

Platforms – Opportunities and Risks for Operators, Sellers and Brands

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Abstract

Platforms are a key distribution channel for both brands and retailers. The popularity of platforms creates new challenges, however. For instance, competitive intensity on platforms is high, as entry barriers for new sellers are low, rendering it difficult for any brand or seller to stand out. Platform operators, in turn, offer advertising options allowing brands and sellers to differentiate through sponsored listings (i.e., retail media) or recognition cues (e.g., best seller award). At the same time platform operators are interested in how to strategically manage platform performance. This special session details the role of platforms as a combination of distribution and promotional channels from a brand, retailer, and operator perspective. We focus on questions such as: How do crises affect the platform economy? Does growth in the market share of a platform also improve its profitability? How do cues on multi-seller platforms affect seller diversity? And which role do promotion on platforms and exogenous shocks have on a seller's performance on the platform and other distribution channels? The first presentation “When Crisis Hits the Platform Economy: The Effects on Supply, Demand, and Spillovers” by Hong, Kim, and Vana investigates how the supply and the demand sides of a platform economy respond to a platform crisis. Focusing on the scandal surrounding Kickstarter in 2019, when the platform was accused of union busting, and using a difference-in-differences approach, the authors identify a significant decrease in the supply of projects post-crisis, while the demand-side reaction was not as severe. The second presentation “Does Bigger Still Mean Better? How Digital Transformation Affects the Market Share-Profitability Relationship” by Sklenarz and colleagues demonstrates that the digital transformation of companies along with digital platforms has substantially altered this market share-to-profitability relationship and its underlying mechanisms. Using a large sample of U.S. firms, the authors find that the market share–profitability relationship is significantly weaker for more digital firms and those that operate consumer-oriented two-sided digital platforms. The third presentation “The Impact of Recognition-Based Cues in Digital Platform Aggregators' Ecosystem” by Varga, Valentini, and Chang studies how recognition-based cues (e.g., store of the year award) on aggregator platforms with multiple competing sellers affect price formation. Using scraped data from a large European platform, the authors find that recognition cues increase price diversity. Specifically, those sellers that receive a recognition-based cue (e.g., an award) can maintain their prices, adopting premium pricing, while competing sellers without recognition have to lower theirs, facing challenges in maintaining competitiveness. The fourth presentation “Epiphyte Brands and the Role of Platforms, Retail Media, and Product Launches” by Maier and Bijmolt studies the distribution of epiphyte brands (i.e., brands that sell a complement to a primary product; e.g., screen

protectors for an iPhone) – an industry with a volume beyond \$1 trillion – on platforms vs. an own webshop. Using panel data across multiple products and countries, the authors analyze the role of promotional activities targeted at distribution channels (e.g., SEA vs. retail media) as well as the role of exogenous shocks from product launches of the principal product manufacturers.