Platform Revolution is a book about how platforms have become the dominant market force in today's world, and how they are changing the way we do business. It also includes tips on founding and managing platforms.

A platform connects two parties for the exchange of a product. Uber is an example of this. A platform leverages economies of scale by having fewer steps in the production process, thereby reducing costs and ensuring higher quality. Businesses who target both businesses and consumers can have incredible growth using platforms because their structure optimizes profitability instead of profit per transaction.

For a platform to work, it needs both sides of the network. In other words, if you're trying to build a platform business model, you need both users and providers. The more users there are on one side of your platform (e.g., Uber), the more providers will want to join in order for them to make money from their assets (e.g., cars). This is called the "network effect," which refers to how changes in one part of a network can affect other parts of the same network.
The platform's goal is to have a large network of users. However, the true success metric isn't only about having a lot of people on it, but rather if they are interacting with each other and sharing valuable information. This means that entry into the platform must be easy and free for everyone. The more connections there are between different types of people, the better experience it will be for those using it. Therefore, charging money or giving away access to an existing network can help make this happen because then you're guaranteed that there will be interactions happening on your site/platform.

Platforms may choose to allow other companies to manage the platform, or they can do it themselves. However, in either case, there are guidelines for good governance of a platform. The most important ones state that platforms should always create value for users and not change the rules in their favor to make more money. Platform competition depends on how easy it is for users to switch from one platform to another (multihoming), and whether a competitor can get them back if they defect.

Governments are trying to regulate the potential harm of social media platforms. Meanwhile, these platforms have already changed many industries such as education and health care.

**Key Takeaways**

Platform networks can grow quickly because growth on one side of the network attracts more users to the other side as a result of network effects. The architecture of a platform relies on five elements: users, the item that users will be exchanging, currency, filters used to find producers and information to help with that decision. Platforms have low distribution costs and high speed for growth compared with traditional businesses. They use predictive analytics to better serve customer needs.

A new platform needs to recruit users in order for it to be successful. The more people who are using the platform, the more valuable it is. In addition, platforms need to find a way to make money while still maintaining user trust and satisfaction. A good business model will not deter users from joining or participating on the platform because they will want something out of their participation (usually money). There are different ways for businesses to make money depending on what they're willing and able to expose about their business practices.

The metrics for a platform's health differ depending on the stage it is in. If you're trying to grow your social media network, then you need to measure its value to users.

Platforms rely on their users being loyal to only one platform for a specific purpose. If the platform has significant negative externalities, regulators should consider whether the platforms can reduce or eliminate those by changing internal policy or if they are engaged in anti-competitive behavior. Industries such as health and education are ideal candidates for business expansion because of their reliance on information exchange and human gatekeepers.

**Key Takeaway 1:** A platform network can grow quickly because growth on one side of the network attracts more users to the other side as the result of network effects. A network that is too large may collapse if the platform cannot facilitate useful connections.
The value of a network increases by the number of connections its members can make. The more users there are on a platform, the better it is for all users because they can connect with each other. A strong network retains those users and makes them want to stay even if they're overwhelmed by too many people using the same platform. If there's no friction in joining a network, then it will grow quickly but only temporarily because new networks don't retain their user base well enough to keep growing forever.

Networks can experience collapse when users take advantage of the system for their own personal gain, which is what happened to Chatroulette. The network could no longer police itself and naked men were joining chats. This was not something that most users wanted but they couldn't prevent it because there wasn't enough information given before connecting with another chat partner. End-user license agreements can state certain standards but cannot enforce them simply by obtaining user's agreement so the community has a responsibility to prevent collapse by reporting inappropriate behavior from other users. More conventional policing would force users to report each other for inappropriate behavior, which would be difficult because Chatroulette didn't have registration or any way to track people down unless they gave out their IP address (which anyone could get around pretty easily). A chat service like Chatroulette could avoid the Naked Hairy Men problem by giving you an image of your next chat partner before connecting you, allowing you both a chance to disconnect if someone appears naked in that picture. Creating a healthy network on any platform requires trust between all parties involved in transactions and more transparency will help solve this problem.

