Innovative Enterprises – The Platform Economy*

Martin Kenney
Distinguished Professor
University of California, Davis
&
Berkeley Roundtable on the International Economy

* The ideas in this talk were developed jointly with John Zysman.

Platform Economy General Principles

• We are in the midst of a reorganization of the global economy in which the digital platform owners are developing power that will be as formidable as that of the factory owners in the early industrial revolution.

• Data is the new “oil”!
• Algorithms and software are the machines that create wealth and value!
• Platforms organize “production”
### Stock Market Valuation – Top 5

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Apple</td>
<td>$754B</td>
</tr>
<tr>
<td></td>
<td>Alphabet</td>
<td>$615B</td>
</tr>
<tr>
<td></td>
<td>Microsoft</td>
<td>$525B</td>
</tr>
<tr>
<td></td>
<td>Amazon</td>
<td>$433B</td>
</tr>
<tr>
<td></td>
<td>Facebook</td>
<td>$433B</td>
</tr>
<tr>
<td></td>
<td>Alibaba</td>
<td>$377B</td>
</tr>
<tr>
<td></td>
<td>Tencent</td>
<td>$341B</td>
</tr>
<tr>
<td></td>
<td>Baidu</td>
<td>$65B</td>
</tr>
<tr>
<td>2002</td>
<td>Microsoft</td>
<td>$615B</td>
</tr>
<tr>
<td></td>
<td>General Electric</td>
<td>$615B</td>
</tr>
<tr>
<td></td>
<td>ExxonMobil</td>
<td>$615B</td>
</tr>
<tr>
<td></td>
<td>Wal-Mart</td>
<td>$615B</td>
</tr>
<tr>
<td></td>
<td>Pfizer</td>
<td>$615B</td>
</tr>
</tbody>
</table>

All the new leaders are Platform Owners

### Amazon Expansion

#### B-to-B
- Infrastructure (rent to others)
- Amazon Web Services (data center + transmission) Platform
- Amazon Mechanical Turk Platform
- Amazon Market Platform (Rent to others)
- Logistics Platform (Rent to others)
- Warehouse
- Fulfillment
- Warehouse robots
- Ground
- Airfreight
- Sea freight

#### B-to-C
- Advertising
- Amazon Pay
- Echo
- Products
- Amazon and Independents 400M+
- Books (1995) 32M
- CDs
- Electronics 91M
- Other products
- Videos Entertainment
- Twitch Gaming Network Platform
- Self-publishing
- Talking books
- Kindle Reader
- Self-publishing
- Amazon Basics (white label)
- Fire tablets

Legend: Highlighted in yellow fulfilled by Amazon or its contractors, blue are platforms.
US and Chinese E-commerce Retail Sales as a Percent of Total Retail Sales

Source: U.S. Bureau of the Census, https://fred.stlouisfed.org/series/ECOMPCTSA and InsideRetail Hong Kong
Uber Is Not the Quintessential Case Study – It Is Only One Case!
Recent VC and PE Fund Raising Statistics

Thank You!