

How do small ideas like Twitter, WhatsApp, AirBnB create great value through network effects?

The truth is that when it comes to platform approaches, technology is not always the reason we use it. The following article is not intended to address valuation but will discuss the true values ??that these platforms create.

1. **Twitter** - Type 140 characters.
2. **WhatsApp** - Just like SMS but not expensive.
3. **AirBnB** - Empty rooms for rent.
4. **Uber** - A taxi company in many other companies.

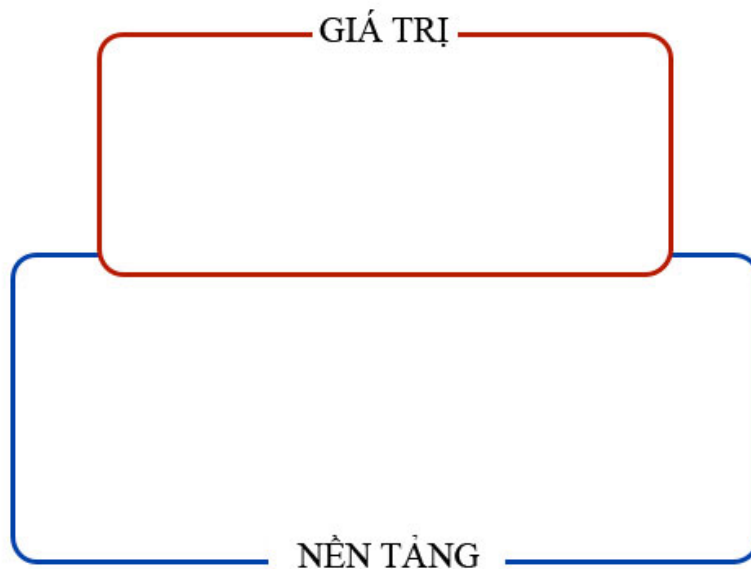
Maybe you have heard a lot of questions that still bother in many people about startups, that **why a simple application like WhatsApp is sold for \$ 19 billion** ? There is also a lot of speculation in the "non-tech world" that why a software doesn't do anything other than allowing you to type 140 characters like Twitter is valued at billions of dollars. What is important when **Uber seems to be just like a taxi company in countless other taxi companies** ?

The truth is that when it comes to platform approaches, technology is not always the reason we use it. The following article is not intended to address valuation but will discuss **the true values ??that these platforms create** .

Every platform looks like a silly idea when there are no users.

When startups complain about simple apps like WhatsApp that are purchased at high prices, they mostly overlook an important point. In fact, even valuation experts overlook this point when they value the company based on user base or growth. None of these things is really important. **The important thing - a parameter can really evaluate a platform - that's the value that the platform creates** . The value of AirBnB lies in its support for the market with millions of transactions. Twitter is valuable when we create a tweet, when they are retweets or respond to tweets.

The value of the platform is created by relationships above the platform.



Value does not lie in technology or user growth rate. **The value of the activity lies in the user network** . The important thing for WhatsApp is that it is not a messaging application or has 450 million users, but the user network creates huge value through interactions, enough to keep 72% of users on daily use. .

But what does it mean, actually? And if it is not related to technology, what is the role of foundation in creating value?

To explain the case of WhatsApp, Twitter, Instagram, Uber or AirBnB, we can use many metaphors to explain the value created on the platform. From Lego, football to many other cases, a point we need to keep in mind when it comes to building foundations, is:

