

# COMPETING IN PLATFORM MARKETS

**International MBA IMBA-EN SEP-2024 S-STR**

Area Strategy

Number of sessions: 15

Term: Concentrations

Category: regular

Language: English

Professor: **JUAN SANTALO**

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## **Professor of Strategic Management**

For Juan Santaló, the classroom is fertile ground for the emergence of fresh thoughts on business and economics. “I love the teaching,” he says. “As an academic, you like to discuss your ideas and the class is an opportunity for lots of discussion. It’s true that the professor moderates the discussion, but you always see new ideas coming through, particularly in the international IE programs, where there’s a tremendous diversity of students.”

When it comes to research, Prof Santaló has focused on two main lines of research. First, he has developed a research agenda around under what conditions corporate diversification creates or destroys value. His second main line of research is the competitive strategy of firms in platform markets. Along these lines he has done important contributions in our understanding of how platforms should position themselves differently in the marketplace and how they can generate the conditions for have the right combination of exploration and exploitation in the platform ecosystem. His research has been published in the top journals of the discipline like Strategic Management Journal, Organization Science and MIT Sloan Management Review among others.

### **Academic Background**

PhD in Economics, University of Chicago, USA

Masters in Economics, University of Chicago, USA

Masters in Economics, Universitat Pompeu Fabra, Spain

BSc in Economics, University of Barcelona, Spain

### **Academic Experience**

Professor (Assistant, Associate and Full) of Strategic Management, IE Business School, 2002 to present

Visiting Associate Professor Bocconi University, 2013-2014.

Visiting Assistant Professor, Freeman Business School, Tulane University, summer 2007.

Visiting Assistant Professor, Graduate School of Business University of Chicago, summer 2003.

Lecturer, University of Chicago, USA, 1999 to 2001

Teaching Assistant, Universitat Pompeu Fabra, Spain, 1995 to 1997

## Office Hours

Office hours will be on request. Please contact at:

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## SUBJECT DESCRIPTION

Multisided platforms, also known as two-sided or multi-sided markets, are economic structures that facilitate interactions between distinct user groups, creating value by connecting participants with complementary needs. These platforms serve as intermediaries, bringing together different parties to exchange goods, services, or information. The economic significance of multisided platforms lies in their ability to leverage network effects, where the value of the platform increases as more participants join. This dynamic fosters a self-reinforcing cycle of growth, as attracting one group of users makes the platform more appealing to another. A classic example is credit card companies that connect merchants with consumers. The more merchants that accept a particular credit card, the more attractive it becomes for consumers to use that card, and vice versa. This interdependence enhances the platform's economic importance by creating a sustainable ecosystem that benefits all participants. This economic model has become integral to the complete reshaping of various industries, illustrating the power of multisided platforms in driving innovation, competition, and overall economic growth.

## LEARNING OBJECTIVES

Managers of multisided platforms face a unique set of challenges that require strategic foresight and adaptability. The purpose of this class is to discuss the most important of these challenges including achieving and maintaining a delicate balance between the diverse user groups on the platform, managing network effects effectively, monetization, regulatory challenges and staying ahead of disruptive trends. The course also integrates issues of social impact management into the generic debate about company strategies.

## TEACHING METHODOLOGY

IE University teaching method is defined by its collaborative, active, and applied nature. Students actively participate in the whole process to build their knowledge and sharpen their skills. Professor's main role is to lead and guide students to achieve the learning objectives of the course. This is done by engaging in a diverse range of teaching techniques and different types of learning activities such as the following:

Learning Activity	Weighting
Lectures	20.0 %
Discussions	50.0 %
Exercises in class, Asynchronous sessions, Field Work	10.0 %
Group work	10.0 %
Individual studying	10.0 %
TOTAL	100.0 %

## AI POLICY

Generative artificial intelligence (GenAI) tools may be used in this course for research, ideation, generating an outline, proofreading, grammar check, coding, image generation with appropriate acknowledgement. GenAI may not be used for assignments, group submissions or exams. If a student is found to have used AI-generated content inappropriately, it will be considered academic misconduct, and the student will fail the course.

If you are in doubt as to whether you are using GenAI tools appropriately in this course, I encourage you to discuss your situation with me.

Below, a suggested format to acknowledge the use of generative AI tools. Please note that acknowledging AI will not impact your grade.

I acknowledge the use of [AI systems link] to [specify how you used generative AI]. The prompts used include [list of prompts]. The output of these prompts was used to [explain how you used the outputs in your work]

If AI was permitted to use in your assignment, but you have chosen not to include any AI generated content, the following disclosure is recommended:

No content generated by AI technologies has been used in this assignment.

