

# For platforms, durability is the new strategic imperative

*The platform business model has spread rapidly, but many platform firms are rendered obsolete almost as quickly as they achieve initial success. The dynamics by which some platforms persist in the marketplace while others quickly fail are not well understood. **David McIntyre, Arati Srinivasan, and Asda Chintakananda** suggest at least three approaches that foster more durable platforms: creating stronger ties among users, leveraging cross-platform benefits, and allying with powerful complementors.*

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The rise of technology platforms has impacted strategy and competition across a variety of industries, from video games to ride-sharing to healthcare. In enabling transactions among and between user groups, platforms illustrate the increasing value of connectedness in today's digital economy ([McIntyre & Srinivasan, 2017](#)). Recent research on platforms has shown that platform-mediated markets exhibit unique dynamics requiring novel strategies and organisational structures ([McIntyre, 2019](#)). Yet while our understanding of platforms has advanced significantly in recent years, the dynamics by which some platforms persist in the marketplace while others quickly fail are not well understood. Why do some platforms "outlive" others? We suggest at least three approaches that foster more durable platforms: creating stronger ties among users, leveraging cross-platform benefits, and allying with powerful complementors ([McIntyre, Srinivasan & Chintakananda, 2020](#)).

## Create stronger ties

Platforms are often associated with network effects, whereby users benefit from having a large cohort of other users. For some digital platforms, consumers naturally require repeated interaction with other users of the platform – Skype and Zoom users, for example, derive value from direct interaction and communication with a network of compatible users. However, many platforms don't naturally foster frequent, direct interactions; one of the limitations of early social networking platforms is that they were largely static and informational, leaving users with little incentive to check on their contacts frequently. Similarly, while smartphone users may find value in the ability to text or call others, many of these benefits are available across platforms – I can easily call a friend's iPhone from my Android-based phone. However, Apple has created stronger ties among iPhone users by offering enhanced features in iMessage and other apps for users of Apple devices. Enabling more frequent interactions within a platform enhances its value, and may discourage users from seeking alternative options. This contributes to a platform's propensity to persist in a given market, as the benefits of network interaction create strong incentives for users to stay with the platform.

## Leverage cross-platform benefits

Increasingly, platform firms are no longer focused on a single market or transaction, but rather a portfolio of distinct yet related transactions that provide value to users. As such, firms that can create "cross-platform" network effects are more likely to persist than those focused on a single value proposition. While traditional network effects enhance user value as the user network grows, cross-platform network effects enhance value when users participate in more than one platform simultaneously. For example, Microsoft was able to create synergies across its PC and video game platforms via XNA Game Studio, a set of tools allowing developers to build games for both Windows- and Xbox-based platforms. As platform firms increasingly seek advantages across multiple markets simultaneously – rides-haring and food delivery, social networking, and cryptocurrency – companies able to facilitate synergies across platforms will have a strategic advantage.

## Find powerful friends

For many users of platforms, the core technology itself is not the sole source of value but is rather a means to reach other participants in the platform. This dynamic is often evident in platforms involving complementary goods – the primary value proposition for many video game players is not the particular platform or console, but rather the ability to play a wide variety of games or a particular favourite game. Similarly, strategic commitments from major movie studios played a key role in the emergence and persistence of the Blu-ray platform. Thus, a critical element of platform durability is the status and resources of key complementors. Developing relationships with key complementors can create mutually reinforcing dynamics, as complementors and platform firms develop specific routines and tools, which in turn may enhance their ability to mutually innovate on the platform.

Similarly, platform firms can also enhance durability by building a strong ecosystem of partners and platform participants. For example, information platforms such as Uber have benefited from enhanced partnerships with apps such as Google Maps, which further solidifies their user base. The participation of these powerful entities enhances the potential value and durability of the platform for the entire ecosystem.

### **Durability is the new strategic imperative**

Many contemporary views of platform strategy have emphasised the importance of getting to users early and building a loyal user base. Yet we've observed many platform firms rendered obsolete almost as quickly as they achieved initial success. Furthermore, many attempts by platform firms to extend proprietary benefits from their initial advantage have been poorly received by consumers – for example, the [Keurig 2.0 coffee maker's incompatibility with unlicensed complementors](#). Thus, we suggest that a strategic emphasis on persistence and durability is as important for early-stage platform firms as their specific short-term business model. Creating stronger ties, cross-platform benefits, and finding strong ecosystem partners can provide mutual benefits among platform firms, complementors, and users. Managers who understand the structural dynamics of their platforms, and the drivers of platform durability, will be well-positioned for long-term durability and success.



### *Notes:*

- *This blog post is based on [The persistence of platforms: The role of network, platform, and complementor attributes](#)*
- *The post expresses the views of its author(s), not the position of LSE Business Review or the London School of Economics.*
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