

Two-Sided Market Economics & MoreThailand.com

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Two-Sided Markets (Platform Market Competition)

- **One-Sidedness** same market population choose all products (razors, razor blades)
- **Two-Sidedness** network effects cross market populations and each side does not internalize the welfare impact on other side (document reader, document writer)
- Two-sided (or more generally multi-sided¹) markets are roughly defined as markets in which one or several platforms enable interactions between end-users, and try to get the two (or multiple) sides "on board" by appropriately charging each side.
- Indirect Network Effects or **Inter-Group Network Externalities**
- **Examples:**
 - Night Clubs with Men and Women
 - eBay with Sellers and Buyers
 - Credit Card Payment Systems with Merchants and Consumers
 - Game Consoles with Game Developers and Consumers, etc.
 - [MoreThailand.com](#), [MoreCityHotel.com](#) & [A2Zprotravel.com](#)



Two-Sided Markets

Side A	Platform	Side B
Buyer	Auction Site	Seller
Reader	Blog Site	Writer
Player	Game Hardware	Game Writer
Traveler	Portal	Hotelier
Wants File	File Sharing	Has File
Employer	Job Site	Employee
Consumer	Fulfillment Service	Merchant
Women	Dating Site	Men

Modeled after: Parker, Geoffrey and Marshall W. Van Alstyne (2005), "Two-Sided Network Effects: A Theory of Information Product Design," *Management Science*, 51 (10), p. 1495.

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Network Externalities

Benefit you get from the network

Number of people in the network

Group Size and Externalities Metcalf's Law and Matching: Total Value = $n(n-1) = n^2 - n$

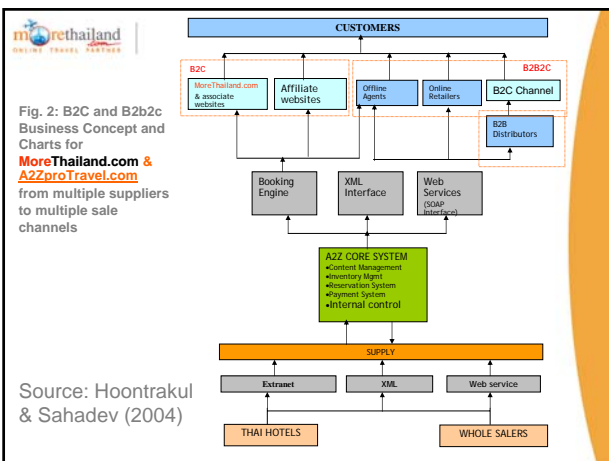
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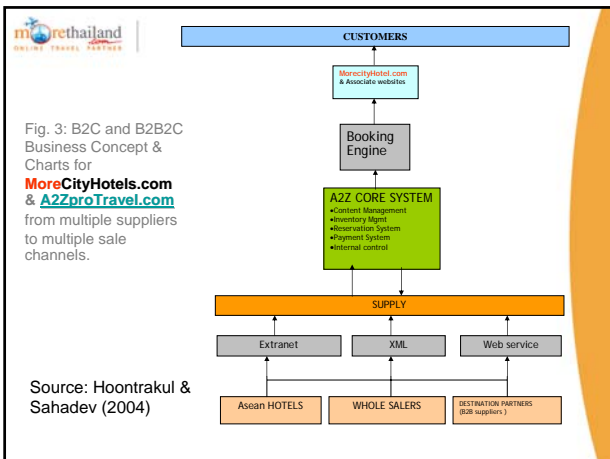
Two-Sided Network Externalities Example

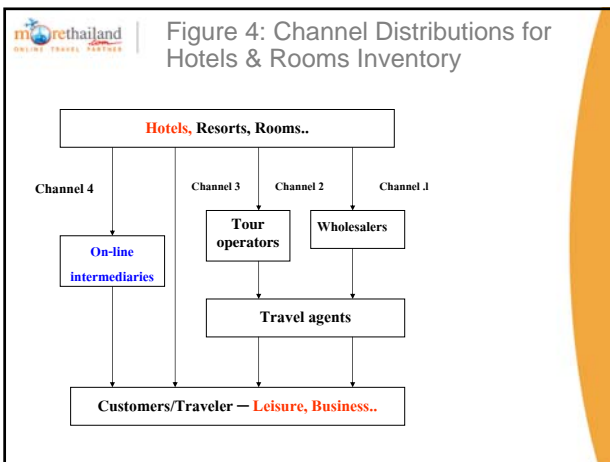
Benefit you get

Number of people

Two-Sided Networks - Total Value Is Nearly Quadratic : $2^{n1+n2} - n1 - n2 - 1$







Two-sided B2B Platform Strategy (1) -- "both side on boards"

Demand E-Distribution System (B2C, B2B2c)

- Two sided market concept
- Buyers single out for Asean hotels
- Allows the distributing partners to access content and "real time" inventory
- Pre-negotiated prices and contractual terms available
- Exclusionary contracts
- Predation Price Testing

Supply – Indirect Procurement E-Market set up

- Initial complementary tele-input services for target private hotels
- Suppliers multi-homing via GDS, IDS and others.(see ref.)
- Leveraging Thailand/Asean for reciprocal hotel inventory basis
- Allows participant to buy and sell from partners, benefiting from a common set of suppliers.
- Minimizes inventory, provides a clear and up-to-date view of market demand

