

Start with **demand side**
(Buyer, consumer, user)

1 Generate demand
by reducing search
cost

4 Look for
underserved
networks

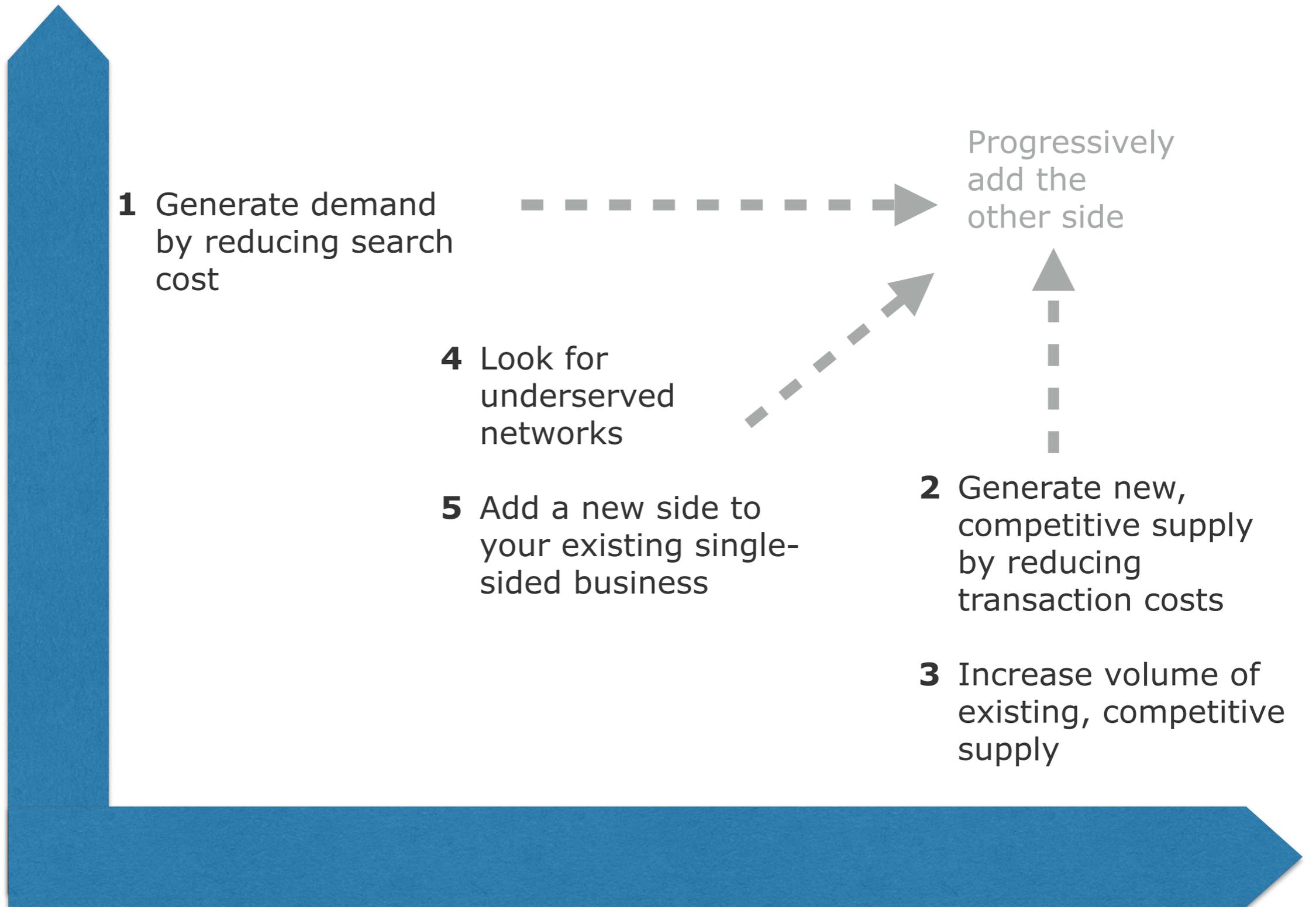
5 Add a new side to
your existing single-
sided business

2 Generate new,
competitive supply
by reducing
transaction costs

3 Increase volume of
existing, competitive
supply

Progressively
add the
other side

Start with **supply side**
(Seller, provider, host)



Search costs

occur before a transaction starts



Transaction costs

occur during a transaction between buyer and seller



Post transaction costs

Costs that occur after the transaction is finished may impact future transactions

Search cost on side of consumer:

- Actual costs
- Time & effort researching,
- Skills/knowledge
- (Lack of) awareness

Search cost on side of the business:

- Inefficiency
- Being findable
- Building reputation

Transaction costs:

- Communication
- Payment
- Quoting
- Scope clarification
- Legal uncertainty and costs
- Distribution & transport costs
- Performance measurement
- Dispute resolution
- Order fulfilment
- Receipt & acceptance
- Transaction risk mitigation
- Any other friction

