# How to Draw the Platform Business Model Map

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Rethink Your Business for the Digital Age*)**

The guide provides detailed instructions for how to use the Platform Business Model Map
This is an analytic and visualization tool designed to identify all the critical parties in a multi-sided
platform, and analyze where value creation and exchange takes place, among the different customers,
and with the platform business itself.

Before creating the visual map itself, the tool begins with a chart that is used to clarify each element of
the platform business model. (See Figure 3-6: Platform Business Model Analysis)

You fill out the chart by answering seven questions, to fill in the seven columns:
1. Who are the platform's distinct customer types?
2. What value does each customer type *receive* from the other customers? (bold if monetary)
   Which customer is it from?
3. What value does each *receive* from the platform itself? (bold if monetary)
4. What value does each *provide* to the other customers? (bold if monetary) Which customer
   receives that value?
5. What value does each customer *provide* to the platform? (bold if monetary)
6. For each customer—which types of customers does it attract to the platform?
7. What is the profile of each customer, based on these criteria --
   * If one customer attracts more customers than any other, they are the "linchpin"
   * Any customer who provides monetary value to the platform, is a "payer"
   * If one customer provides the *most* monetary value to the platform, they are the
     "primary payer"
   * Any customer who provides no monetary value to the platform, but does provide value
     to other parties, is a "sweetener"

*Figure 3-6: Platform Business Model Analysis*

| Customer | Value received from other customers - $ in bold | Value received from platform - $ in bold | Value provided to other customers - $ in bold | Value provided to platform - $ in bold | Customers they attract | Profile |
|---|---|---|---|---|---|---|
| Customer Type A | | | | | | |
| Customer Type A | | | | | | |

We can see how this analysis works by filling out the chart for Airbnb's business model. (See Figure 3-7:
Platform Business Model Analysis: Airbnb).

Airbnb is a classic example of the "exchange" type of platform. Its business model is all about bringing
together two parties (or, customers), one with a service to offer, and the other side looking for that
service. In addition to the core value provided by the two parties, the platform is further driven by the
value that Airbnb provides to both customer types, which helps to further distinguish it from

competitors (along with the huge size of its network of customers). We can see how Airbnb monetizes its platform through fees levied on both sides: a 3% transaction fee paid by the hosts, and a 6-12% transaction fee paid by the guests making a reservation. Because each customer is attracting the other, there is no "linchpin" customer, but the guests are the "primary payer" customer.

*Figure 3-6: Platform Business Model Analysis: Airbnb*

| Customer | Value received from other customers - $ in bold | Value received from platform - $ in bold | Value provided to other customers - $ in bold | Value provided to platform - $ in bold | Customers they attract | Profile |
|---|---|---|---|---|---|---|
| Guests | Accommodation (hosts) | Reservation tools, ratings, security | **$ for reservation (hosts)** | $ guest fee (6-12%) | Hosts | Primary payer |
| Hosts | **$ for reservation (guests)** | Listings tools, insurance, rating | Accommodation (guests) | $ host fee (3%) | Guests | Payer |

Once you have completed the analysis chart, you are ready to create the visual map of the platform's business model.

The map is drawn in five steps, using the information filled in your chart:
1. **Names**:
   - Write the name of the platform itself in the middle of your map
   - If there is a *linchpin*, write its name directly above the platform
   - If there is a *primary payer*, writer their name directly to the right of the platform
   - Then, go clockwise: writing the names of other *payers*
   - Finally, further clockwise: write the names of any *sweeteners*
2. **Shapes**: Draw a circle around the platform's name, a diamond around any payers, and a square around sweeteners
3. **Attraction**: On each customer's shape (diamond or square), add a small spike for every other customer that is *attracted by them* to the platform
4. **Value received**: Draw an arrow out from the platform to each customer. Next to the arrow, write the value it receives from other customers. Then, in parentheses, write the value it receives from the platform itself. (In both cases, indicate monetary value in bold.)
5. **Value provided**: Draw an arrow from each customer in to the platform. Next to the arrow, write the value it provides to other customers. Then, in parentheses, write the value it provides to the platform itself. (In both cases, indicate monetary value in bold.)

You can see can the Platform Business Model Map of Airbnb in Figure 3-7. It provides a clear visual analysis of the parties involved in Airbnb's business model, and the exchange of value (both monetary and non-monetary) that keeps each side engaged, and the platform profitable.

