

PLATFORM DESIGN TECHNIQUES POSTER - Helping teams developing platforms and marketplaces ask the right questions, embracing the right mental models and finding the right techniques

Macro Problems	Macro Problem 1 (MP1) - Understanding Ecosystems to Create the Right Value Propositions	Macro Problem 2 (MP2) - Defining the Platform Experience, and Flywheels for Defensibility	Macro Problem 3 (MP3) - Defining the Go-To-Market and Liquidity approach	Macro Problem 4 (MP4) - Achieving and measuring growth
Scenario	<p>Your team comes up with the idea to work in a specific market context: understanding the characteristics of the market you are targeting, and how the ecosystem of entities in the market interacts is now your crucial challenge.</p> <p>This is a first and crucial step as you want to understand where the opportunity is: to rethink processes and experiences, and how a product/platform can be built for the task.</p> <p>Such questions are to be asked at the very beginning of the design process in an “<i>exploration for opportunities</i>”.</p> <p>The way of working in this phase is fundamentally different from the methods that have widespread adoption in the innovation and startup world, which are mostly “solution-first, pain-opportunity”, starting from a single, isolated user problem.</p>	<p>Your team wants to move forward after a first platform idea and explore the possibility of designing a product that can scale around one or more repeatable interactions around a high-value relationship and generate network effects and defensibility in the process.</p> <p>These questions normally quickly come up as key for a team: after understanding the ecosystem you need to quickly assess if the possibility exists to design a scalable experience around the most important/valuable ecosystem relationship.</p> <p>The experience you build needs to flow better than the existing alternative (reducing transaction cost) and give participants opportunities to learn, improve, develop a reputation, and catch relevant and exciting opportunities.</p>	<p>Your team wants to move forward after a first platform idea has been validated and early tested (with an MVP). You’re confident that you are able to develop a network effect-based defensibility or other defensibility strategies.</p> <p>Now you need to figure out how to address your target market. Independently from being <i>horizontal</i> (targeting a basic set of features for a large market) or <i>vertical</i> (targeting more specialized market segments), your marketplace/platforms strategy will scale by progressively targeting subsets of the market and most often starting by “constraining your go-to-market strategy in terms of localities or categories. Once you achieve liquidity in a smaller context it will be easier to spill liquidity over another context.</p> <p>The nature of these “pockets” of liquidity depends on your product and target market: understanding the right approach to do this is what we call understanding the canonical units.</p> <p>Since the value proposition in a platform/marketplace does depend on liquidity you’ll have to play launch and growth tactics (<i>hacks</i>) in the initial phase to be able to attract the right players to the marketplace</p>	<p>Once the product has been validated and launched and you achieved liquidity step by step, the challenge will be sustaining growth.</p> <p>This problem involves identifying suitable growth loops that allow you to acquire customers through certain channels based on the product’s characteristics. This could mean leveraging virality for social platforms or a content loop for a user-generated content site. The chosen growth strategies and your product’s characteristics, dictate which metrics you will have to track, whether there is a viral coefficient, content engagement, or user retention factor.</p> <p>Eventually, your team will have to create a so-called growth model. The growth model serves as a roadmap for your growth and helps you outline user acquisition, monetization, and retention strategies. This process necessitates constant iteration and validation, with each component of the model shaping the other, making growth a complex yet integral puzzle to solve.</p>
KEY MENTAL MODELS	<p>You start from the ecosystem <i>as-is</i>: you want to understand the way the actors in it interact before the development of the product. Only when this is clear you can envision a new way to support alternative use cases that could be enabled by a certain product/platform. Run a “what if…” scenario analysis to envision the <i>to-be</i> value chain.</p>	<p>It doesn’t change if your exploration work is based on extensive mapping or intuitive: you’ll always have to ensure that you have a convincing growth path (a set of flywheels), and that you can build defensibility for the strategy. Find and develop the key experiences, services, and channels.</p>	<p>You most likely can’t achieve liquidity in the whole market - you’ve to constrain, limit yourself to pockets of growth in the early stage, and you’ll have to fall in love with potentially very narrow problem targets. Your mindset needs to cope with patience and graduality in the early stage. Hold on.</p>	<p>Tune in with the idea that: as long as your product can technically sustain growth - you’re out of the prototype phase - you should be thinking about how your acquisition, retention, and monetization strategies impact your unit economics and payback period. It’s rarely too early to define your growth model.</p>