Transaction costs are generally shared between businesses and buyer to varying degrees

Note that some costs fit across more than one phase

Cost of any materialised risks:

- Dissatisfaction
- Poor quality
- Misunderstanding
- Accidents
- Fraud
- Damage

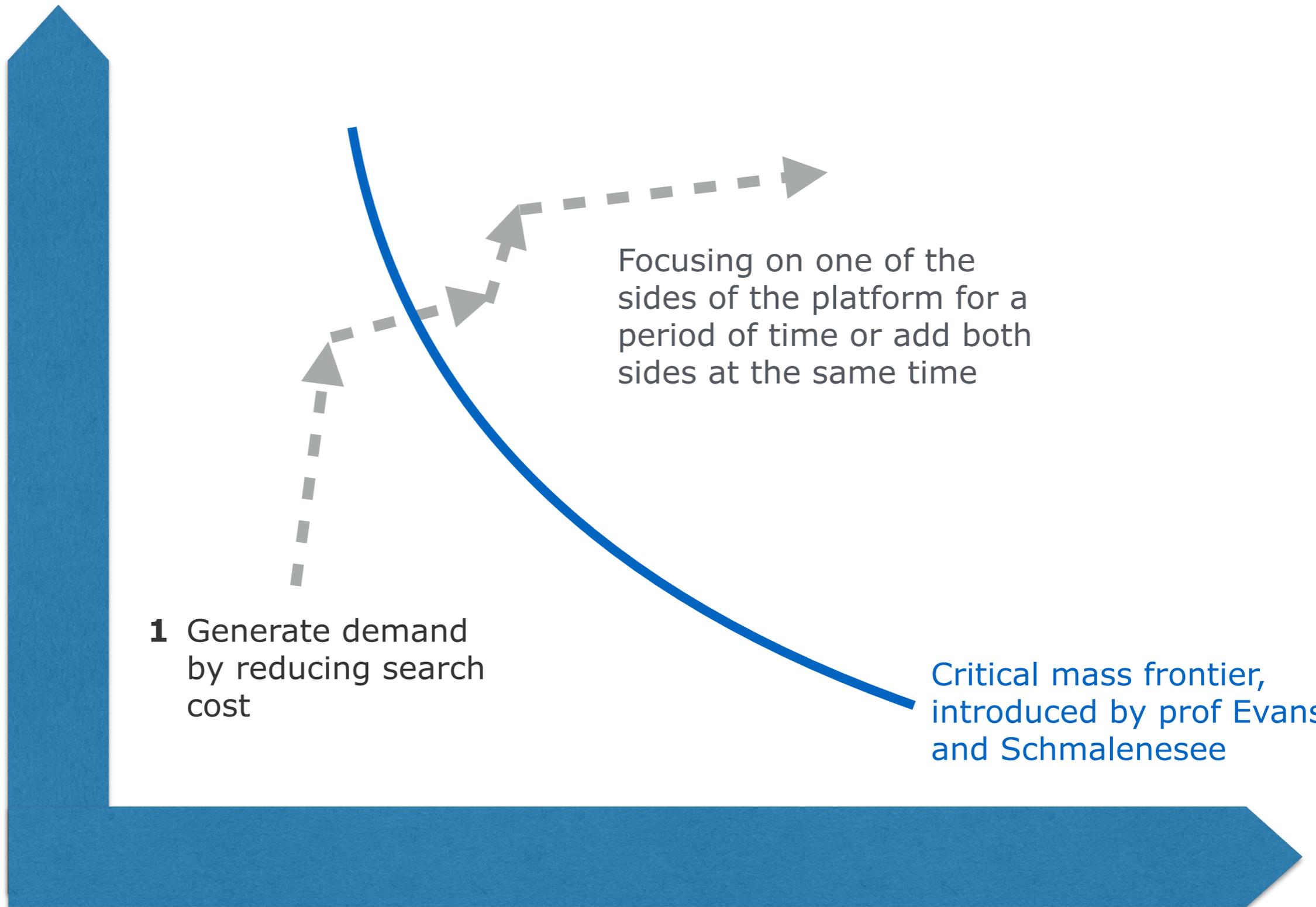
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Focusing on one of the
sides of the platform for a
period of time or add both
sides at the same time

Critical mass frontier,
introduced by prof Evans
and Schmalenese

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(Seller, provider, host)



1. What is your starting point idea? What is the core transaction? Is it in your industry, an adjacent industry or an altogether different one?
2. Which transaction and search cost improvements can you deliver? What is the value your idea adds? Who benefits in which ways?
3. Which of the approaches above is the best starting point for your ideas? Are you starting on the demand side or on the supply side or using another approach?
4. Is the reduction of friction and associated cost savings sufficient to provide competitive offers? How could the numbers look like?

Notes - platform business model #5

Date:

Check out www.InnovationTactics.com/platform-business-model for more