

Platform Owners Decide Which Offerings Become Stars, New Research Finds

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New study from faculty at UCL School of Management, NYU Stern School of Business and the University of Auckland Business School shows that sophisticated platform owners manipulate which products rise to the top of featured listings.

Most consumers believe that the highest-quality or top-performing products sold on platforms are aptly recognized in “best-of” accolades. Contrary to this popular belief, new research from the University College London (UCL) School of Management, New York University (NYU) Stern School of Business and the University of Auckland Business School asserts that platform owners strategically promote specific complements, or product offerings, in order to maximize the value created for their ecosystem.

Using data over a four-year period (2007-11) from seventh-generation video game consoles, UCL School of Management Professor Joost Rietveld, NYU Stern Professor Melissa Schilling and Auckland Business School Professor Cristiano Bellavitis examined ways that platform owners directed customer attention toward specific complements through endorsements, awards, prime positioning and recommender systems.

Key takeaways from the study include:

Platform owners bring attention to underappreciated complements with high earnings potential and actively influence consumers’ perceptions of an ecosystem’s overall depth and breadth
When a platform determines a need to strengthen its offerings in a particular category, it boosts complements in the grouping to build its presence and attract new customers
Video games that ranked just below the category of “best-sellers” were 12.85% more likely to be promoted by the platform than those with top sales rankings

“Ultimately, the goal of selective promotion is to boost sales of the complements that have the most potential to increase value for the platform,” noted Professor Rietveld. “Platform owners strategically invest in these complements to ensure they have the best and most diverse platform offerings.”

“The use of selective promotion is not limited to a specific platform or geographical region,” added Professor Schilling. “We’ve seen this trend develop on a global scale and across platforms, including gaming, search engines, music streaming, e-commerce, mobile apps and more.”

The paper, “Platform Strategy: Managing Ecosystem Value Through Selective Promotion of Complements,” was recently published by the Institute for Operations Research and Management Sciences.

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For more information, a copy of the paper, or to speak to Professor Joost Rietveld, contact Kate Mowbray at BlueSky PR on kate@bluesky-pr.com or call +44 (0)1582 790 711.