Book Recommendation

By **Khairiah Mokhtaruddin**

MATCHMAKERS :
The New Economics of Multisided Platforms

Writers: David S. Evans and Richard Schmalensee

It's difficult to pinpoint exactly when the first multisided platform began, but it is likely to have stemmed from the barter system when there was a growing need to have a common place where people could come and find their respective trading partner. Two millennia ago in Athens, the city-state operated a multisided platform that allowed people to trade around the Mediterranean. The platform further evolved into another designated place nearer to the docks where lenders could connect with each other to conduct business, traders could exchange merchandises, enter deals with ship-owners, and creditors could lend money and provide insurance. Closer to home, we have the maritime trading activities in the Malay Archipelago centuries ago where

spices, languages, and intercultural marriages permeated the scene.

Since then, multisided platforms have evolved with the advent of technology and the volume of information. By definition, multisided platform is a service, product, or technology that allows two or more participants or customer groups to have direct interactions. In 2015, three out of five of the most valuable companies in the world – Google, Microsoft, and Apple, have used this business model. Despite this, multisided platforms remain one of the toughest business model to execute correctly and Evans and Schmalensee who have done pioneering research on the new economics of multisided platforms, outlines how these matchmakers work best in

practice, the benefits of multisided platforms, and its impact to both conventional single-sided businesses and multisided platforms.

The book attempts to cover the relevant aspects of multisided platforms in three parts. The first provides an overview of the new economics of multisided platforms by showing how modern technologies have propelled this business model with its ancient roots. Part 2 covers key concepts which matchmakers must deal with in building, igniting, and operating their businesses. The final part covers how multisided platforms are creating new opportunities, destroying old industries, and forcing existing businesses to reinvent themselves to survive. The authors shared that the distinguishing difference between multisided platforms with regular businesses is that multisided platforms focuses on selling a group of participants the access to another group of participants, not merely products or services. This differentiation is key in making basic business principles outdated, such as never selling services or products at less than its cost – a code that no conventional business would attempt. At most instances, it is more profitable to subsidise one group of customers to be part of the platform and making more money

by charging another group for the access to the platform.

A critical point in this book is how new technologies are being used to make an old business model work better and add more value in a new environment. An example used was how Uber began its ridesharing platform by starting local, building up critical mass in targeted geographic markets, and eventually expanding itself. This was no different to how Diners Club did it in the 1950s. The differentiation lies in information and communication technology utilised but the same old strategy was used to get customers on board. Thus, there are some lessons in this book that is applicable to the public service, especially on how to ensure information and communication technology can be leveraged strategically to address issues of service delivery efficiency and effectiveness. Some of the challenges faced by multisided platforms are no more complex than what the public service faces such as getting the stakeholders on board in any policy direction that is being implemented. The need to balance reaction from stakeholder groups, with either minute concrete information or vast disorganised data are also another problem faced by public service and multisided platforms alike.

Another crucial aspect of this book is that it leaves policymakers with some points to ponder on the surge of multisided platforms and the types of audience it attracts. Malaysia saw how Uber disrupted the public transportation industry's status quo and how Airbnb posed challenges to both the hospitality industry and customer's safety and legal rights. What kind of interactions are being encouraged on the platform? What kind of rules or standards of governing should it have and would it affect the ability of value creation? Should governments regulate multisided platforms, or would it render the innovation obsolete with intervention? Before attempting to answer the abovementioned questions, an understanding of what this innovative matchmaking industry and its trends are offering through this book provides a fine starting point.

Matchmakers is published by Harvard Business Review Press and can be purchased from Kinokuniya Kuala Lumpur (RM176.75) and MPH Bookstore (RM176.90).

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