**Key Takeaway 2:** The architecture of a platform relies on five elements: users, the item that users will be exchanging, currency, the filters that help the user select a producer, and the information used to make that decision.

For example, a YouTube user gets video recommendations and decides whether or not to watch them based on the titles. When she watches a video, she pays for it with views.

The currency of a platform can be the most varied component. It can be mandatory, such as a view on YouTube that increases the view counter by one regardless of whether the viewer liked it or would recommend it to a friend. The user can then choose to reward the video producer with thumbs-up or positive comments. Any video receives views if someone watches it, but good videos receive different interaction-dependent currencies. Users also classify videos as favorites and add them to custom playlists.

A platform can reward several different types of behavior. On YouTube, a view rewards people for producing content that people watch, but other interactive forms of currency reward the quality of the content.

**Key Takeaway 3:** Platforms grow faster than traditional businesses because they have low costs of distribution and growth, can leverage users to automate processes, and use predictive analytics to better serve customer needs.

In a pipeline business, you can grow by adding more facilities and people or by recruiting producers. You can also grow simply by recruiting users who will enforce their own quality standards.

Platforms are ways to bring people together. Platforms can be a marketplace, where users join and help
each other out. For example, some designers might want to make new games but don't have the ability or money for the resources that they need to produce them. They can offer their designs on a platform so that people who want those types of games can play them as well as provide feedback and even buy the game from the designer if it's good enough. A pipeline-style design would require more investment in producing copies of a finished product before anyone could get it, whereas an online platform allows users access right away with less risk attached because there is no production cost involved until someone buys one of your designs (and you get paid).

Key Takeaway 4: A new platform must recruit users to fill all roles in the network to serve its purpose.

Users won't join a service that doesn't have producers, and vice versa. In order to create an ecosystem for your platform, you need both parties. Some platforms solve this problem by using existing networks or by becoming their own first users or producers.

The producer–consumer conundrum is a common problem in many industries. For example, electric car owners need to be able to drive their cars long distances but there aren't enough charging stations available for them. This makes it difficult for people who own electric cars to use them as their primary vehicle because they have to plan out the locations of charging stations before going on trips. New platforms are helping solve this problem by allowing drivers and those with home charging stations connect so that drivers can find nearby places where they can recharge while traveling.

Key Takeaway 5: A profitable platform charges users or third parties only when doing so does not deter users from joining and participating.

Charging for a platform can result in a smaller network because some users will quit when asked to pay. However, charging the right people for what they get out of the platform can make it successful. This is because if you're going to charge someone money, then that person must be getting something from your product that's worth paying for.

For example, the music listening platform Pandora doesn't charge users for joining the service. However, free users are required to sit through advertising that interrupts their music. If they choose to subscribe, they can listen to music without advertising and have more control over the music that plays on their stations. Pandora makes money off both free users and paid users because the platform receives advertising revenue from free users and subscription fees from paid users.

Key Takeaway 6: Platforms take differing approaches to openness depending on what they can afford to expose to competitors and what they want to control.

Platforms can be open or closed. A company like Apple controls everything about its mobile products, which allows it to hold manufacturers and designers to certain standards of quality and design. On the other hand, Linux is completely open allowing volunteers to manage the product that customers actually use.

Open source versions of many platforms are being released as the demand for them increases. One is the
open source mobile operating system CyanogenMod, which is an open version of Android that users can install on their phones to avoid proprietary additions made by device manufacturers. Another example is OpenStreetMap, a free and editable map platform that's more accurate than Google Maps because it allows input from anyone who uses it. However, these alternative platforms require advanced knowledge in order to manipulate them effectively.

