

# Platform economy

By Vanessa Clark



## Q: The what now?

**A:** You remember when every presentation on digital disruption started with that Tom Goodwin infographic: Uber, the world's largest taxi company, owns no vehicles; Facebook, the world's most popular media company, creates no content; Alibaba, the most valuable retailer, has no inventory; and Airbnb, the world's largest accommodation provider, owns no real estate. Well, these are all platform economy companies – modern-day matchmakers, if you will – and are some of the biggest companies in the world today.

## Q: What's so disruptive about that? Matchmakers have been around forever.

**A:** Ah, but starting with the Craigslist and the Gumtrees of the world back in the 1990s, these are digital matchmakers, which means they have something called the network effect to tap into. Take Google. It has more than 90% of the search market. So it has more data to improve its search service, which makes it even more useful and valuable. Facebook is another perfect example of this...you love to hate it, right? And recently, it's shown that it's at best careless, and at worst, profoundly cynical and mercenary about our private data. But with more than two billion users every month, you also can't walk away, as you'll miss out on too much. The more Facebook users, the more value the platform has to you, and, ultimately, to its advertisers, to whom you are being sold.

## Q: I'm being sold?

**A:** Yes, that is one of the darker sides to the platform economy. One way of looking at it is, if you aren't paying for something, you're the product, and, in Facebook and Google's case, being sold to advertisers. Or, another way of looking at it, is if you aren't paying with money, you are paying another way, usually with your private data.

## Q: I'm sensing a bit of negativity around the platform economy.

**A:** The pendulum has swung from the heady days post the 2008 economic downturn when the platform economy was often used synonymously with the access economy, and fans of it said it was going to create jobs, open markets and provide more services to more people in easier and more affordable ways. Naysayers, concerned especially about Uber and Airbnb, were dismissed as trying to hold back the disruption tide and criticised for not wanting to do away with inefficiencies in the market.

## Q: But we don't think that anymore, then?

**A:** Well, a lot of people started smelling a rat when the platform companies themselves became wildly wealthy, with market capitalisations of tens or hundreds of billions of dollars, but, say, Uber drivers didn't. Or the freelance creative industry, which was promised great paying gigs working from the beach in Bali thanks to platforms such as Upwork, but are now seeing a race to zero dollars, with unrealistic pricing expectations from companies.

Around the world, regulators are starting to pay attention to the unfolding consequences of the platform economy, as it mediates and gatekeeps in increasing number of our economic and social activities – Airbnb, for instance, is starting to shape how cities function. And, as the network effect supersedes, it starts to create anticompetitive monopolies.

## Q: So, the platform economy is all bad then?

**A:** Nope, it's a bit more complicated than that. Take Netflix, which has now started producing its own content, based on our user data, and is arguably creating some of the best series and movies we have seen for some time. And there is no doubt that the platform economy has vastly improved customer user experience and access to services, for those of us with a smartphone and an internet connection (damn you, Uber Eats!).

## Q: What about the local platform economy?

The big daddy is Naspers, which a Centre For Global Research report calls an investment platform company – in other words, Naspers invests in other platform companies, such as OLX. But there is also a range of smaller, niche platform economy startups emerging in South Africa. SweepSouth and Domestly connect people with those offering cleaning services; Minderz connects people with pet sitters; and, Nichestream is a Platform-as-a-Service (PaaS) company that allows anyone to build their own music-streaming service. ■