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

1. Generate demand by reducing search cost

2. Generate new, competitive supply by reducing transaction costs

3. Increase volume of existing, competitive supply

4. Look for underserved networks

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

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

Progressively add the other side
<table>
<thead>
<tr>
<th>Search costs</th>
<th>Transaction costs</th>
<th>Post transaction costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>occur before a transaction starts</td>
<td>occur during a transaction between buyer and seller</td>
<td>Costs that occur after the transaction is finished may impact future transactions</td>
</tr>
</tbody>
</table>

**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

**Cost of any materialised risks:**
- Dissatisfaction
- Poor quality
- Misunderstanding
- Accidents
- Fraud
- Damage

Transaction costs are generally shared between businesses and buyer to varying degrees.
Note that some costs fit across more than one phase.
1. Generate demand by reducing search cost.

Start with demand side (Buyer, consumer, user)

Start with supply side (Seller, provider, host)

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 Schmalenessee.
Worksheet - platform business model #4

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?

Date:
Notes - platform business model #5

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