TYPICAL ISSUES OR POINTS OF ATTENTION	<ul style="list-style-type: none">Your team has poor ecosystem understanding: an original sin related to an original lack of focus on understanding the ecosystem or not having validated the ecosystem-related assumptions;Your team has a wrong product model: wrong starting assumptions on the value chain led to a weak platform strategy model, wrongly or poorly designed flywheels, targeting wrong use cases, or bad pricing;Your team lacks a common ontology of the ecosystem you’re aiming at transforming because you didn’t bother to visualize it as a team, let alone a strong understanding of the value chain.	<ul style="list-style-type: none">You’re excited by the idea but you haven’t thought about the existing alternatives on the market: there may exist a relatively easy way to achieve the same results off-platform or with another platform-based approach. You need to know about it;Your idea works but you haven’t figured out a way to generate self-reinforcing network effects to create defensibility and differentiate your product versus a potential competitor;You have envisioned multiple platform strategies, and the related defensibilities, but you don’t know which one comes first, and is your key priority.	<ul style="list-style-type: none">You don’t want to constraint because you believe you can transform a huge market - the market that you sold to your investors - and you fail to patiently unlock growth pocket by pocket;Think in terms of the chicken-egg problem. Which side needs to be attracted first? How can I plan the go-to-market phase?Thinking that canonical units are only a temporal thing: often in marketplaces growth will always be based on canonical units (certain characterizing “cells” of growth): for example, if you create a marketplace for professional services (plumbers, etc..), your customers will never buy services from someone operating in another city - therefore the geographic constrain will always be there.	<ul style="list-style-type: none">Failing to install in the team the capabilities to quickly test new hypotheses and assess how they impact on the key numbers is going to bring problemsEspecially in periods with constrained capital availability the evaluation of good economics in the platform and the importance of having a sustainable customer acquisition strategy, that ideally doesn’t cost you money (virality, user-generated content, product-led customer acquisition) can’t be understated
Key questions you have to answer regarding this Macro Problem	<ol style="list-style-type: none">What are the macro-phases, and the steps, and how are they connected?Who are the actors who typically interact in producing and consuming value? Are these entities taking recurring or general “roles” in their interactions?What are those entities trying to achieve and how?What is each entity’s context: what problems do they feel? What capabilities do they have? What are they seeking?Who are the key brokers, and mediators involved in facilitating (or gatekeeping) the interactions?What are the key resources being used?Does the existing value chain offer opportunities to be transformed, to improve how the ecosystem entities unleash their potential?What value proposition should be built to transform the ecosystem at scale?	<ol style="list-style-type: none">What are the most important entities and relationships in the reference ecosystem and where should I start building scalable experiences?How are flywheels for network effects going to be generated and how is value going to be compounded to build defensibility?Can I design a roadmap of priorities among features, defensibilities, and growth paths? Which experience comes first?How can transaction costs be reduced to make interactions more efficient and scalable, reducing friction?How are the entities in the ecosystem going to be onboarded in the platform and how does their path evolve from occasionally and initially interacting into building reputation, growing their potential, and eventually catching transformative opportunities?What are the core experiences we’ve to make scalable? and what’s their business model?What channels do we need to build?	<ol style="list-style-type: none">What are the key characteristics of the marketplace I’m trying to scale?Should I go “vertical” or “horizontal”?What are the “canonical units” of liquidity (meaning the contexts where progressive liquidity should be created) of my platform/marketplace strategy?What side should I focus on?What tactics should I use as I approach the launch (solving the chicken-egg problem)?	<ol style="list-style-type: none">On what engines of growth should resources be invested?How should I choose what to measure?How can I connect investments, experiments, and metrics and track evolution over time?
Key techniques related to this macro problem	<p>Scanning and Mapping the Ecosystem – through the use of The Arena Scan & Ecosystem Scan (TQ1.1)</p> <p>Understanding the Ecosystem’s Entities context – by using The Ecosystem Canvas and Entity Portrait (TQ1.2)</p> <p>Defining The Platform’s Value Proposition – with the help of the Wardley Map, and the Platform Strategy Model Canvas (TQ1.3)</p> <p>Validating Early-Stage Assumptions with Ecosystem Discovery – by leveraging on the suggestions coming from the Lean Ecosystem Discovery Interview Cheatsheet, to be mixed with other validation techniques (TQ1.4)</p>	<p>Understand Key Relationships and Value Exchanges – through the PSM model, the Ecosystem canvas, and the Motivations Matrix (TQ 2.1)</p> <p>Identifying the network effects and defensibility model – by using The Flywheel Sketching Canvas, the Flywheel cards, and the Network properties and NFX Canvas (TQ 2.2)</p> <p>Designing the key elements of a platform experience – with the Transactions Board, the Learning Engine Canvas, and the Platform Experience Canvas (TQ 2.3)</p>	<p>Understanding the marketplace type, breadth, and properties - with dedicated heuristics TQ3.1</p> <p>Understanding how liquidity can be built - with the Liquidity Canvas TQ3.2</p> <p>Choosing growth tactics - with the Growth Tactics Cards and Cheat Sheet TQ3.3</p>	<p>Implementing the Growth Loops - picking from the growth loops library TQ 4.1</p> <p>Choosing the Metrics to track - with the help of the Metrics Library TQ 4.2</p> <p>Setting up a Growth Model - with the Growth Model Template TQ 4.3</p>
Reference	Understanding Ecosystems to create the right Value Propositions: Part 1 of a Series on the Macro-Problems and Techniques of Platform Design	Defining the Platform Experience, and Flywheels for Defensibility: Part 2 of a series on The Macro-Problems and Techniques of Platform Design	Defining the Go-To-Market and Liquidity Approach: Part 3 of a series on The Macro-Problems and Techniques of Platform Design	Achieving and measuring growth: Part 4 of a series on The Macro-Problems and Techniques of Platform Design