**Key Takeaway 7: Internal policies for platforms preserve trust and value for the user and maintain realistic expectations.**

Platforms often make unpopular decisions to preserve their bottom line, even when the users don't like it. These decisions are fair and transparent so that users know what they're getting into.

Sometimes the best way to solve a problem with an existing platform is unclear. For example, Oculus VR has exclusive games that are compatible only with its headset but also released a patch called Revive that allowed users of other headsets to access these games. But then they removed the patch after deciding it would be unfair to those who had signed exclusivity deals with them. In response, Oculus added code to their game so Vive owners could play Rift-exclusive games as well. This was done in order for Oculus and HTC not to lose out on potential sales by making sure all players could enjoy their content equally.

**Key Takeaway 8: Metrics for the health of a platform’s network differ based on the platform’s stage of growth but should always measure the platform’s value for the user.**

As a platform matures, it should be measured by different metrics. A startup needs to measure the speed of its growth and activity of its key influencers. Mature platforms need to measure the value that users get from transactions and data actionable for innovation.

Even within a specific niche, like dating sites, there are different ways to interact with the site. A successful interaction could mean getting married or finding a casual relationship. Different websites will want to publicize their success rates in order to attract users interested in that kind of relationship (and advertisers). For example, eHarmony and Tinder have different demographics and target audiences so they're going to want to attract advertisers who cater towards one demographic or another. An online dating site with high marriage rates would attract home-selling companies because those people tend get married more often than others. Ads for wedding rings might confuse casual daters on the same platform.

**Key Takeaway 9: Platforms compete by discouraging multihoming, that is, when users adopt more than one platform for the same purpose.**

When competing with other platforms, it's important to think about how you can limit access and use of those platforms. You should also acquire the best resources for your users, analyze data to gain insights into the market and competitors, as well as acquiring or merging with competitors to create a more robust platform. Sometimes all a competitor needs in order to become better than you is time; if they have already acquired enough users then there isn't much you can do unless another great platform comes along.
Social networks have a challenge with multihoming and competition. The cost of multihoming is low, so it's easy for users to switch between social networks. Many people still use MySpace because they never closed their account or still have Google Plus accounts even though they only use Gmail. This means that the number of users on a platform may not be accurate since many people are also using other platforms.

While at the same time, if someone wants to move to a different social network because they don't like Facebook's policies or privacy issues, they would need to convince their friends and family members who are on Facebook also to switch with them. Because of how popular Facebook is, this makes it difficult for people to leave.

**Key Takeaway 10: If negative externalities from a platform are significant, regulators should consider whether the platform’s internal governance can reduce those externalities or whether the platform is promoting anti-competitive behavior.**

It is not just the people who use a platform that are affected by it. For example, taxi drivers are adversely affected by ridesharing platforms and neighbors can be annoyed when they have to deal with too many guests from home rental platforms. Therefore, government needs to allow for innovation but also step in if there is any violation of antitrust laws or public inconvenience or risk.

One thing that government regulators should consider is the amount of information that platforms gather about their users. Not only does this pose a privacy risk but it also exposes people to identity theft and data breaches. Even companies that don't specialize in selling products, like Facebook and Twitter, give you the option to save payment card details so you can purchase services through them. Payment card industry regulations provide standards for storing this information but if a platform gets hacked then all those saved card credentials are exposed as well. This presents an even greater risk unless platforms commit to storing passwords in encrypted, obscured forms.

**Key Takeaway 11: Many industries, including health and education, are ideal candidates for platform business expansion because they rely on information exchange, have human gatekeepers, are fragmented, and have information asymmetries**

Platforms work best in industries where information can be shared, access to decision makers is increased, and producers and consumers are connected. Platforms are not a good fit for highly regulated or expensive industries.

Industrial and building design is a good field for platform expansion. Platforms in this industry are expanding because they allow designers to share plans, change specifications, and create schedules that can be accessed by anyone with an internet connection. These platforms solve the problem of designers having trouble communicating clearly via existing media such as phones and email.

