

START WITH THE PLATFORM:

From Platform Thinking to Platform Engineering

When Steve Jobs launched the app store in 2008, the market went “fragmental.” He had already hacked music in 2001 (*why not just sell music by the note?*), and now his mission was to downsize software into bite-sized applets, *a confirmation of the aft-bitten Apple logo reminiscent of original sin at the fall of Eden.*

His version of digital media was a mere transposition of analog music. *There’s nothing magical about listening to a song whenever you want to!* (At least the Walkman launched with radio.) More egregiously, itunes can best be described by what it isn’t: *it’s not a bandwidth medium; it’s not curated discographies; it’s not music video culture.* It’s just a sales rack, with à la carte music singles, for a unibutton jukebox.

The same retail thesis was applied to apps. Yet, there’s so much utility beyond pay and play buttons – *if you focus on interaction—first design, and then support it with technology.* What I’m describing, Chaudary in *Platform Revolution* calls the “platform gap.” In paraphrase: *an unfulfilled amount of user value, leaving money on the table, as a consequence of a digital hacking strategy that foregrounds pipeline over platform.*

Nevertheless, the most valuable companies in the world have one thing in common: they are platform ecosystems. Today, Apple (\$3.9B), Google (\$2.9B), Amazon (\$5.1B), Microsoft (\$2.1B) and Meta (\$1.2B), have a combined annual revenue of \$1.52 trillion, hosting multiple business models, that each service multisided users, through multiple product or service lines, which each participate in revenue creation.

The persistence of the ecosystem model defines a shift in market dynamics that can be described as a pivot from pipes to platforms, a paradigm shift under which value creation is driven not by supply chain management of a product from producer to consumer (*iTunes music singles*), but instead the management of data, technologies, and networks that maximize the value of user interactions (*Spotify, the Apple Music pivot, etc.*).

Since 2018 there have been approximately 250 unicorns minted every year. In 2021, there were 787, a 300% spike, which collapsed 90% in 2022. (*The pandemic offered a surplus of unbroken time and networked mindshare - implicit factors of the “big idea”.*) Today, the U.S. has more than 75,000 active startups, of which 90% will fail. Only one third of 1% of all startups will scale into billion dollar unicorns.

Of the top big tech firms an estimated 6-14% of annual revenue is reinvested in R&D, with Meta spending \$38B (~\$12B per year 2019-22) on its Metaverse bet. With a TAM of \$152B (avg. 10% R&D from 1.52T) allocated by the big five, and a target SAM/SOM of 20%/5%, that creates a \$4.5B market size for B1ix.

EXAMPLE: Twitter/X has a slashed valuation of \$15-\$20B. It invests \$10M to get to an MVP, with working business model. On an accelerated runway (6-9 months), Twitter acquires at \$100M on a 4 year term. As Twitter/X’s valuation goes up or down, the installment deal travels on a 10-1X cap-n-floor. Using FVP, a 4 year buyout starts at \$400M (time-based multiples mitigate scalable market performance and valuation).

Investing in intangible value and a carefully vetted problem statement may increase the opportunity of a startup to reach scale. More incisively, we are in the vestibule of an age that also requires we carefully ask what problems we endeavor to solve with technology. Just as AI requires a prompt engineer to optimize output, the “platform engineer” can optimize a startup by understanding not just the user, but the broader ecosystem and market dynamics at play, *using B1ix methodology to innovate.*

This two-sided coin, *design thinking and platform thinking*, can model highly aggregated market opportunities, bringing new efficiencies to VC driven dynamics. Rooted in new media, B1ix engineers hidden value within incumbent tech companies – *with new media tech yet to be brought to market* – an opportunity made possible by supporting the creative founder to build value from IP to IT.