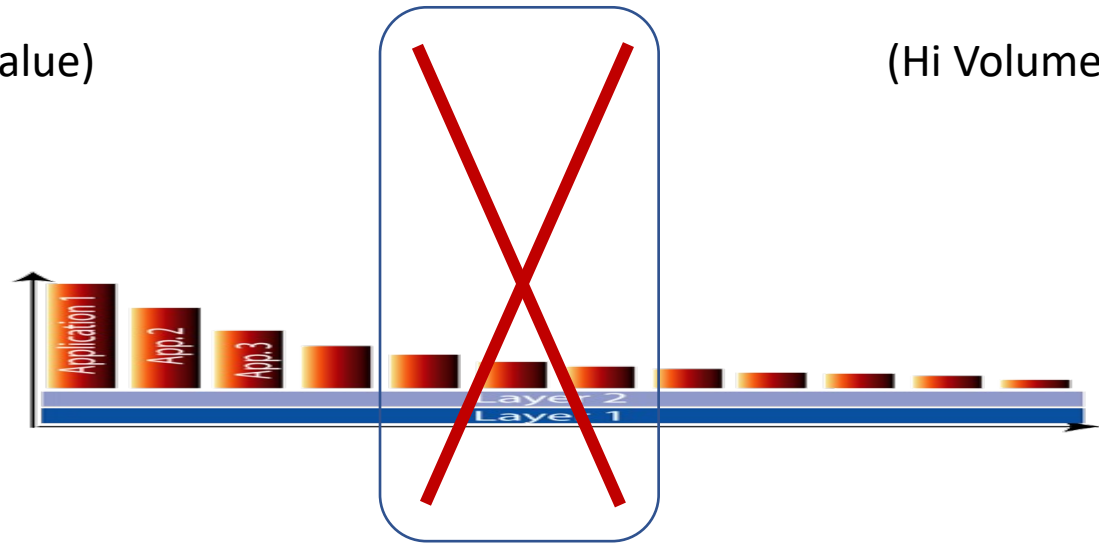
# Quibi is “midtail” content



Game of Thrones  
Breaking Bad  
Sopranos  
(Hi Value)

*Not*

YouTube  
or  
TikTok  
(Hi Volume)



# Which Platform Investment is better?



1) Marketing to acquire users (CAC)

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

Econometrics for 1800 values  
Baseline =

\$54

# 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**



3.3

# Analysis

# Platforms & Regulation Collide

## 1) Section 230



## 2) Competition Policy



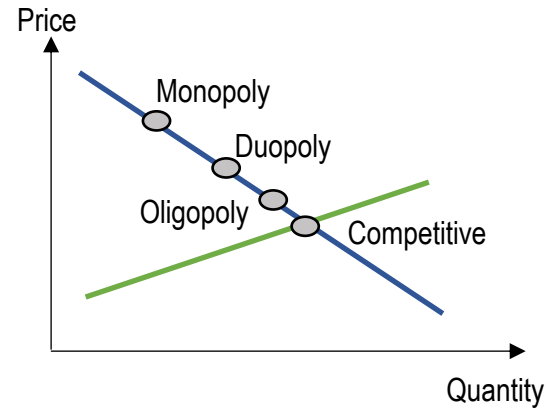
# Antitrust Challenges

## Market Share Dominance



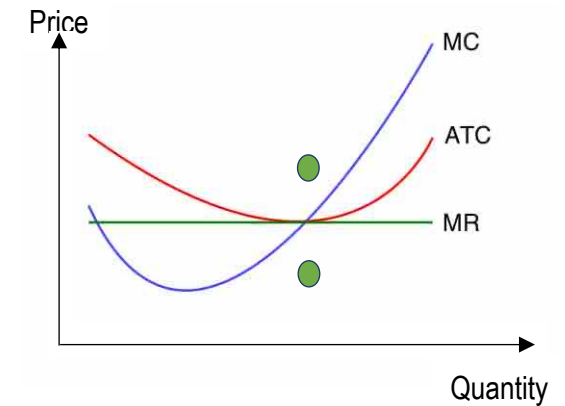
Mkt share hi and abused?

## Restricted Output



$Q < f(\text{MC})$  test of restriction

## SSNIP Test Predatory Pricing



$P > \text{MC}$  test of market power

$P < \text{MC}$  test of predation

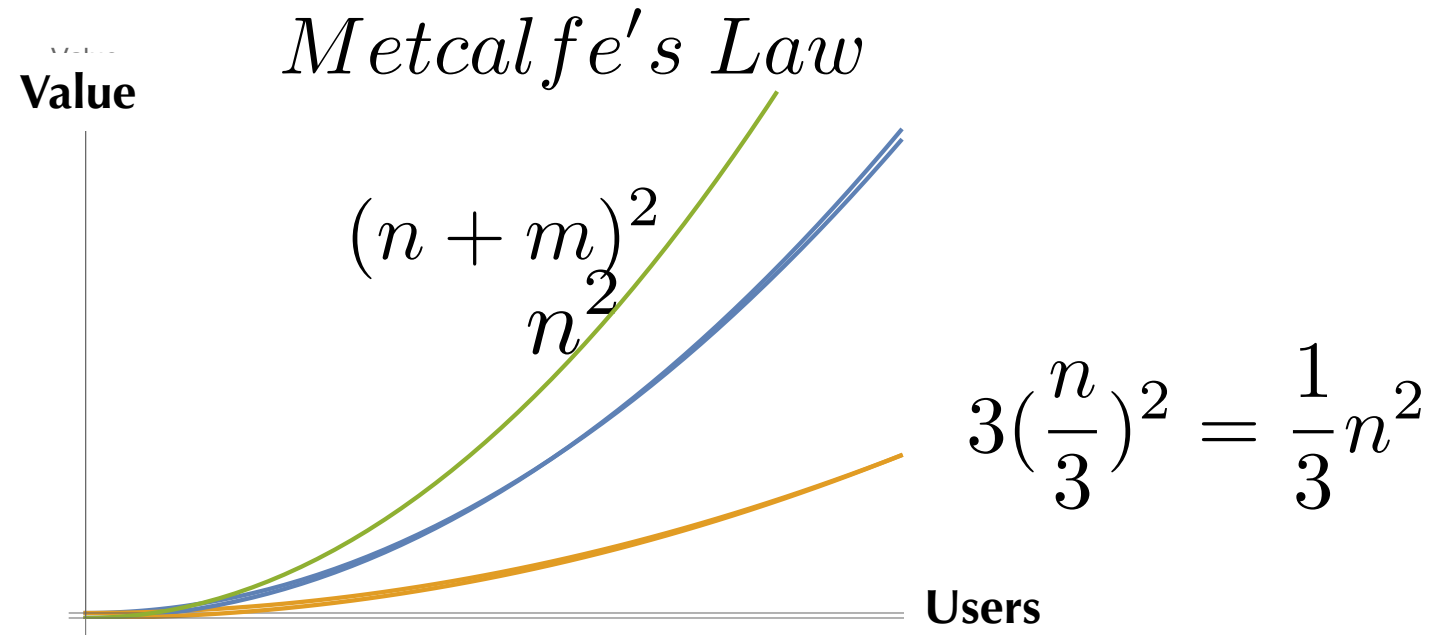
# Antitrust & The Inverted Firm Hypothesis

**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 different network capabilities, standards, 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) 3<sup>rd</sup> 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)