



Management and Strategy

Management and Economics of Platforms

Summer Semester 2025

Institute:	Institute for Strategy, Technology and Organization
Lecturer:	Prof. Dr. Tobias Kretschmer
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Weekly hours:	4
Credits	6
Examination:	In-person written exam, 120 minutes.
Prerequisites:	Basic understanding of Economics, Basic knowledge of Statistics.
Course Material:	Lecture videos, slides, interactive quizzes, and mandatory readings (with worksheets and solutions).

Course Description & Main Objectives

Nowadays, platforms are ubiquitous and range from social media to e-commerce, payment networks, and operating systems. The platforms operate as intermediaries (e.g., Booking.com, Amazon, iOS, Tinder) in business-to-business and business-to-consumer environments and among individuals. The drivers of platform markets' success are complex, and they can be generally summarized into network effects, technology diffusion, and users' switching costs. In addition, platform markets introduced new business models and novel pricing structures, reshaping the competition between firms and their relationship with consumers.

The course addresses these fundamental and contemporary issues and organizes around five main questions:

- What are the characteristics that define a platform market?
- How do firms design or re-design their strategies to succeed in a platform market?
- How do platforms' characteristics influence competition across industries and between newly born and established firms?
- How do users behave in this new environment?



- How do the regulators respond to changes introduced by platforms to preserve consumers' interest and healthy competition?

The pre-recorded lecture videos will introduce key theoretical concepts, using real-world examples and findings from the most recent empirical studies. The in-person paper discussion sessions will enhance students' ability to critically analyse academic papers.

Lectures Overview/ Course Outline

Lectures

About 10 hours of lectures (52 short videos available on LMUCast), complemented with interactive quizzes on Moodle.

Network goods and Network Effects

- a) Traditional Goods vs. Network Goods
- b) Direct Network Effects
- c) Indirect Network Effects

Cascade Effects and Winner-Take-All Markets

- a) Characteristics of Two-Sided Markets
- b) Two sides willing to interact
- c) Network effects in Two-Sided Markets
- d) Chicken-and-egg Problem
- e) Single and Multi-homing

Adoption and Diffusion

- a) Adoption and Diffusion
- b) Epidemic Approach
- c) Probit/Rank and Strategic Approaches
- d) User Adoption and Indirect Network Effects
- e) Leaders vs. Laggards

Pricing strategies in Two-Sided Markets

- a) Maximizing the volume and value of transactions
- b) A specific pricing structure
- c) Optimal pricing and network effects
- d) Optimal pricing and types of fees
- e) Ad-valorem and non ad-valorem fees
- f) Three-part tariffs

Complementors: Heterogeneity and Strategies

- a) Size of the Installed Base
- b) Types of Complementors
- c) Preferences of End-Users
- d) Crowding out of Complementors

Non-Pricing Strategies in Two-Sided Markets

- a) Tensions Over Value Capture
- b) Value Capture and Competition
- c) Business Models and Freemium
- d) Differentiation of Platforms
- e) Subsidizing Complementors
- f) Selecting Complementors

Compatibility: Strategies and Impacts

- a) Full, partial and One-Way Compatibility
- b) Inter-generational Compatibility
- c) Intra-generational Compatibility
- d) Impact of Compatibility on Complementors and Platform Success

Platform Orchestration Activities

- a) Value Creation and Capture



- b) Platform Orchestration
- c) Platform Governance
- d) Rewarding "Good" Complementors
- e) Complementors' Responses to Orchestration Activities

Experience Goods: Reputation and Feedback Systems

- a) Experience Goods and Information Goods
- b) Reputation Systems
- c) Feedback Systems
- d) Impact of Reputation Systems on Consumers
- e) Impact of Reputation Systems on Firms and Competition

Competition in Platform Ecosystems

- a) Winner-Take-All Outcomes
- b) Platform Co-Existence
- c) Competition Between Platforms
- d) Competition Between Complementors
- e) Competition Against Complementors

When users avoid using the platform

- a) Showrooming and Webrooming
- b) The Leakage Problem
- c) Solutions to the Leakage Problem
- d) Price parity clauses

Tutorials (Reading Sessions)

Six in-person paper reading sessions (on Tuesday, 14:00-16:00).

List subject to changes

- a) Tucker, C. (2008). Identifying formal and informal influence in technology adoption with network externalities. *Management science*, 54(12), 2024-2038.
- b) Kretschmer, T., & Claussen, J. (2016). Generational transitions in platform markets—The role of backward compatibility. *Strategy Science*, 1(2), 90-104.

- c) Boudreau, K. J., Jeppesen, L. B., & Miric, M. (2022). Competing on freemium: Digital competition with network effects. *Strategic Management Journal*, 43(7), 1374-1401.
- d) Zhu, F., & Liu, Q. (2018). Competing with complementors: An empirical look at Amazon.com. *Strategic management journal*, 39(10), 2618-2642.
- e) Meyer, T., Kerkhof, A., Cennamo, C., & Kretschmer, T. (2024). Competing for attention on digital platforms: The case of news outlets. *Strategic Management Journal*.
- f) Rietveld, J., Seamans, R., & Meggiorin, K. (2021). Market orchestrators: The effects of certification on platforms and their complementors. *Strategy Science*, 6(3), 244-264.

Literature

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