Why Some Platforms Thrive and Others Don’t: The Importance of Network Characteristics
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In the digital economy, scale is no guarantee of continued success. After all, the same factors that help an online platform expand quickly—such as the low cost of adding new customers—work for challengers too. What, then, allows platforms to fight off rivals and grow profits? Their ability to manage five aspects of the networks they’re embedded in:

- strength of network effects
- clustering, or fragmentation into many local markets
- the risk of disintermediation, wherein users bypass a hub and connect directly
- vulnerability to multi-homing, which happens when users form ties with two or more competing platforms
- network bridging, which allows platforms to leverage users and data from one network in another network

When entrepreneurs are evaluating a digital platform business, they should look at these dynamics—and the feasibility of improving them—to get a more realistic picture of its long-term prospects.