*Figure 3-7: Platform Business Model Map: Airbnb*
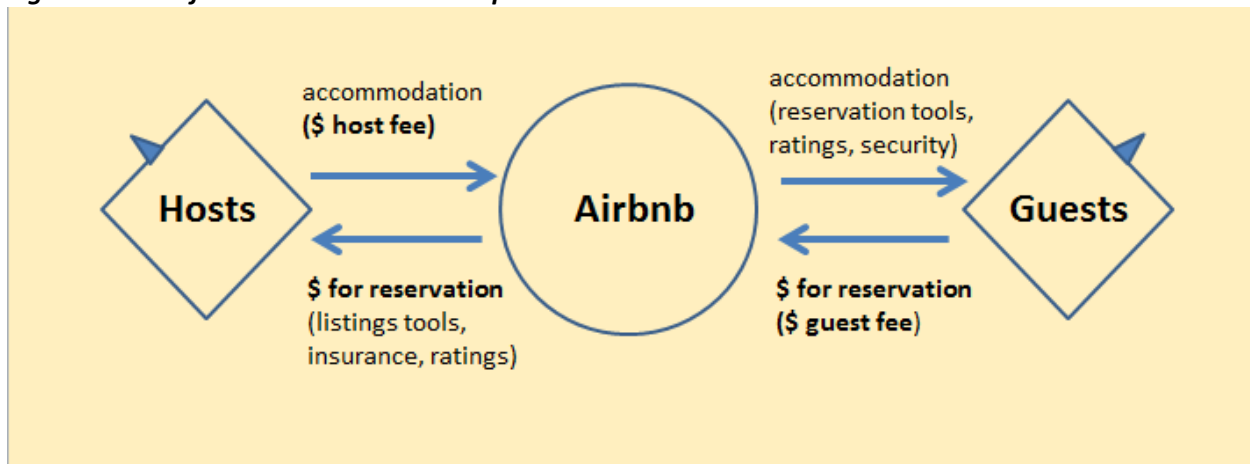


We can see the full capability of the tool if we use it to analyze a more complex platform business model, such as Facebook. In Figure 3-8, we can see the chart laying out the various components of Facebook's platform.

Facebook brings together four different types of customers on its platform: social network users, advertisers, app developers, and news & content publishers. In terms of its business model, Facebook is actually a mix of two of the four types of platforms: "ad-supported media" and "software standard" (for the app developers). Its platform is fueled in part by cross-side network effects (different parties being attracted to each other). But is also driven by same-side network effects (social network users are attracted by more customers of their same type). Multiple parties contribute monetary value, but the primary one by far is advertisers (users payments for apps remain relatively small in comparison). Users of Facebook are a classic example of a "linchpin" customer. The presence of ample users attracts all three of the other types of customers, along with more users themselves.

*Figure 3-8: Platform Business Model Analysis: Facebook*

| Customer | Value received from other customers - $ in bold | Value received from platform - $ in bold | Value provided to other customers - $ in bold | Value provided to platform - $ in bold | Customers they attract | Profile |
|---|---|---|---|---|---|---|
| Users | Social Interaction (users) Content (publishers) Apps (developers) | Networking tools | Social interaction (users) **$ for apps (developers)** audience (publishers & advertisers) | **$ share for apps** data | Users Advertisers Developers Publishers | Linchpin |
| Advertisers | Audience (users) | targeting tools | n/a | **$ for audience** | n/a | Primary payer |
| App developers | **$ for apps (users)** | viral distribution | Apps (users) | user stickiness | Users | Payer |
| Publishers | Audience (users) | viral distribution | Content (users) | user stickiness | Users | Sweetener |

In Figure 3-9, we can see what the completed Platform Business Model Map looks like for Facebook. The users appear as the linchpin up top (with four spikes for the four types of customers they attract). Advertisers are in the position on the right, as the primary revenue source for the business model. The role of publishers is clarified as well: although they provide no revenue, they add value for the linchpin customers, and hence to the platform (through added stickiness by users, spending more time on the service, and therefore more time seeing ads).

