Pipelines, Platforms, and the New Rules of Strategy

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What had happened in the Smartphone Market in past decade?

(source: Asymco)
The Pipeline Business Model

- Value is created upstream.
- Customer are acquired
- Products are designed to met specifications
- Value is given by consumption
The Platform Strategy

The Players in a Platform Ecosystem

A platform provides the infrastructure and rules for a marketplace that brings together producers and consumers. The players in the ecosystem fill four main roles but may shift rapidly from one role to another. Understanding the relationships both within and outside the ecosystem is central to platform strategy.

- **Producers**: Creators of the platform’s offerings (for example, apps on Android).
- **Consumers**: Buyers or users of the offerings.
- **Providers**: Interfaces for the platform (mobile devices are providers on Android).
- **Owner**: Controller of platform IP and arbiter of who may participate and in what ways (Google owns Android).

Value and data exchange and feedback flow between producers and consumers, with the platform facilitating and managing these interactions.

Key Shifts from Pipeline to Platform

- From resource control to resource orchestration.
- From internal optimization to external interaction.
- From a focus on customer value to a focus on ecosystem value.
The driving force behind platform strategy—demand-side economies of scale

- High efficiencies in demand aggregation to help achieve higher volume.
- Greater scale generates more value, which attracts more participants to bring in more value.
- The power of suppliers and customers could be viewed as an asset.
- Products emerge through interaction.