The Current Situation and Future Trend of the Platform Economy

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ABSTRACT
Platform economy has become a new economic model in the 21st century, which has changed the traditional industrial structure of digital platforms. In this paper, the profit and sales models of the global platform economy are sorted out, and the potential risks and risk control mechanisms of internal and external environments on Internet platform enterprises are discussed. The analysis of the economic development of the whole platform from the perspective of investment provides practical investment suggestions for investors. In the short term, this paper suggests investors pay more attention to changes in government policies and the situation of platform company operators, compliance of market operations, and management capabilities. In the long run, the platform economy business model will reform traditional industries, further develop advanced manufacturing, support platform enterprises in the consumer sector, and continue to unleash consumption potential in the future. On this basis, there are still many problems worth exploring, which the lack of quantitative analysis of platform enterprises. The future research direction will focus on the relationship between platform competition and platform power. In addition, this research will focus on the social externalities caused by platform power expansion from the macro and micro levels.

Keywords: Platform Economy, Investment, Business Model, Risk Control

1. INTRODUCTION

The economy of the platform is a new word steadily heated over the previous decade. Its growth is not immediately formed. Due to the growth of the internet and communication technologies, significant commercial platforms progressively arose in the early 21st century. Twenty years later, however, platform economy functions and services are getting more and more excellent. Certain asset purchases and labor transactions may already be conducted effectively on specific platforms, indicating that the platform economy is going to be an upcoming trend in 20 years. When looking at the top ten firms with the world’s highest market capitalization, most corporations may easily find platforms or technology. Platforms function as a digital middleman that provides customers and providers with a virtual scenario to take what they desire.

In contrast to conventional intermediaries, platforms store data for use by their algorithms, thereby improving connections between buyers and sellers by providing additional services for both supply and demand. The expanding platform economy is based on economic sharing, a gig economy, and other financial goods. It encouraged investors to reflect on the necessity of altering their investing strategy.

The platform firms are now offering a new means of connecting manufacturers and users to extract value from one another than in the 19th and 20th centuries. Platform companies may now get funding from multiple sources, including conventional angels, venture capital, and private equity corporations. Investors are increasingly focusing on the long-term growth and potential value of companies [1]. This leads to a market share and revenues generated primarily by actions
between customers and sellers to achieve profitability and investment returns. Investment is fundamentally a type of redistribution of resources. However, in a certain sense, the platform economy also performs the role of resource reallocation. Much work has been done on the platform economy and examining its business logic by local and foreign scholars. However, the platform economy has not been adequately developed in terms of investment consequences and risk control.

The following are the beginnings of the platform development and utilize market, feasibility, and profitability model analysis to explain the platform’s business model by examining the relevant literature and evaluating the business logic of the platform. This essay next evaluates data to identify the risks and control them. Finally, in the closing part, this paper summarizes the preceding paragraphs and provides suggestions about investing.

2. THE BUSINESS MODEL OF THE PLATFORM ECONOMY

As a result of recent technical developments, new business models centered on digital platforms have grown. Through innovative forms of value generation, delivery, and capture, marketplaces such as Airbnb and Uber connect hitherto unmatched demand- and supply-side actors.

![Figure 1. The business model of the platform.](image)

2.1. Product and Market

The platform does not create a market; its basic idea is to allow the demand side of an existing market to meet its supply side. Naturally, the platform itself is monopolized, as its marginal cost is negligible. The capital requirement for entering the platform is low since the platform employs fewer employees than conventional industries and has less risk of depreciation. Platform users may frequently achieve exponential growth early on, but later on, because of the social qualities of the individuals, they can still sustain the pace of growth. The qualities are appropriate for investors, who assume lower risks than conventional sectors and considerably minimize the concerns of lowering marginal benefits.