## PROGRAM

### SESSION 1 (LIVE IN-PERSON)

#### Introduction to the course: Competitive Strategy in Platform Markets.

In this session we will go over the course roadmap and we will start introducing and refreshing the key concepts to understand competitive strategy in Platform Markets.

*Article: Strategies for Two-Sided Markets (HBS R0610F-PDF-ENG)*

*Article: What are Platform Markets? (Platform Chronicles)*

*Book Chapters: G. Parker, M. Van Alstyne, Paul Choudary. (2016). Platform Revolution - Chapter 5.*

*Launch (See Bibliography)*

### SESSION 2 (LIVE IN-PERSON)

#### Sustainability Topics:

- Economic Development

The challenge of scale and sustain: Crowdfunding Platforms

The goal of this session is to discuss the challenges of transaction platforms in the context of a crowdfunding setting.

Case questions we will discuss in class:

?Analyze strategically the Crowdfunding industry, is it a Winner-Take-All market?

? What are the competitive advantages of Crowd2Fund in the UK? Which of them do you think are sustainable in the medium term?

?What would be your strategic recommendations for Crowd2Fund? Where should they focus their efforts?

*Practical Case : Crowd2Fund in the Crowdfunding Market of the UK (STR010101-U-ENG-HTM)*

*Article: Investigating the mix of strategic choices and performance of transaction platforms (Strategic Management Journal) (CED)*

### SESSION 3 (LIVE IN-PERSON)

In this session we will play a simulation by groups in which two platforms will battle each other for market dominance.

*Other / Complementary Documentation: Simulation Instructions (HBS)*

*Multimedia Material: Clash of Two Giants: Competing in the Age of Platforms Simulation (HBS 624701-HTM-ENG)*

## **SESSION 4 (LIVE IN-PERSON)**

### **Simulation Debrief**

In this session we will go over the simulation played in the previous session to discuss what are the key learning lessons we can obtain from it.

*Article: Why Some Platforms Thrive and Others Don't (HBS R1901J-PDF-ENG)*

## **SESSION 5 (LIVE IN-PERSON)**

### **Sustainability Topics:**

- Governance

The challenge of Disintermediation. Case questions we will discuss in class:

?What factors facilitated or constrained Upwork's growth?

? Did Elance and oDesk make the right decision to integrate their two communities?

? What were the main challenges involved in Upwork's strategy to bring itself into the mainstream? What would be your recommendations?

*Practical Case: Upwork: Reimagining the future of work (HBS 616027-PDF-ENG)*

*Technical note: Disintermediation in Two-sided Marketplaces (HBS 917004-PDF-ENG)*

*Article: Trust and Disintermediation: Evidence from an Online Freelance Marketplace (Management Science) (CED)*

## **SESSION 6 (LIVE IN-PERSON)**

Entry with Strong Incumbents. Case questions we will discuss in class:

?Why do people gamble? Which aspects of the experience Betfair does improve? Which ones does it ignore?

? What aspects of Betfair's business model make it successful in its initial battle with flutter.com?

? What would you recommend for Betfair going forward? Which expansion option do you prefer? Why?

*Practical Case: Betfair vs. UK Bookmakers (HBS 709417-PDF-ENG)*

*Article: Managing Market Thickness in Online Business-to-Business Markets (Management Science) (CED)*

## **SESSION 7 (LIVE IN-PERSON)**

### **Sustainability Topics:**

- Governance

Challenges in Platform Design & Governance

Case questions we will discuss in class:

?Is the online dating industry attractive?

?What is the competitive advantage of eHarmony?

?What would you do? Which one of the options discussed in the case would you choose?

*Practical Case: eHarmony (HBS 709424-PDF-ENG)*

*Article: Generativity Tension and Value Creation in Platform Ecosystems (Organization Science) (CED)*

## **SESSION 8 (LIVE IN-PERSON)**

Challenges in Platform Design and Governance (II)

Case questions we will discuss in class:

?If you were a residential real estate agent, would you view Zillow as friend or foe? Would you list your homes for sale and advertise on Zillow?

? If you were on the board of a regional MLS, would you recommend that the MLS make available to Zillow a feed of your listings? Why?

?Why have U.S. residential real estate agents managed to sustain a 5% + commission on home sales? Will this fee withstand Internet competition? Does Zillow contribute to downward pressure on commissions?

?Which strategic recommendations would you provide to Zillow? Should Zillow management take to keep all interested parties happy?

