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Eight Ways to Launch a Successful Platform Business

Platform businesses inevitably face a "chicken-or-egg" start when connecting two sides of a market. There are eight ways to get around it.

Platforms are taking the world by storm. The open business models that allow for the exchange of goods, services or ideas are increasingly favoured as a low-cost, high value alternative to traditional "pipeline" companies that buy and sell and set their prices. But there is much to do when building a platform. As we described in our **last post**, there are numerous factors to consider from enabling smooth interaction to pulling users.

Understanding the importance of drawing users to a platform is a significant part of launching a successful one. But the dilemma that we call the "chicken-or-egg problem" looms for virtually all platform founders. How to build a user base for a two-sided market when each side depends on the prior existence of the other side?

Beating the chicken-or-egg dilemma

In our book, **Platform Revolution**, we observe eight strategies for beating the chicken-or-egg dilemma.

1. The "follow-the-rabbit-strategy" builds on an existing non-platform success by using a demonstration of the company's track record. Consider Amazon, which, before becoming a platform business operated an effective pipeline business that used online product listings to attract consumers. Once it had a thriving customer base, it converted itself into a platform by starting Amazon Marketplace, opening its system to external producers, which enables merchants to sell to its customers, while Amazon takes a slice of revenue from every transaction.

If you're starting a platform from scratch, however, you could consider "staging" value creation. The *Huffington Post* started out by hiring writers to create high quality blog posts to attract readers, who began contributing blog posts, which in turn fed a higher level of readership. The platform could also be designed to attract one set of users first; for example, making it easy for vendors to join, building a critical mass and then making it widely available to an audience that will discover the value.

2. The "piggyback strategy" is the platform connecting an existing user base from a different platform to the value units on offer on your platform. Justdial, India's largest local commerce marketplace, did this by seeding its initial database by borrowing listings from existing yellow pages as well as collecting information by going to businesses door-to-door. With this information, it launched a phone directory service. When customers called in looking for a service, Justdial would pass on the lead to producers. Grateful for the leads, merchants became subscribers, building out

the platform.

3. In “seeding strategy”, the platform takes the task of value creation upon itself by acting as the first producer. When Google launched its Android smartphone operating system to compete with Apple’s iOS, it seeded the market by offering US$5 million in prizes to developers who created the best apps across ten categories. Winners became market leaders, attracting large numbers of customers.

4. The “marquee strategy” provides incentives to attract members of a certain type onto your platform. In 2009, the Swiss postal service transformed itself into a digital message-delivery platform using scanning and archiving technology from the Seattle-based company, Earth Class Mail. To attract holdout customers who stuck with traditional mail delivery, Swiss Post gave away thousands of iPads to households, encouraging rural communities to switch from physical to electronic messaging, greatly reducing its resources in hand-delivered mail.

5. The “single-side strategy” creates a business around products or services that benefit one set of users and later converts itself into a platform by attracting a second set to engage with the first. OpenTable, the restaurant reservation system, was in a classic chicken-or-egg situation. Without a large base of restaurants, why would customers visit the website? But without patrons, why would restaurants bother to participate? OpenTable solved it by first distributing booking management software to restaurants then once they had enough restaurants on board, they built out the customer side and started collecting fees for lead generation.

6. The “producer evangelism strategy” involves designing a platform to attract producers who can then persuade their customers to become users of the platform. Crowdfunding platforms such as Indiegogo and Kickstarter thrive in this regard by targeting creators who need funding with the infrastructure to host content about their idea and manage the fundraising campaign.

7. The “big bang adoption strategy” involves using traditional opportunistic push marketing to attract attention. Tinder, a location-based dating app, achieved its breakout in 2012 by launching during a frat party at the University of Southern California. Already a hotbed of young men and women looking to connect, Tinder made it easier and in the process achieved critical mass during the party in a small, contained location.

8. Building on Tinder’s small start, the “micromarket strategy” targets a tiny market where members are already engaging in interactions, enabling the platform to prove its effectiveness at matching. Facebook’s decision to launch in the closed community of Harvard University was a masterstroke that enabled it to solve the chicken-or-egg platform. Attracting 500 users in the concentrated university community ensured the creation of an active community at launch.

Getting users onto the platform is one of the most crucial steps to success. But marketing a platform must differ from traditional pipeline businesses in one crucial respect: pull strategies rather than push strategies are most effective and important. Creating awareness alone doesn’t drive adoption and usage. Goods and services must be designed to be so attractive that they naturally pull customers into their orbit.

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