Most firms are constantly at the center of the sales of products or services. Building connections between various user groups should be a fundamental aspect for firms to survive on the platform. Researchers, therefore, said that services on one side of the platform are typically meaningful [2]. In other words, the first step towards occupying a position on the platform is to attract enough people. The algorithmic revolution and cloud computing drive the platform economy. Big data may allow firms to evaluate and modify products and services by making information more transparent. Algorithms help us gather and analyze billions of facts, but they may impact our judgments more profoundly. The “Look” and “Sign In” network has become a very customized user-target and measuring tool [3]; for example, Facebook leverages its database and other valuable sources.

One of the oldest business models in the world employs advanced technology to shatter conventional enterprises, promote innovation and create new, massive wealth sources. It is simple for two or more consumer groups to trade matchmakers such as Uber’s drivers and passengers. They operate platforms that let people rapidly and easily trade in value. Therefore, as do particular companies, they do not purchase raw materials, produce things and then sell them. Instead, they employ people and then sell access to each group’s other groups [4]. The ‘participants’ are the ‘inputs’ used to generate the result.
This is a quick comparison between the economic platform in Asia and the economic platform in the U.S. Asian businesses named Tencent and Alibaba, the two largest platform companies by far, match market capitalization of $248 billion and $235 billion. The second tier of businesses, estimated at $20 trillion to $60 billion, is Baidu, Ant Financial, JD.co, Didi Chuxing, and Ctrip.com [5]. Five of the most prominent American companies, Apple, Microsoft, Amazon, Google, and Facebook, manage massive successful platforms for technology. These technology gangs have a $7.4 trillion market value, representing 22% of the S&P 500 [6].

2.2. Feasibility Analysis

To understand why being a platform becomes a must for a company that wants to grow, it is necessary to analyze its feasibility. Below it will talk about its viability in terms of business logic in different dimensions.

2.2.1. Technical Feasibility

One of the requirements for the execution of all plans is technological feasibility. Cusumano and others have demonstrated that these digital platforms are multifaceted digital frames that shape users’ parameters, which may be used in many areas for product sales [7]. To a specific excess, a firm will benefit from a pricing competition of the same goods if they can transmit algorithms rapidly to the cloud and accurately receive user data.

2.2.2. Social Feasibility

The Economy Platform is increasing globally because of the growth of the Internet, altering every life we live, which improves the lives of everyone, such as the big data check schedules, “cloud office,” The platforms provided unbelievable ease to life and played an extraordinary role in the unexpected emergence of the COVID-19 last year. The platform has lowered the costs of social operations and transmission of information substantially, particularly during the pandemic.

The platform economy is also viable because of how we are working, socializing, generating economic value, and competing for profits. As a result, they have distinct and different implications, albeit far from the only rapidly reconfiguring component of the global economy.

2.2.3. The Necessity of Investment and Financing

A platform that has only progressively evolved from technology over the last decade is a flourishing business paradigm. Investors are increasingly turning their sights on traditional production platforms. The platform economy is yet preliminary to human investigation, and its future market growth potential will be huge and highly investing. Marhasova et al. noted that the structure of managed control systems might be given, and some aspects must be taken as a system of resources for investment to modernize the business structure [8]. One national economy is characterized as a mix of financial, material and technical, intellectual, and legal factors used to develop investments in a country. In the world, the cumulative number of individuals who use platforms is infinite, and with new features on various platforms, the need for users is continuing to increase. Part of the uneven allocation of resources is resolved by the platform’s presence throughout time and space. Its infrastructure and platforms are highly capital-intensive for a start-up platform. Consequently, funding for platforms is essential.

2.3. Profit Model Analysis

A reasonably developed profit model created the platform economy: Membership, advertisement fees, content sales platforms, and the innovative development company. The natural outcome of these services is the user’s needs.

2.3.1. Appreciation

People have depended on platforms in everyday lives: call a taxi, deliver meals or pay our charges. Therefore, a growing appreciation of the platform economy.