1. Our job is not to build software.
2. Our job is to create interactions.

Lego: When the platform becomes a children's game

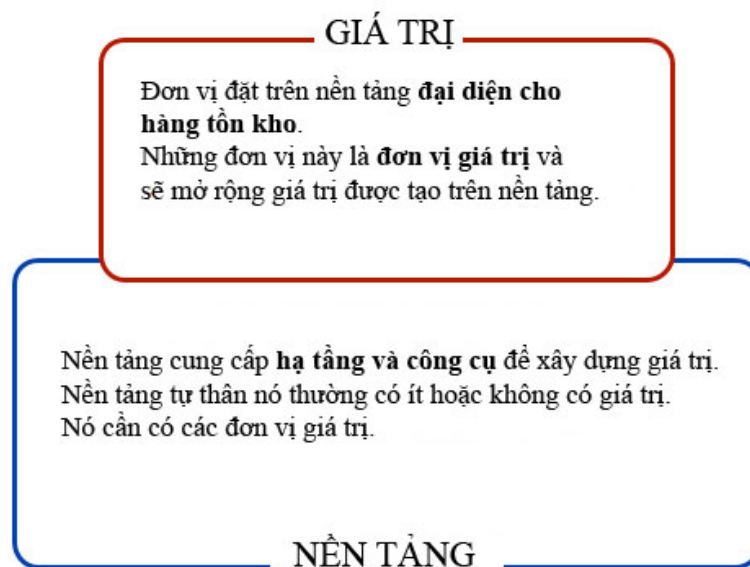
In The Lego Movie, we can see a metaphor of the platform. Basically, when building a city or Lego items, **you will have to create a piece of foreground, then build other elements (building, tree .) above that platform** . The way the platform works is similar when it creates a hidden infrastructure and values ??built above. Android provides an underlying infrastructure for creating applications, YouTube provides a platform for creating video or Etsy as the foundation for creating products above.



In the examples on the platform there is no value if there are no units built above it. **These units represent values** . The platform becomes increasingly valuable when more units are added above it. You can call these units "inventory" for the platform.

Because Lego is visible and touchable shapes, we tend to assume that application platforms or content platforms - where content and applications are built on the platform - are more or less tangible element. However, **this metaphor expands with anything that can be added above the platform that creates value for it** . For example, Uber drivers give information about their location and driving readiness, which is also adding value (and inventory) to the platform.

See also: How Uber works - Uber decoding



FedEx - Movement within the network

Temporarily leave the platform definition as a hidden infrastructure, instead think of it as a transport network. FedEx acts as a network, transporting packages from source locations to destination locations. FedEx's simplified process can be described as follows:

1. Collect information from the sender (source) about the recipient (destination) such as address, name .
2. Transfer that data to code to provide route guidance for those involved in the shipping process.
3. Package delivery.

Route - a concept from network theory - is the process of selecting the best route on the network.



There are two important aspects in networks like FedEx

1. Packages shipped.
2. The package contains information for the network to send them to the correct destination.

Each platform is responsible for shipping packages from source locations to destination locations.

1. Twitter moved tweets from tweet creators to readers.
2. YouTube transfers videos from creators to video viewers.
3. LinkedIn transfers jobs from recruiters to job seekers.
4. AirBnB transfers the list of apartments from homeowners to travelers.
5. Uber transfers the taxi request from the traveler to the driver.

All platforms rely on the ability to accurately convey information (and content) from source to destination. Thinking about YouTube as an infrastructure for users to store videos is also important, but it's also important to see YouTube's role in transferring videos to the right users. This is where the platform needs information to be able to suggest the right video.

GIÁ TRỊ

Mỗi 1 đơn vị đều mang trong mình dữ liệu được sử dụng để ghép với đúng khách hàng. Đơn vị không thể ghép thì sẽ không tạo ra hoạt động nào trên nền tảng.

Nền tảng sử dụng dữ liệu trên mỗi đơn vị để ghép nội dung hoặc dịch vụ trên nền tảng, hoặc sản phẩm và dịch vụ ngoài nền tảng với đúng khách hàng cũng như ghép các khách hàng với nhau.

NỀN TẢNG

Spark spark, catalyst and reaction

Think about the units mentioned above. These units always start an interaction between producers and consumers. You need an Uber driver ready to drive to pair with the car finder. You need a list on eBay or Etsy to buy and sell. Dig a little deeper, you need a seller to prepare information on PayPal so buyers can buy products via PayPal.



In all of these cases, it is the unit that is the "spark of bait" for the interaction. In the book **The Catalyst Code** also talks about starting an exchange and catalysts to accelerate those exchanges, but without saying what the "spark" details are.

GIÁ TRỊ

Đơn vị bắt đầu tương tác giữa người sản xuất và người tiêu dùng trên nền tảng.

Nền tảng điều hành và quản lý hoạt động bằng cách tạo ra các điều kiện cho những tương tác đó.

Luôn có 1 lượng đơn vị tiêu thụ tối thiểu tại mỗi điểm trên nền tảng.

