



Aalto University

From one-sided to multi-sided online retail

Implications for Retail Management and Consumer Behaviour

Innoconference 27th of April 2017



Mikko Hänninen
Researcher, PhD Candidate
Aalto University School of Business
Department of Marketing
Helsinki, Finland

Co-Authors

Dr. Anssi Smedlund & Professor Lasse Mitronen
Aalto University School of Business
Helsinki, Finland



Mikko Hänninen, MSc (Econ)

Researcher, PhD Candidate
Aalto University School of Business
Department of Marketing

Research Interests

- Platform Economy
- Consumer Behavior
- Strategic Management
- Marketing communications
- E-Business
- Retail and Service Management

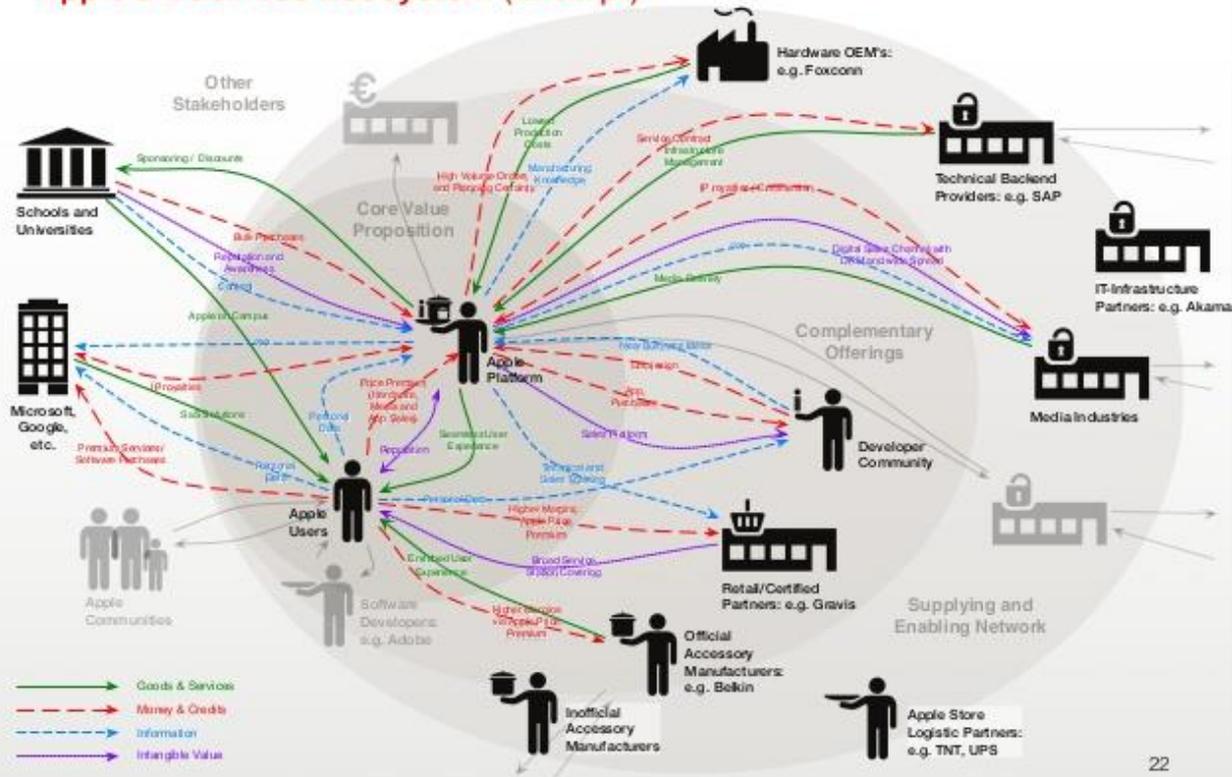


GlobalMa-project

- 2-year (2016-2017) Tekes project aiming to increase understanding of digital marketplaces and their structure, management and business logic
- The project studies leading global digital platforms and their ecosystems with the aim besides theoretical understanding to help Finnish retailers realize the business potential of platforms, for example as a channel to enter new markets
- Project is conducted at Aalto University School of Business Department of Marketing and led by professor Arto Lindblom. Team consists of professor Lasse Mitronen, Dr. Anssi Smedlund & Mr. Mikko Hänninen
- Funded by Tekes, Aalto University and partner companies Kesko Oyj, Posti Oyj, Unilever and Solteq Oyj