2.3.2. Advertising Revenue

Advertising revenue is a critical source of profit for the platform. The platform provides products and services to its users, and as their behavior and feedback on the platform are recorded, the platform is constantly depositing user data and constantly using enhancements to its algorithms to improve the added value of its products and services. A large amount of user deposited data can predict user preferences accurately after the platform’s algorithm. On this basis, the platform can
achieve profitability by accurately pushing ads to users in a predictable amount. There is also a wide range of advertising formats in platforms so that each platform must carefully examine how to push ads to the proper location for users. Common ad categories include banner, flash, interstitial, message, and video ads. Cost per click, cost per thousand printing, cost per action, cost per sale, cost per time, cost per visit are standard billing techniques. In general, the platform chooses a technique based on the promotion quality itself, the clicks of different target categories, and the appropriateness of the advertisements for the target consumers.

2.3.3. Platform Content Selling

The success of the platform economy is intimately linked to the secret of its sales: a mature industrial chain. First, the chain of values is fragmented. All products are on the same market, giving consumers the same chance to showcase costly luxury products and comparatively low-cost handicrafts. The exact location as the value chain is used for homogeneous supply. Users are genuinely interested in the service itself, but whether it is superior to services given by similar service providers.

3. RISK ANALYSIS

The problems of platform businesses are caused by internal rivalry and management, and the external environment drives them to improve and update their business continuity. Therefore, they survive with comprehensive management of the danger and a strong sense of smell in such a competitive environment.

3.1. Internal Risks

The possible hazards on the platform are the danger that the firm and its financial interests internally manage the platform organization.

3.1.1. Managing Risk

Unfamiliar management is a common danger for start-ups. Such firms need to build up managerial experience in practice to be efficient in the long term. The danger of cooperation and the stability of core members is increasing as the firm expands. Management or technical skills acquired by the platform are often reproducible, which means that the platform cannot ensure long-term personnel stability during the development process, and therefore the management of the people resources of the firm is also challenged. Saardjom has contributed to this framework by directing sustainability concerns that the present Enterprise Risk Management (ERM) framework only covers “credit risk, market risk and operational risks, including extra underwriting risks to insurance firms.” This challenges all levels of management and is strongly associated with the risk of the operational health of the firm.

3.1.2. Financial Risk

With high market potential and innovation, the digital platform economy has become a vital element of economic development. In terms of information intensity, oversight, and organizational mobility, huge Internet platforms offer several potential dangers simultaneously. New mechanisms for demand and supply for big platform firms utilizing bilateral or international marketplaces provide critical protections for growing digital services and requirements and provide an innovative basis for fintech and digital finance [9]. Platform firms, however, also pose significant dangers in terms of data exploitation, systemically essential concerns, and obstacles to innovation. In addition, the online financial institution platform employs a financing mode between Internet borrowers and borrowers, which increases the everyday decision-making uncertainty of companies by potentially creating financial risks and risk control difficulties.

3.2. External Risks

The Platform Economy might have a significant influence on government policies. For example, the price platform giants’ service charges are costly according to the market monopolistic advantages due to authorities’ concerns regarding price force.

3.2.1. Project Risks

The project risk refers to the possible risk of various platforms in various sectors and when establishing different projects. A new initiative takes a start-up from being recently acknowledged and renowned by its target users. Nevertheless, this process cannot be foreseen and controlled accurately. Regular market research is vital for a promising start-up to understand customer preferences and the momentum of time to constantly develop our goods and services. Once a sector becomes an economic pillar, however, regulation can soon take place. For a major industrial platform, this also applies. This tight restriction has the most immediate impact of causing its appraisal to decline further.

3.2.2. Originality and Plagiarism

Besides these possible hazards, creativity is also a tool for reducing risks. Platform plagiarism also applies in reality to the legal rules, which are not part of the virtual world. At the Stanford Center for the Internet Society, Lawrence Lessig proved that “The code is the law [10].” The intersections of comparable commodities will occur in the process of suppliers releasing items.
is sometimes difficult to say whether it is deliberate. This encouraged Internet technology and law combination and made people feel more likely that the platform economy had the same status as the offline real economy.