*Practical Case: Pricing and Partnership at Zillow, Inc. (HBS 913021-PDF-ENG)*

*Article: Dynamic Resource Allocation on Multi-Category Two-Sided Platforms (Management Science) (CED)*

## **SESSION 9 (LIVE IN-PERSON)**

**Sustainability Topics:**

- Economic Development

Antitrust Battles in the Platform Economy

Case questions we will discuss in class:

?Evaluate the state of competition in the game distribution market. How strong is competition?

? If you were Apple, which arguments would you defend in the antitrust case against Epic Games?

?What would be your recommendations for Epic Games?

*Practical Case: Epic Games: Nineteen Eighty-Fortnite (HBS 721395-PDF-ENG)*

*Technical note: Legal Aspects of Pricing (HBS UV6779-PDF-ENG)*

*Own Material: Google against DOJ*

## **SESSION 10 (LIVE IN-PERSON)**

Challenges when monetizing Platforms (I). Case questions we will discuss in class:

? What type of problems did LinkedIn set out to solve? How successful has been LinkedIn be in solving these problems?

?Does option A provide better solutions? Why?

? Does option B provide better solutions? Why?

*Book Chapters: G. Parker, M. Van Alstyne, Paul Choudary. (2016). Platform Revolution - Chapter 6. Monetization (CED)*

*Practical Case: LinkedIn (A) (HBS 707406-PDF-ENG)*

## **SESSION 11 (LIVE IN-PERSON)**

**Sustainability Topics:**

- Governance
- Economic Development

## Challenges when platforms monetize (II)

Case questions to discuss in class:

- The growth in the size of Duolingo's customers base over the past few years has been impressive. What accounts for the global popularity of Duolingo? How optimistic are you about its ability to continue growing?
- What is the company competitive advantage? Does it have one?
- Should Duolingo be more aggressive in pursuing monetization? Can a freemium model anchor the long-term future of the business? How aggressively should Duolingo push into advertising? What monetization strategy would you pursue?

*Practical Case: Duolingo: Teaching Languages to the Masses (HBS 323016-PDF-ENG)*

*Other / Complementary Documentation: Please go online to look at a Duolingo session at <https://www.duolingo.com/>*

## SESSION 12 (LIVE IN-PERSON)

Products or Platforms?

Case questions we will discuss in class:

?What should be the business model for QuickBooks Financing?

- Products or services offered directly by Intuit, similar to Financial Supplies
- Open marketplace similar to Google AdWords
- Pre-negotiated offers from a limited set of pre-selected providers

For your chosen model, what is your proposed pricing structure?

? What should the business model be for Concierge?

- Products or services offered directly by Intuit, similar to Financial Supplies
- Open marketplace similar to Google AdWords
- Pre-negotiated offers from a limited set of pre-selected providers

For your chosen model, what is your proposed pricing structure?

*Practical Case: Intuit QuickBooks: From Product to Platform (HBS 714433-PDF-ENG)*

*Article: Products to Platforms: Making the Leap (HBS R1604E-PDF-ENG)*

## SESSIONS 13 - 14 (LIVE IN-PERSON)

Group Presentation and Discussion.

## SESSION 15 (LIVE IN-PERSON)

Final Exam

## EVALUATION CRITERIA

criteria	percentage	Learning Objectives	Comments
Final Exam	40 %		
Group Presentation	30 %		
Class Participation	25 %		
Simulation	5 %		

## FAILING GRADE AND REASSESSMENT

When students receive a Fail in a course, they have the opportunity to present themselves for reassessment in order to earn the necessary credits toward graduation.

The reassessment of students should be scheduled between 5 and 10 working days after the review session takes place.

Grades for the reassessment are limited to a Low Pass and Fail.

Both, the initial Fail as well as the grade of the reassessment remain on the transcript. For the purpose of calculating the GPA however, only the grade of the reassessment is to be considered. Students receiving a failing grade in the reassessment of a course will not be able to continue in the program.

## **BIBLIOGRAPHY**

### **Recommended**

- David Evans & Richard Schmalensee. (2016). *Matchmakers: The Economics of Multisided Platforms*. Harvard Business Review Press. ISBN 9781633691728

(Printed)

- Amrit Tiwana. (2014). *Platform Ecosystems*. Morgan Kaufmann. ISBN

9780124080669 (Printed)

- G. Parker, M. Van Alstyne, Paul Choudary. (2016). *Platform Revolution*. Norton & Company. ISBN 0393249131 (Printed)

## **BEHAVIOR RULES**

Please, check the University's Code of Conduct [here](#). The Program Director may provide further indications.

## **ATTENDANCE POLICY**

Please, check the University's Attendance Policy [here](#). The Program Director may provide further indications.

## **ETHICAL POLICY**

Please, check the University's Ethics Code [here](#). The Program Director may provide further indications.