**Book Structure**

Platform Revolution is written in a style that switches between general and highly specialized
terminology. It contains information about platform businesses, such as the economic factors that determine their success and the minute details of certain business deals. The book does not discuss technologies that power platform businesses, because those technologies may become obsolete with future advances.

The authors frequently talk to the reader, which is confusing because it's not clear who wrote each part of the book. The authors are also characters in platform business events and are always introduced by saying that they're an author of this book. Asterisks lead to notes at the end of chapters that add context or explain why something was mentioned a certain way. Endnotes connect back to sources cited at the end of the book.

The book uses specialized language and references that require prior knowledge. It refers to self-serve advertising on MySpace without defining what it is or explaining how it was used, and the term “plug-and-play” is used when talking about infrastructure but isn’t explained in terms of its application. Most platform specific terminology is written in italics and defined almost immediately after.

The authors discuss a few companies, including Uber, Airbnb, Facebook and Twitter. They also compare them to other businesses such as wireless internet-enabled device manufacturers or government agencies like Singapore's anti-corruption measures.

This book is divided into many chapters. Each chapter focuses on a separate theme, such as competition or governance, and breaks down the issues surrounding that theme in a list form. In some cases, these lists contain sublists. At the end of each chapter are takeaways that break down the key concepts from each chapter.

About the Author

The authors of Platform Revolution are some of the leading experts in the new field of platform businesses. All three men have PhDs and taught at prestigious universities. Two hold faculty positions at MIT, where they research how digital advances such as artificial intelligence will impact society. The third writes about those topics on his blog, Platformed, and operates a consultancy that specializes in this area.

Full Summary of Platform Revolution

Introduction

Platform businesses are a new model for doing business. They use technology to connect people with resources they need, and in the process make lots of money.

Platforms are becoming an integral part of our daily lives. Platforms include companies like Amazon, Airbnb, Google and eBay that span diverse markets from health care to energy to education. New uses for the platform model are always being reinvented as businesses strive to provide services that are on the cutting-edge of what is possible. No matter what your field, platforms may be changing many aspects of your daily life such as your experience as a consumer, parent or employee just to name a few.
Platform businesses are more efficient and versatile than traditional businesses. They use fewer resources and rely on high-tech solutions to dominate established industries, which benefits internet-based companies that can grow rapidly.

Building a platform is an effective way to increase your business. This summary will help you figure out how to build one for your company, including creating a good operational architecture, launching and monetizing the platform, using metrics to grow the platform, and planning for the future.

**The Power of the Platform**

Platform businesses are becoming more popular around the world. These companies provide a specialized infrastructure, like Apple and Google do with their devices, which allows people to exchange goods or services in a marketplace. Platforms allow for connections between participants by providing them with something they need—like Airbnb does for lodging or Facebook does for social media.

"Platforms are very popular products that provide unique value to each user. They allow their users to customize the platform and engage in feedback loops with other users, which allows the platforms to be responsive and adaptable. This makes them a desirable product because of how much they can adapt."

Network effects are a major advantage to platforms. The more people who use a platform, the more useful it becomes for everyone else. If you manage your network well and grow it enough so that people want to join, then your network will be very valuable to them. Conversely, if you don't build up your network or have poor organization or management of it, then no one will want to use it. As such, positive network effects lead to rapid growth in funding as well as competitive advantages that can help make companies dominate their markets over time.

Designing a successful platform is important. You want to make it easy for people to use and rewarding for both parties involved. For example, Yelp offers reviews of restaurants, directions, photos, and links to menus so that you can decide where you want to eat. It uses social currency (publicly posted comments), advertisements (sponsored content) and other means of generating income in order to keep the site running smoothly.

