

## Review Article

## Enterprise Platform Management : New Growth Opportunities for Enterprises

Yulong Tu

School of laws and politics, Lingnan Normal University, Zhanjiang, Guangdong, China, 524048

\*Corresponding Author

Yulong Tu

**Abstract:** The emergence of network and various new technology has not only changed the connection between enterprises, but also changed the mode of industry operation. The linear structure from traditional supplier to manufacturer to customer has shift the bilateral or multilateral market structure based on value creation. More and more traditional industries are finding that if they can successfully apply the platform to business thinking, the enterprises can achieve new Opportunities for growth.

**Keywords:** Platform management, Decentration, De-industrial boundaries, Networking.

### INTRODUCTION

In the rapidly changing market, competitors quickly break the market pattern through the platform revolution. 7-eleven has broken up the early model of the grocery store model. Taobao has changed the shopping habits of consumers. Didi has changed the ecology of the taxi industry. These enterprises are invading unrelated industries from different corners, changing the scope of the industry and the rules of competition. Platform Management starts to sweep the entity from the early network, and becomes the next challenge for each business owner. When the roles of supplier and customer become blurred in the ecosystem, the basis of competition shifts from traditional bargaining power to value creation led network externalities. This seemingly diverse and confusing structure is the platform. In the past industrialization, the thinking of manufacturing industry was mainly the mode of operation, that is supply-side drive, cost control, to create growth with production efficiency (Botsman, R. 2014). Through scale effect, that is, the larger the quantity of product or service, the lower the unit cost and gradually became a monopoly market. The platform is the network thinking. Its logic is driven from the demand side and consumer side. Business model shift from the past the B2B to the B2C even the C2B trend through the integration of platform resources to form a network effect, and ultimately to create an ecosystem. The application rules and management logic of the platform are different from the traditional

industrial model, but it creates much more value than the traditional model (Zott, C. *et al.*, 2011).

### 1. WHAT IS THE PLATFORM BUSINESS MODEL

Platform is a brand-new business model, using technology to bring people, organizations, resources together to create an interconnected ecological network. The core of the platform economy model is the network, the most important characteristic of the network is the disintermediation, and thus the rise of the platform business model. Google and Facebook integrate multilateral resources and grow rapidly through the network. The purpose of the platform is to bring together producers and consumers to exchange information, goods or services and generate value from them (Baldwin, C. Y. & Woodard, C. J. 2008). In the process, the platform provides the infrastructure, tools and rules to facilitate user transactions. The two sides are mutually beneficial.

### 2.THE DIFFERENCE BETWEEN TRADITIONAL BUSINESS MODEL AND PLATFORM BUSINESS MODEL

The traditional business model presents a traditional supplier chain in a linear business environment. As shown in figure 1, the manufacturer purchases raw materials from the upstream supplier and produces the final product for resale to the downstream

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wholesaler, who in turn retailer it to the customer. In the traditional supply chain, the manufacturer only operates a single customer group, while the platform business model takes linking with the demand of the group as its main function and presents a non-linear business environment. As shown in figure 2, value is created through the interaction of various customer groups, not just single customers, and the change of one customer group will affect other customer groups, creating value through continuous interaction among customer groups.

For example, Google faces two very different customers: one is advertisers, whose demand is to expose their advertisements in front of users; the other is users, whose demand is commodity information. Google will provide services to these two categories of members and charge advertisers a fee. But Google's success is not to squeeze money from advertisers, but to train advertisers by gathering users and successfully attaching customers to this platform. The interaction between these two types of customers creates revenue and brand value for Google.