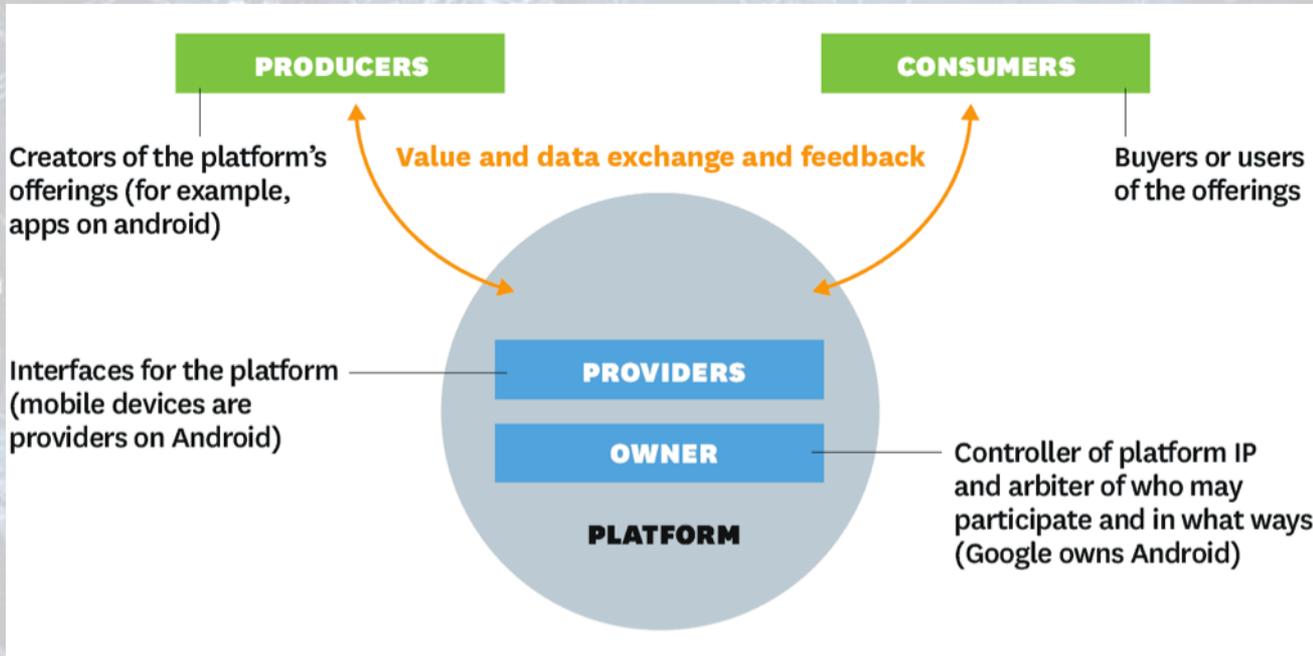


Apple's Business Ecosystem (Excerpt)



Jan Schiedgen (2013)





Van Alstyne et al. (2016)





Walmart





- Shop All Departments
- Unlimited Instant Videos >
- MP3s & Cloud Player >
18 million songs, play anywhere
- Amazon Cloud Drive >
5 GB of free storage
- Kindle >
- Appstore for Android >
MobiLearn Talking Phrase free
- Digital Games & Software >
- Audible Audiobooks >
- Books >
- Movies, Music & Games >
- Electronics & Computers >
- Home, Garden & Tools >
- Grocery, Health & Beauty >
- Toys, Kids & Baby >
- Clothing, Shoes & Jewelry >
- Sports & Outdoors >
- Automotive & Industrial >

Search All Departments

The All-New Kindle Family



Kindle \$79 Kindle Touch \$99 Kindle Fire \$199

Accessories for Kindle
Covers, skins, and more [Shop now](#)



Textbooks
Shop now

Kindle Fire
Movies, music, games, web & reading

Only **\$199**
[Order now](#)

Advertisement

Returns Are Easy
Visit our self-service Online Returns Center
[Learn more](#)

More Items to Consider

You viewed Customers who viewed this also viewed

LOOK INSIDE!