The three main components of a platform are participants, the value unit and the filter. The interactions between these three components should be seamless. Consider LinkedIn as an example: it allows many kinds of interaction among its users (professionals exchange ideas, companies post job listings, etc.). The participants can both create and consume data in multiple ways. On LinkedIn, there is one value unit for each user (a post or a professional profile). There's also a sophisticated algorithm that filters out only those posts/profiles that are most helpful to each user. As you build your platform, make sure you define these three core components carefully and design tools that facilitate their seamless interactions.

**Monetizing Your Platform**

One of the best ways to make money is through a platform. This can be done by creating new forms of revenue, such as affiliate links or membership tiers. Platforms also have the potential to profit from advertisements and page views. The possibilities are endless if you align your platform with its core
The value of a network is crucial to the success of your company. A lot of people have trouble monetizing their networks, but it's important not to damage the fragile dynamics that keep them engaged and using your platform.

Start the monetization process by defining and articulating what your platform provides. Then, try to determine which features participants value enough to purchase. For example, will you charge for access to the platform? Will you charge producers or content consumers? Will you offer premium content that requires a fee while keeping other basic free? What about charging advertisers for using your tools?

To make money from your platform, you have to design a successful launch strategy. The most important thing is to build a structure that allows for rapid growth and expansion. You should plan for the logistical challenges that come with scaling at this level. If you do, you'll be prepared for what comes next in your business's life cycle.

Although there are many strategies to launch a new product, Facebook used the micromarket strategy. The company launched by focusing on improving the quality of user experiences and scaling rapidly to larger populations.

**Growing Your Platform**

Expanding your platform depends on thoughtful strategies for growth. You need a solid framework that defines what participants can and cannot do, as well as protocols to keep them safe and avoid legal troubles.

Wikipedia is an open platform that allows people to edit articles. However, it faces the challenge of dealing with users who add false information into articles. It's important for designers to balance openness and restrictions in order to attract more users while maintaining quality. Additionally, different levels of openness allow similar platforms to compete with each other so adapting your platform according to the preferences of your participants is crucial for growth and success.

Businesses can learn a lot about their platform and how to improve it by focusing on key metrics. These measurements provide guidance for introducing new tools and features, so you can make your platform better. The most important metric is the number of happy customers, because they're the ones who keep coming back to your platform. To find these people, you need good metrics that are simple enough to encourage frequent analysis but detailed enough to give information about what's important in your business. Furthermore, once you've identified those customers, try adding more opportunities for them to interact with the platform through its new functionalities.

In the platform economy, it's important to be aware of competitors who could potentially threaten your business. This is different than traditional competition because platforms are creating new markets and ecosystems that they're leading. Platforms like Amazon were unexpected threats, and companies like ABC and NBC have struggled with competitors such as Netflix.
To stay ahead of the competition, your platform needs to be inventive and adaptable. You should also watch out for other platforms that are trying to take over your market by positioning themselves as alternatives. If you see this happening, consider partnering with another company because it might benefit both parties more than having one person win the battle. Microsoft, for example, finally agreed to design and license its Office Suite of software products for longtime rival Apple to use on its hardware so both companies can profit from their partnership.

Conclusion

As you have learned, a platform's purpose is to provide an environment where people can exchange ideas and create value. A great platform will be easy to use and engaging for the user so that they want to participate in the community. It is up to the platform designer/developer/owner to create a good interface and make sure it works well so that users are happy with their experience. This feedback from users helps improve future versions of the product or service, as well as generate revenue for more improvements down the line.

When setting up your platform, you might want to consider the following industries: media, telecom, and online education; retail and publishing; travel, leisure, and food services; or data aggregation. These are all areas where platforms can succeed because they offer consumers more meaningful choices than traditional models do.

Platform businesses are here to stay and will likely become huge in the next few years.

About Geoffrey G. Parker, Marshall W. Van Alstyne, and Sangeet Paul Choudary

Sangeet Paul Choudary is the co-chair of a technology conference at MIT and has advised Stanford University on its Global Platform Data Project. He’s also an expert in his field, as evidenced by his publications in Forbes, Harvard Business Review, and The Wall Street Journal.