### 3.3. Pandemic Era

The COVID-19 epidemic caused daily disorder and brought up new social dynamics and consumption patterns. It has acted as a turning point in many facets of our personal and social life. The digital economy is one of the most affected industries. Digital economic developments which were not foreseen in another five to ten years were accelerated by volatility in COVID-19. The pandemic has been a perfect storm in several ways driving digitalization in a variety of areas, including work, consumption, social connections, and recreation.

#### 3.3.1. Online Education

Worldwide, COVID-19 causes more than 1.2 billion young people to go out of school. Consequently, the development of e-learning, which teaches on a distant basis and via digital platforms, has brought substantial alterations to education. Online learning, according to studies, enhances the retention of information and takes less time, which means that a coronavirus still causes changes. Before COVID-19, the worldwide EdTech investment was estimated to be at US$18.66 billion in 2019, and the whole online education sector is anticipated to reach US$350 billion by 2025. Since COVID-19, there has been a substantial increase in the utilization of language applications, virtual tutoring, video conferencing tools, and online learning software. However, the sales of China in July 2021, driven by solid education control, reassessed China’s risks by institutes abroad, and the danger behind this is political risk. It takes a long time to reestablish trust in participating in the Chinese market for international investors. This policy tightening implies that social welfare and richness are given priority over capital markets.

#### 3.3.2. Big Data

The global spread of the COVID-19 pandemic has produced enormous data that can be utilized to better understand big data management research and demonstrate how academics, practitioners, and policymakers need to understand better a range of analytical tools to better prevent and respond to disasters [11].

#### 3.3.3. Algorithmic Fraud

Conversion to the COVID-19 pandemic has resulted in more persons choosing their principal means of payment to use digital paying systems [12]. However, as the consumer’s behaviour changes so far, fraud develops, which leverages the flaws resulting from such significant alterations in digital payment systems [13]. Because financial crime requires a detailed grasp of procedures and systems for accessing accounts and moving cash, banks were urgently pressured to increase security and fraud prevention [14]. In addition, these problems require new control system approaches to adapt swiftly to changing situations. A single way of assessing the transaction surveillance system was offered to address this problem (TMS). This difficulty is, nevertheless, one of today’s major barriers to financial organizations.

### 4. RISK CONTROL STRATEGY

Investors are primarily concerned with making money at controllable risk. Therefore, the platform Internal Risk Control and external Regulation are analyzed and elaborated here.

#### 4.1. Tools and Techniques for Risk Control within the Company

Although platform economies have a bright future, their output efficiency is not affected by this expansive notion of innovation. Researchers indicate that software agents generalize and instrumentalize the factors that suspect a skeptical and above-average Internet user [15]. Many workers are misled since the platform is regarded as a virtual world lacking fundamental morality by certain consumers. This requires firms to comply with international norms, for example, through disseminating best practices and cooperation. A policymaker is keen to acquire more extraordinary powers to interfere or engage in national public goods. This might temporarily diminish the monopoly on financial resources and legislation in some major corporations throughout the market.

In contrast to the government, several enterprises have started to adopt a more permissive anti-monopoly attitude. For example, initial Coin Offered (ICO) was used extensively for online payment without any regulatory need and a banking license by several start-ups [16,17]. These comparable procedures have modified the old manner of monetary payment and demonstrate that fiscal oligarchs have been cracked down.

#### 4.2. Anti-monopoly Measures

The Chinese government plays a vital role in fostering healthy platform economy growth in the anti-monopoly economy of the platform economy. Monopoly concerns are becoming increasingly evident in the digital economy, including forced bundling, twice for one, competitor blocking, and other challenges that
harm the healthy, fair market competitive environment [18]. The Chinese Government established the Anti-Monopoly Enforcement Agency of the People’s Republic of China and the Anti-Monopoly Committee of the State Board under Articles 9 and 10 of the Anti-Monopoly Law of the People’s Republic of China. It sets out its fundamental rights and processes [19]. Article 6 of the Anti-Unfair Competition Law says that “Citizens” companies or other legal operators with an exclusive status are not bound by the law to exclude from fair competition other operators from the purchase of items specified by such operators [20]. On the other hand, we should actively encourage the healthy growth of platform economics, enhance law and governance, and aggressively trade and collaborate with nations across the globe. On the other hand, the Chinese Government must avoid excessive interference.