A Year of Living Your Yoga: Daily...
[Judith Lasater](#)
Hardcover
\$16.95 **\$11.53**

LOOK INSIDE!

Living Your Yoga: Finding the...
[Judith Lasater](#)
Paperback
\$12.95 **\$10.36**

LOOK INSIDE!

The Yoga Bible
[Christina Brown](#)
Paperback
\$19.99 **\$13.59**

LOOK INSIDE!

Hatha Yoga Illustrated
[Daniel DiTuro, Brooke Boon, Martin Kirk](#)
Paperback
\$14.95 **\$10.06**

LOOK INSIDE!

The Heart of Yoga: Developing a...
[T. K. V. Desikachar](#)
Paperback
\$19.95 **\$11.97**

PS VITA
PlayStation Vita

Console-style gaming in the palm of your hand
[Pre-order now](#)

Flexible Tripod Goes Where You Go

The new [AmazonBasics flexible tripod](#) for point-and-shoot cameras features a lightweight design that's easy to carry.

[Learn more](#)

Background

- The past decade has witnessed the growth of multi-sided digital retail platforms as retail has increasingly moved online
- The multi-sided phenomenon transforms the nature of exchange in online retailing, because unlike one-sided retailers, the multi-sided one's link end-customers with independent merchants (e.g. Armstrong 2006, Eisenmann et al. 2006, van Alstyne et al. 2016)
- In this logic, the retailer intermediates the transactions between buyers and sellers
- The platform owners, such as Amazon, orchestrate their retail ecosystem of independent merchants and end-customers with information and communication technology (Evans 2003) unlike one-sided online retailing where the retailer sells their own inventory without independent merchants (Spiller & Lohse 1997)
- **But so far, the business models of multi-sided digital retail platforms have remained under-researched in the retail and marketing literature**



**Costco
Walmart
Zappos**

Amazon

Rakuten

**eBay
Taobao**

Pure Reseller

Pure Multisided Platform



Multi-Sided Digital Retail Platforms

- In retail, multi-sided digital retail platforms have received only limited attention from academics despite the spawn of retail marketplaces globally since the late 1990's
- As far as we are aware there are only few studies that address this construct in the retail and marketing literature
- What differentiates multi-sided digital retail platforms from one-sided online retailers is that multi-sided platforms must create some value added for end-customers so that they will not buy directly from the platform's merchants or switch to a competing retail channel for example if merchants multi-home
- The platform leader is arguably the one with the best technology platform and the best ecosystem of merchants and customers (Gawer & Cusumano 2008; Cusumano 2010)
- Based on the literature review, multi-sided digital platforms intermediating an ecosystem further away from the traditional supply chain view of retailing where end-customers are treated as a mass



How do multi-sided digital retail platforms create value for platform participants, including end-customers through their platform business model?





Aalto University

Methodology



Research Design

- The research questions focus mainly on identifying the customer value logic and business models for the different multi-sided digital retail platforms
- A case study approach was deemed most appropriated to use for gaining understanding of the multi-sided digital retail market and the customer value creation processes in place (Yin 2003). The case studies were selected with purposive sampling
- In the field of retail research in particular, a qualitative case study method is supported by several academics (McGuinness & Hutchinson 2013; Ritala et al. 2014; Janhonen & Lindström 2015; Elg & Hultman 2016). Qualitative research methods are also suitable to this study as multi-sided digital retail platforms are a theoretically new phenomenon (Boeije 2008)
- In this paper, the case study relates to the secondary, publicly available data including the full set of annual reports, analyst reports, SEC filings, prior academic articles, Harvard business school cases, books, business press articles and other industry reports on the case companies as well as retailer websites



Description of Case Studies





Aalto University

Results & Key Findings



Key Findings

- Digitalization causes retail to be more data driven and competing against multi-sided digital business models such as platforms, will require new skills and capabilities
 - As multi-sided digital platforms shift the risk from the retailer to third-party suppliers, this platform business model may be less capital intensive, easier to scale and more profitable in the long-term as their earnings model is based on selling services to their user base rather than just maximizing their sales margin
- 1) First of all, we show that retail platforms transform the value-creation logic of retailing as multi-sided digital retail platforms foster loyalty primarily through services, especially the value-adding services offered on the ecosystem
 - 2) Secondly, the case studies emphasize the role of customer data as an essential part of the business model of multi-sided platforms.
 - 3) We confirm that rather than focusing on a single value dimension the multi-sided digital retail platforms are able to create several different combinations of value digitally for their users