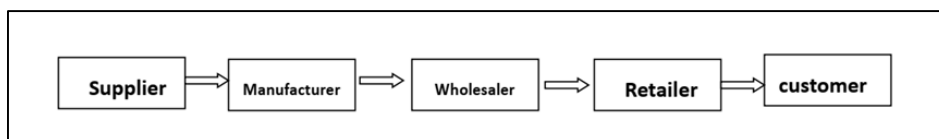


Figure 1 Traditional Business Model

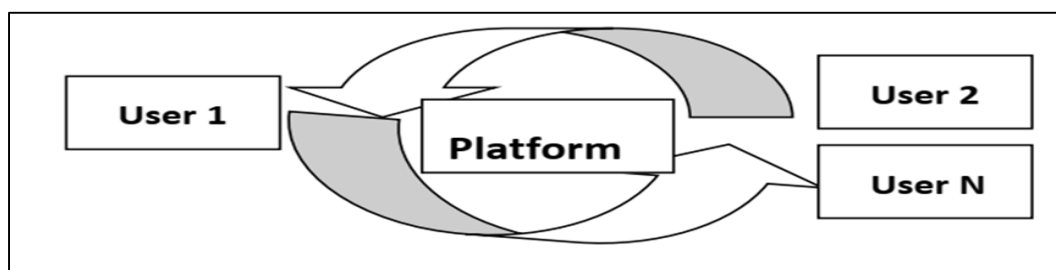


Figure 2 Platform Management Model

### 3. HOW TO DESIGN PLATFORM MODEL

The design of platform mode focuses on the interaction between users one time at a time. Interaction is the most important activity in platform design, which is to attract most users to visit the platform and exchange goods, services or information from the beginning. Although many platforms have multiple users and different ways of interaction, the fundamental purpose of platforms is to promote continuous interaction among users (Clements, M. T. 2004). For example, there are many interactions on LinkedIn's workplace social platform; professionals exchange information on career planning and labor laws, talent recruitment or potential candidates, human resource managers exchange information on labor market dynamics, etc. LinkedIn was originally designed to link professionals and other professionals around a core interaction, and these different forms of interaction have increased over time, each of which is designed to build a platform for the purpose of helping users create new value. Therefore, the elements of the design platform model are users, valuable information, information screening mechanism and interaction among users, and continuous interaction for users' needs to be as simple, attractive and valuable as possible (Cusumano, M. A. & Gawer, A. 2008).

#### (1) USERS

All platforms involve two types of users: value-creating producers and consumers. When designing platforms, special attention should be paid to

the fact that the same user may play different roles in different interactions (Rochet, J., & Tirole, J. (2003). YouTube users may upload videos or watch videos. Well-designed platforms allow users to easily switch from one role to another; different types of users may also play the same role in interaction. YouTube movies may be produced by media companies or individuals. Although the incentives for individuals or organizations to participate in the platform may vary, the roles on the platform are the same.

#### (2) VALUABLE INFORMATION

The platform starts with valuable information, and the user obtains information as a basis for further exchange of transactions. Valuable information is a key element of operation on any platform, but in most cases, the platform itself usually does not create value information, but is created by the producers of the participating platforms. The platform is like an information factory without restrictions. The information is converged on the platform to form an inventory. Through the design rules, the platform encourages producers to create real, practical, relevant and interesting values for consumers; then filter out the inventory information that is of no value to consumers through the platform design screening mechanism, and distribute valuable inventory information to the consumer.

### **(3) INFORMATION SCREENING MECHANISM**

Each platform needs a design information screening mechanism to manage the exchange of information to determine which are valuable and which are worthless. For example, on the Didi platform, the driver can get information about the current location, passenger time and other information. The value information helps the driver to match the needs of the appropriate consumer car. The car appears at the location where the passenger calls the car, and the passenger arrives at the destination. The fee is remitted from the passenger's account, the driver gets paid, and the value exchange is completed. Google's search engine basically operates in a similar way. Consumers enter query strings, Google combines queries and other materials, such as users' likes, forwards, comments, and other feedbacks on the web. An information screening mechanism determines which value information is to be delivered to consumers (Borman, M. J., *et al.*, 1990).

### **(4) USERS INTERACTION**

Any platform transaction begins with the user's interaction, and the user's interaction allows the parties to decide whether to communicate further and how to communicate (Wang, S. J., *et al.*, 2014). User interaction is a fundamental trait of the platform's business model, whereby users can continuously trade valuable goods or services. For example Facebook users communicate photos with each other, linking individuals or other posts, and YouTube users communicate videos. Trading on the platform or trading goods or services outside the platform, but the information of the delivered service is still tracked on the platform. Passengers register for the appointment service on the Didi Platform, but the service is actually the car picking up and dropping customers on the city street. After user interaction, the participants on the platform use some form of currency to trade goods or services, such as credit cards, WeChat, Alipay or cash. In the interaction, the platform transforms the value exchange into currency, and internalizes it into a cash flow platform.

It can be seen that the platform business model is basically an infrastructure that promotes the interoperability between producers and consumers. Users can establish and link each other through information screening (Gulati, R., & Garino, J. 2000). If both parties have the will, they will conduct products or services, and consumers will get a certain service or commodity, the producer obtains some form of monetary compensation, and the platform also charges the multilateral customer base. Consequently it may increase the practicability of the platform by increasing other types of interactions, thereby attracting more users. Based on this design principle, a dynamic and effective platform must be able to take advantage of the user value outside the platform. If the platform is too closed, the user will not be able or willing to contribute value, and will not be able to enhance interaction and reach a deal.

## **4. THE KEY FACTORS FOR THE SUCCESS OF THE PLATFORM BUSINESS MODEL**

### **(1) Establish A Good Mechanism To Ensure Quality Through The User Supervision.**

The platform model usually has no concept of inventory, and acts as a middleman for both parties (Tu, Y. L. 2019). The most important thing in the whole transaction process is trust. It is necessary to establish a good mechanism, ensure the transparency of information, reduce information asymmetry, and supervise users. Traditional enterprises take products as the operation core, design and manufacture products at one end of linear production and supply them to consumers at the other end of linear production. They rely on the value process management of internal managers, while enterprises with platform business model ensure quality through the supervision of users (Hidding, G. J., *et al.*, 2011). As traditional publishing industry by editing the picked out from thousands of this book a few books, and expect they can sell well, the selected works in this process mainly depends on the editor's judgment, which need a lot of manpower, Amazon's Kindle platform can let anyone publish books. At the same time the consumer's evaluation can help to determine what book is successful and what book is failure, because the information provided by the readers automatically replaces the previous editor's judgment, which can make consumers have more freedom to choose your products that meet your needs.

