

Harnessing the power of platforms

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cjs@tulane.edu



A new book by business professor Geoffrey G. Parker called Platform Revolution explores the strategy behind firms like Uber, Airbnb, Xbox and eBay, which connect buyers and sellers with technology-based platforms. (Photo by Cheryl Gerber)

From the App Store and Airbnb to Uber, Xbox and eBay, platform businesses — firms that use technology-based platforms to connect buyers and sellers — are revolutionizing the way people live, work and play.

A new book by [Geoffrey G. Parker](#), professor of management science at the [A. B. Freeman School of Business](#) at Tulane University, explores the strategy behind these fast-growing businesses and offers insights to help managers harness the power of platforms. [Platform Revolution](#), co-authored with Marshall Van Alstyne and Sangeet Paul Choudary, is the first authoritative, fact-based book on the platform business

model.

“The entire economy has been shifting toward more networked businesses,” explains Parker. “If you look at the world’s largest publicly traded companies, increasingly there are firms like Alibaba, Microsoft and Amazon — companies that are orchestrating ecosystems outside the firm and creating enormous value in doing so.”

The book combines a discussion of the economics of multi-sided markets with strategies to help firms start and run successful platform businesses. According to Parker, one of the most important things for prospective platform operators to remember is to avoid using their power to shift the balance in their favor.

Take, for example, the case of Keurig, manufacturer of coffee brewing machines and single-serve coffee pods. When the patent on its ubiquitous K-Cup pods expired in 2012, Keurig added an optical scanner to its brewers to prevent consumers from using non-licensed pods. Customers revolted, and the resulting backlash cost the company millions.

As a platform-based business, Parker says Keurig should have recognized that a wider selection of pods creates value for customers using its machines, which is more important to the long-term success of the platform than grabbing a bigger share of short-term profits.

“A lot of getting the strategy right,” Parker says, “is just letting go.”

Mark Miester is a senior editor in the A. B. Freeman School of Business.

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