It represents more than 80% of the world’s software market. Microsoft Corporation is a U.S. software corporation. Following the introduction by Google of Android and its proprietary mobile apps, the Commission began a formal inquiry charging the firm of encouraging customers rather than preserving fair market smartphone competition. Infringements of American law are the responsibility of the U.S. Justice Department and the Federal Trade Commission. The laws of the U.S. and the U.S. anti-trust have many theories. On the one hand, American anti-trust law does not concern the protection of rivals but the protection of the market’s competitive environment.

On the other side, the protection of non-dominant firms which compete in the bundled market [21] is worrying. The E.U. found in 2004 that Microsoft’s dominance in software systems was applied to crush competitive companies and ordered the Company without the sophisticated media player to provide a Windows operating system and to provide industry competitors with pertinent technical data [22]. In 1998, Microsoft was cut by the U.S. Department of Justice for breaking trust legislation. However, the two sides resolved ultimately. The settlement seems to highlight the restrictions of Microsoft, such as the prohibition of the bundling with Windows of its products.

### Table 1. Anti-monopoly measures–summary tables

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<thead>
<tr>
<th>Authors</th>
<th>Review Topic</th>
<th>Countries</th>
<th>Summary</th>
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<tr>
<td>Harris et al. (2021)</td>
<td>The Feasibility of Competition Law</td>
<td>China</td>
<td>The author analyzes the current situation of state monopoly supervision of the platform economy and puts forward other strategies for improving data trading systems.</td>
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<td></td>
<td>Development in China</td>
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<td>Blanckenburg (2018)</td>
<td>Analysis of the E.U.’s Decision to</td>
<td>E.U.</td>
<td>Analysis of the European Commission’s decision on Google services from a bilateral market perspective. Based on the current results, another possible regulatory alternative is proposed.</td>
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<td>Bruce et al. (2005)</td>
<td>Anti-trust in China</td>
<td>China</td>
<td>China’s attitude to anti-monopoly law and improvement measures.</td>
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5. CONCLUSION

The rapid development trend of media accelerates the distribution and use of information, thus driving the platform economy to change further and break the traditional industrial structure. Therefore, there is a necessity to analyze the platform economy’s present and future development process for investors, including studying the risk control measures of enterprises and governments from micro and macro perspectives.

The two essential elements of the platform are products and services, which are uniformly supplied through a mature industrial chain. However, in the market platform competition, the accurate analysis and control ability of intelligent algorithms has become a means of interfering with the regular operation of the market between enterprises with commercial interests as the primary purpose. Therefore, improving the regulatory framework and system is necessary to eliminate the possible hazards of future development healthily and sustainably and regulate and promote the platform economy. This study has studied anti-trust policies and case studies in many countries. Each country has different priorities, but the goal is to maintain regular market order and maintain competition.

As the government’s anti-monopoly policy continues to improve, the market is in a highly volatile state in the short term. For example, while promoting technological innovation and industrial reform in recent years, the Chinese government has strengthened market supervision over leading private enterprises, urging and guiding enterprises to strengthen their compliance awareness and maintain fair market competition. This research advises investors to pay attention to real-time policy changes and respond effectively in the short term. In the long run, the platform economy is vital for global economic development. It will promote the Internet platform to enhance traditional industries and advanced manufacturing and increase the supply of more high-quality products and services for platform enterprises in the consumption field.

This paper lacks quantitative analyses of the microstructure of platform enterprises. First, due to the rapid development of the platform economy, fierce competition among enterprises, and trade confidentiality, available literature and resources are lagging. Secondly, the overflow of human morality and desire may lead to power expansion, the disorder of the market economy, and other problems, which will be the basis for the next direction: the relationship between platform competition and platform power and the difficulties of anti-trust. Also, from the research platform ecological chain, enterprise operation mode, management mechanism to analyze monopoly behavior.

REFERENCES