*Figure 3-9: Platform Business Model Map: Facebook*
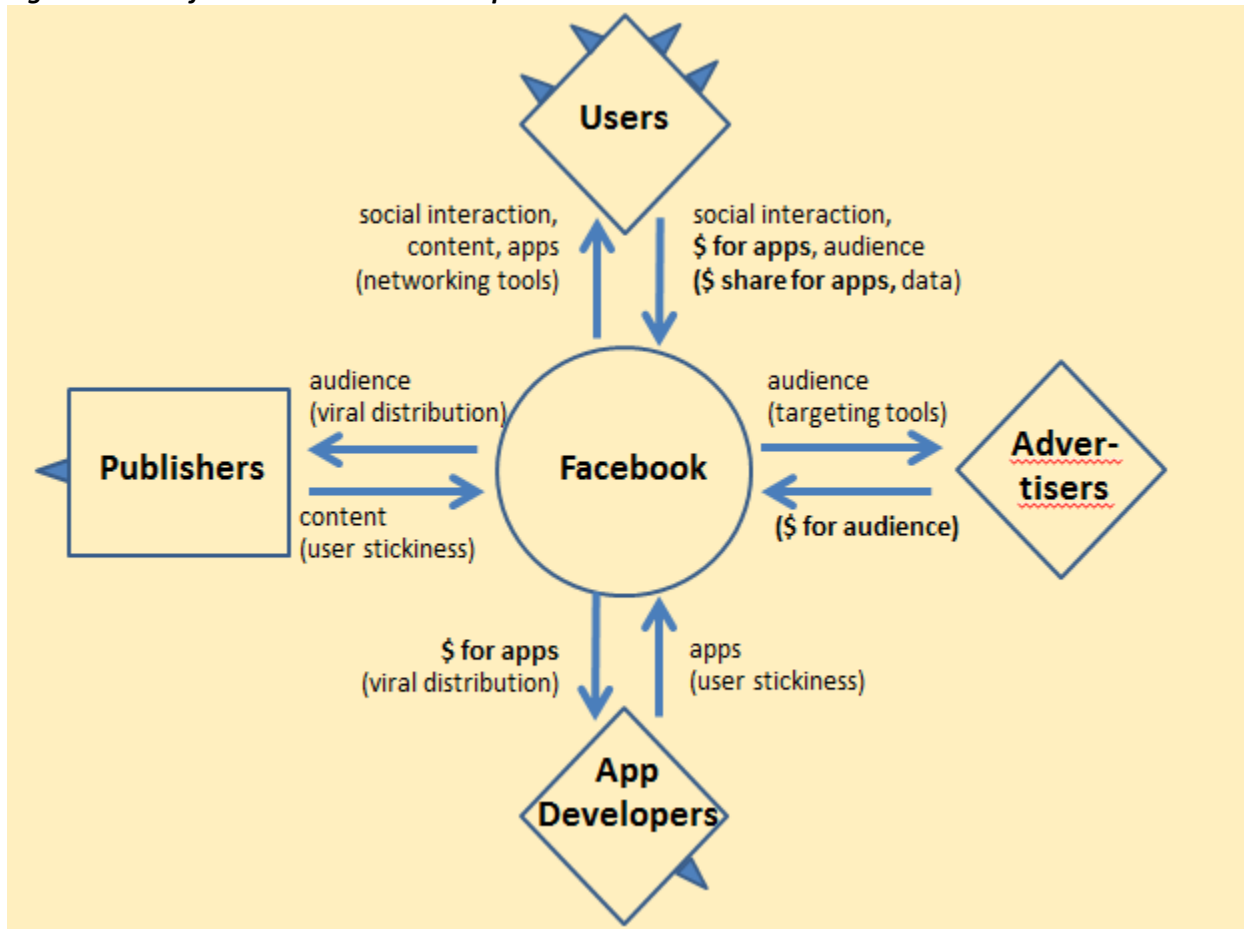
## Ways You Can Use the Tool

The Platform Business Model Map can be used any time you are building your own platform (as a new business, as a new venture in a business, or as a strategic shift in an existing business venture).

The logic of multi-sided platforms is quite different from that of a traditional product, service, or re-seller business. It is therefore very important to understand in advance the value exchange which your platform will be based upon.

Strategic questions that can be clarified with a Platform Business Model Map include:
- Who do you need to "bring on board" to make your platform work?
- How will you monetize the platform?
- Who are your most important customers to prioritize? (likely both the primary payer, and the linchpin)
- Is your business model "in balance" – Does each party receive enough value to attract their participation? Does each party contribute enough value to justify their inclusion?

The value exchange of your platform may also need to change over time (e.g. you may need to begin with most value provided by platform itself, in order to attract customers, and then shift the model as the various customers begin to create more value for each other). In these cases, you can complete a Map for each stage, to analyze how your business model will change over time, and to make sure the value exchange is in balance for all parties at each stage.

You can also use the Platform Business Model Map as a tool to analyze other multi-sided platforms. These could include competitors or partners in your industry, a platform in another industry whose best practices you wish to analyze, or a platform that is currently acting as an intermediary between you and your customers.

Analyzing another firm's platform will help you to answer important questions, including:
- Who are their key customers?
- What is the role, or value contribution, of each customer type?
- What draws each party to the platform?
- How does the platform monetize?
- What value do you provide, if you are a party to the platform?
How might you extract or leverage more value from the platform, if you are