NỀN TẢNG

Football - social interaction

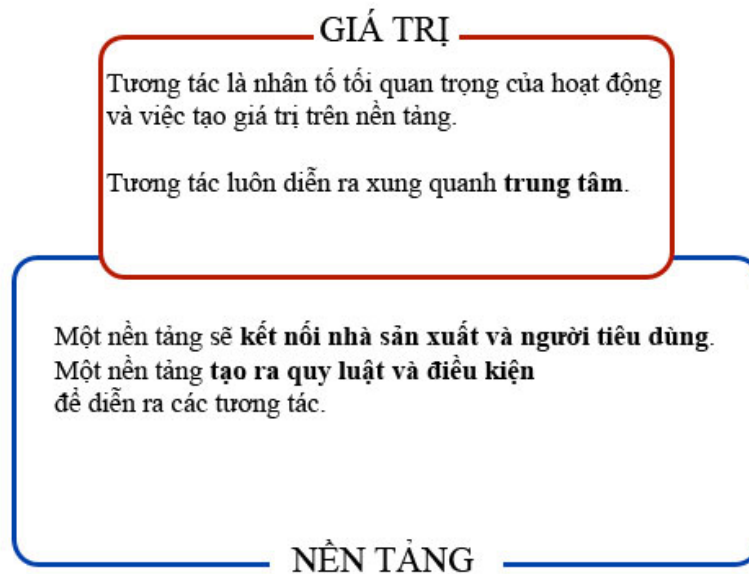
Think of games like soccer or ice hockey. These games always rotate 1 central point: football or hockey ball. Audiences do not see the whole stadium but they only focus on 3 things:

1. Soccer ball (hockey ball).
2. Who is controlling the ball.
3. Who is next will receive the ball.



The ball is the center of social interaction. The interaction between two or more parties always has such a center. The initiator and the recipients are always determined around this central point.

Going back to the platform, each platform supports the interaction between producers and consumers. **These interactions always take place around a center** , like the aforementioned ball. As with the rules in games and the role of referees, the purpose of the platform is to provide the conditions necessary for effective interactions to take place.



The nature of order - ask architects

Thinking about the design - the product, the foundation or the business as a whole - will be useful when learning from those who do this job to make a living, that is the architect. Although the physical nature of the design in the real world differs from building a digital system, the basic elements are the same.

In **The Nature of Order** , Christopher Alexander sets out the circumstances that make us change the way we think about design. If you plan to design a building, you won't start by thinking about the building. When an architect starts drawing blueprints, they will start at the center and build things around them. This issue has many nuances, but the most remarkable thing is **that we may have missed the important point when trying to think about the whole** . When looking at a website or application, we view them as a whole and not at the center.



The more complex the system, the harder it is to understand it as a whole. Overall, forcing us to think about features. That is the place where thinking about the center is very helpful. When building the platform, it is important to remember that the feature is not the starting point. **Features should be built around the center.** The central point determines how users interact and will then indicate what features are needed to enable these interactions to occur.

If you think about YouTube, AirBnB or Threadless, you will see each of their features built around videos, lists or graphics. **Feature does not exist only for itself.** In the early days, any Internet startup just thought about the features and ended up with a mess. As the features get closer and closer to the center, the use of the platform becomes even more intuitive.

This brings us back to thinking about Piping. Toyota builds an automobile factory (final product). If you think about adding something to a factory that is not a car, it will become redundant. The same is true for digital platforms.

GIÁ TRỊ

Đơn vị là trung tâm để xây dựng nền tảng.

Bắt đầu với trung tâm chứ không phải tính năng. **Trung tâm sẽ quyết định** cần có tính năng nào và cần bỏ tính năng nào.

Đơn vị nằm ở trung tâm.

Mỗi tương tác giữa nhà sản xuất và người tiêu dùng được tạo xung quanh trung tâm và các tính năng của **nền tảng được xây dựng để hỗ trợ tương tác này.**

NỀN TẢNG

A few brief examples of characteristics of units

1. Value unit - Which value is added to the platform without it, will the platform have little or no value?
2. Exchange / transport unit - What transport platform between consumers and manufacturers.
3. Representing 1 job - What information is needed to complete the job?
4. Production and consumption units - What do producers and consumers consume on the platform?
5. The information unit needed to start interacting - Where is the information unit needed to create and consume content, products, services .
6. Center of interaction - Where is the center of interaction between producers and consumers.

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