"New" Logics for Retail



Last Mile Logistics



Mobile Payment



Customer Lock-In



Volume



Supplier Engagement



Personalized Service



Role of the Platform Ecosystem

Ecosystem Rewarding Members Using Many Services



Theoretical Contribution

- This paper complements previous retail literature by filling the gap of theoretical and empirical understanding of multi-sided digital retail platforms
- We show that platform theories are relevant to the retail sector, where companies such as Amazon.com and Alibaba Group have created retail platforms consisting of independent suppliers and end-users who are able to co-create value through the retail platform interface
- Our study shows that the business models of digital retail platforms are interesting in terms of consumer behaviour, as the platforms aim to create value to customers through their digital ecosystem thus facilitating several types of customer value from utilitarian to hedonistic
- Future research could include an in-depth empirical study, which would help understand end-customer value creation and explore the differences between multi-sided and one-sided business models and the contingencies of choosing between the models



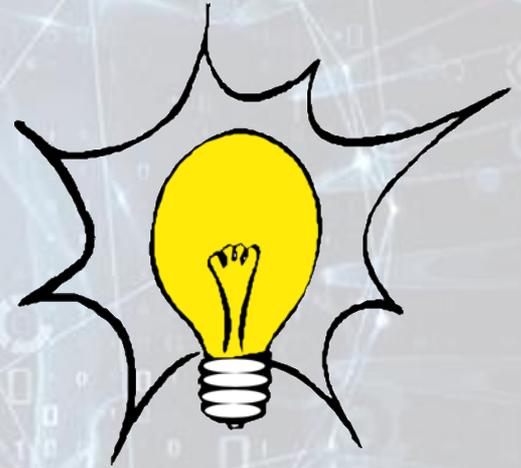
Managerial Contribution

- Based on the case study we suggest that multi-sided retail platforms pose a threat to established retail business models and that these new forms of retail will require new skills and capabilities from retail managers
- We suggest that customer transaction data is one such factor that distinguishes platforms from non-platform retailers, and expect that data generated through digital platforms will form an even greater competitive advantage in the future as these platforms are able to collect data from a multitude of interactions with their user base both online and offline
- As multi-sided retail platforms aim to create lock-in with the value-adding ecosystem services and enhance loyalty through loyalty programs or subscription based programs, it becomes difficult for traditional one-sided retailers to respond to these new forms of competition
- If the growth pace of retailers such as Amazon.com and Alibaba Group continues in the same way as it has in the past decade, it is likely that in the future consumers will be loyal to only a few digital service providers, whose ecosystems will provide a host of digital services also outside retail



Managerial Contribution

- First, new earnings model shape the traditional logics retailers operate in as platform based retailers simply intermediate their platform without inventory risk or supply-chain integration which have traditionally been the “winning formula” in retail
- Secondly, if platform business models prove the dominant business model in retail this will mean that non-platform are left with the decision to enter established platforms such as Amazon.com Marketplace or establish their own platform.
- Thirdly, responding to the threat posed by platforms requires new types of expertise for retail managers. If digital services facilitated through an ecosystem becomes the de-facto standard of retail in the future, this will require a new business model to respond.



Summary



Key Takeaways

- Multi-sided digital retail platforms transform the nature of retail and established logics as they simply intermediate transactions between independent buyers and sellers
- Customer centricity is embedded into these platforms' business models in order to maximize the total value in the platform for users
- Our analysis show that the customer transactional data gathered through the platform is extremely vital part of the business model. Platforms use the customer understanding generated through the ecosystem to provide a customized customer experience for users
- The platforms are able to create different value combinations in a virtual, digital context including both experiential and social value





Aalto University

Q&A

Mikko Hänninen

+358 50 349 4666

mikko.o.hanninen@aalto.fi

<https://linkedin.com/in/mikkohanninen>