### **(2) INTRODUCING IDLE CAPACITY INTO THE MARKET TO INCREASE SUPPLY AND CREATE VALUE.**

In the platform-based market, the nature of supply has changed. Now the platform has introduced idle capacity into the market, turning traditional consumers into usable providers (McIntyre, D. P., & Subramniam, M. 2009). YouTube uses different models to obtain user-made videos for website content. There are more viewers than any TV station. Singapore's well-known video site Viki challenges the traditional media value chain and uses the translation community to translate subtitles for Asian movies and TV shows. Viki then transfers the subtitled videos to other countries' distributors. Platform operators have overturned the traditional competitive situation. For example, the traditional hotel industry, which had to bear fixed costs in the past, is now competing with new companies that do not have a fixed cost burden. The reason why new companies are competitive is because they bring idle capacity to the market through the platform, like cars, houses, or others used by individuals are idle for a long time. In the past, it was difficult for individuals to trade. Because of the high transaction costs, it is necessary to implement credit records one by one. But the platform relies on the performance guarantees and the user evaluation mechanisms to encourage good behavior (Wang, S. J., & Tu, Y. L. 2016), which not only can significantly reduce transaction costs, but introduce new producers and create new markets.

### **(3) USING COMMUNITY TO CREATE VALUE AND REPLACE THE TRADITIONAL SUPPLY CHAIN.**

The platform can use community feedback to replace the traditional supply chain (Tu, Y. L. 2019). The highly acclaimed Encyclopedia Britannica, a high-cost, complex, and unmanageable centralized supply chain composed of academic experts, authors, and editors, come out. Wikipedia uses the platform model to leverage external community augmentation and management content to build a source of information that can compete with the Encyclopedia Britannica in terms of quality and scale (Balka, K., *et al.*, 2014). Most of the value of the platform is created by the user community, as Tom Goodwin, senior vice president of strategy at Havas Media says, Uber, the world's largest taxi company, does not own the vehicle itself; the world's most popular media Facebook itself does not create content; Alibaba, the world's most valuable retailer, has no inventory itself; Airbnb, the world's largest home furnishing provider, has no real estate. These resources are all supplied by the community (Mathmann, F., *et al.*, 2017).

### **5. THE CHALLENGES FACING THE PLATFORM BUSINESS MODEL**

#### **(1) Change the Management Focus From Internal To External.**

Information Technology Systems have evolved from logistics ERP systems to customer relationship management CRM systems, and have recently been experimenting with Social Media and big data, moving from an internal focus to an external focus (Fürst, A., *et al.*, 2017). The platform also bears the cost of serving multiple customers and can charge fees from multiple customers, so in financial terms, shifting from past aggregations of shareholder value and the discounted cash flow of enterprise assets to focus on stakeholder value and interactions outside the enterprise (Boudreau, K. J. 2012). In the aspect of enterprise operation, the emphasis has changed from the economic inventory and supply chain system to the management of external assets not under direct control. The strategic shift away the control of unique internal resources and the creation of competitive barriers to the integration of external resources and the mobilization of active communities (McIntyre, D.P., & Srinivasan, A. 2017). Instead of being dominated by in-house experts and R&D labs, innovation is creating new value through the user participation and contribution of ideas (Hooley, G.J., *et al.*, 2011).

#### **(2). FOCUS ON ECOSYSTEM GOVERNANCE RATHER THAN ON PRODUCING THE BEST PRODUCTS.**

The platform links producers and consumers, allowing both parties to exchange value (Bellos, I., *et al.*, 2017). The business model is extended to suppliers and customers (Chisholm, D. C., *et al.*, 2010). Key

suppliers and customers become business partners and share profits and risks together (Grover, V., & Kohli, R. 2012). As a result, an enterprise will combine its business model with these important business partners, so that its business model can become a platform to cover key business partners and form an ecosystem in which it can take the lead Bilateral profits in the transaction, and the number of transactions, transaction costs will be low, which improves the efficiency of the platform, which in turn can drive the platform higher transaction volume, prompting enterprises to create more profits (Tiwana, A., *et al.*, 2010). As a result, the platform business model focuses on ecosystem growth rather than on how to make the best products (Baldwin, C.Y., & Woodard, C.J. 2009).

### **CONCLUSION**

The effects of decentralization, deindustrialization, and networking are driving the transformation of industries to platforms and the reorganization of industrial value chains in various industries. It may become more and more difficult for enterprises to stick to a business model. New business opportunities are also accompanied by a series of changes. The transformation of enterprises should not only focus on the framework of the existing business model, but should challenge the existing industry norms and break the competition rules. The transition to a platform business leads to the enterprises longer-term growth.

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