Platform Businesses "Float Costs," Consumers Run Businesses

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Have you ever experienced a taxi ride without getting into a taxi? How about enjoying a room accommodation without entering a hotel? Consumers today are in a position to deliver value as service suppliers and to become demand generators. Technology platforms created by companies such as Uber and Airbnb are empowering consumers to take market share through direct relationships and run profitable businesses. Peer-to-peer commerce is flourishing, and industrial age companies built on 20th century processes are taking notice.

In a new book, *Platform Revolution: How Networked Markets are Transforming the Economy and How to Make Them Work for You,* the authors Geoffrey Parker, Marshall Van Alstyne and Sangeet Choudary offered the following to characterize industrial age companies and new technology platform companies:

- Pipeline businesses are built on linear flows that link infrastructure, people and processes. Assets are leveraged and carry high fixed costs. The value created is the transformation of inputs to finished products.

- Platform businesses bring together producers and consumers dynamically in high-value exchanges of an "ecosystem." An "ecosystem" consists of networks of partnerships, scores of users and cooperation of governments to deliver "on demand" services for the economy. Assets are provided by the consumers and costs are variable in nature. The value created is derived from the increased number of users generating positive experiences and defining themselves as communities.

Airbnb is a great example of a platform with an "asset-lite" business model. The Airbnb platform aggregates a personal consumer supply of rooms with an easy-to-use app to capture and match consumer demand. "Pipeline" hotel companies are facing an economic challenge to ensure that the asset commitment and, in turn, high fixed costs generate occupancy rates to deliver profitable outcomes. The disruption generated by platforms and the consumer direct involvement is impacting the volume needed for these companies.

Pipeline companies are taking a look at operating like a platform business. For example, General Electric is re-inventing many of its business units. In jet engines, GE is building capabilities to capture data intelligence resulting in lower maintenance costs, increased efficiencies and product feature improvements

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through community collaborations from engineers and academics around the globe.

Consumers represent more than 2/3 of the economic GDP in the United States. With a tough job market, many consumers have taken personal reflective action. They are motivated by the ability to create businesses on their own and "float their personal assets" to the marketplace for value. With advancement in platform applications and social media, the demand can be generated for a potentially successful endeavor.

Beware, industrial age businesses will need to protect their assets, their cost structures and their profits by continuing to attract large volumes of transactions. Consumer businesses do not need to attract large volumes of businesses to be successfully profitable. The barrier to attract consumers, allows the smallest of companies to be disruptively successful through direct relationship delivery execution using platform systems.

Advice for both pipeline and platform businesses — be flexible, dream big, get direct consumer relationships and "float" your assets and costs into the marketplace.

By the way — garage available for winter storage rent, anyone interested?

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