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Intermediary B2B Platform Strategy (2)

1. Achieving B2B platform interconnectivity to reaping network externalities and lock-in effect
2. **Differentiation:** Proprietary / Self-Developed with "5 C"
 - 2.1 **B2B Commerce:** Technological Niches (**XML Web services with OTA Std for connectivity**), Web Extranet..
 - 2.2 **Collaboration (Sharing):** Local content, knowledge (via RSS), Reciprocal Inventory, Distribution..
 - 2.3 **Online Transaction Commerce:** Web Service based Efficient Digital Process for std. hotel room product...
 - 2.4 **Collaboration (Hotel Market Making) :** Merchant Model (Prepaid), Net Rate room Allotment, Tele-Input, ..
 - 2.5 **Communication:** Low Cost Skype, Call Center, Travel Knowledge Process Outsources (KPO) by empowering home based travel agents (India) to handle travel advisory services.
 - 2.6 **Content:** Growing and Exchanging Local Hotel Inventory, DMS, SEO, SEM.. with our partners and others.

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The Questions

- Do **Inter-Group Network Externalities** in Two-Sided Markets Require New Insight and Render Previous Analyses of Tying Less Applicable?
 - Are There **Additional Motives for Tying** in Two-Sided Markets?
 - Implications for **Antitrust Analysis**
 - The Role of **Multi-homing**
 - **Vertical vs Horizontal Integration**

Conceptually, the theory of two-sided markets is related to the theories of network externalities and of (market or regulated) multi-product pricing.

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Example from computing industry: subsidizing complementary goods (Divide and conquer)


- Firm A chooses to make its product incompatible with others
- Firm A subsidizes firms that produce complementary goods
- Alternatively, firm A subsidizes its division that sells complementary goods
- As a result
 - The value of firm A's product increase
 - The entry hurdle of firm A's rivals increases
 - Possible creation of market power, but action also has pro-competitive justification

Tying of complementary products in the presence of **network externalities** can be used to preserve and create monopoly positions

 **Conclusion**

- MoreThailand.com, MoreCityHotel.com and A2Zprotravel.com are integral parts of B2b2c hotel reservation system for Thailand and Asean + 3 destination and travelers.
- Technically, the system is designed to electronically connected via XML web services n OTA standard to any platform (e.g. GDS, IDS..)
- Commercially, the company is marketed its products and services in two-sided marketed concept.
- To leverage on less ICT savvy independent hoteliers, we are welcome any business development discussion both buy side and sell side for mutual benefits.

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 **Reference :**

Hoontrakul, Pongsak [2005*] "Value Revelation in Differentiated Goods in Travel Industry, discussion paper, Sasin of Chulalongkorn Univ., Bangkok

Hoontrakul, Pongsak and Sunil Sahadev [2004*] "ICT Adoption Propensity in the Hotel Industry: An Empirical Study", Sasin of Chulalongkorn Univ., Bangkok

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Rochet, Jean-Charles and Jean Tirole (2005) "Two-sided Markets: A Progress Report", IDEI and GREMAQ, Toulouse, France

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* Downloadable freely at www.Pongsak.Hoontrakul.com

 **Pooling of talents for knowledge based company**


 Registered Capital: €1.6 Million
 Operational: November 2002

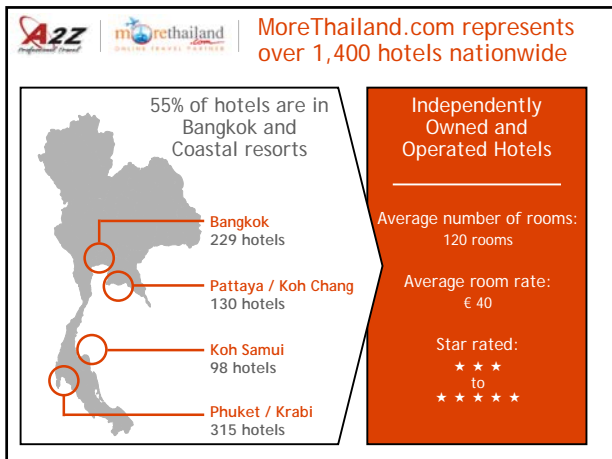

Dr. Pongsak Hoontrakul
 President and CEO

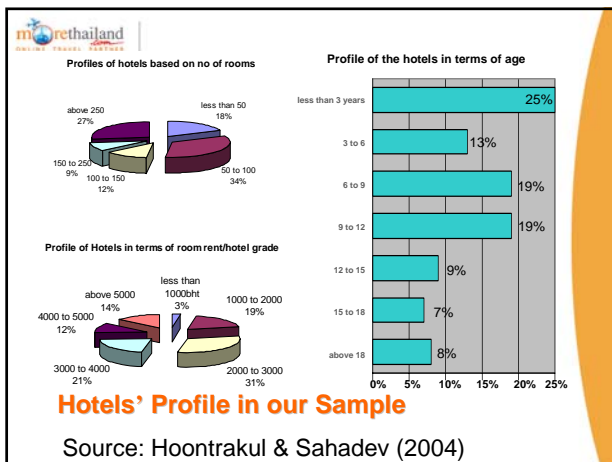

Nontana Thanabutchai
 Managing Director

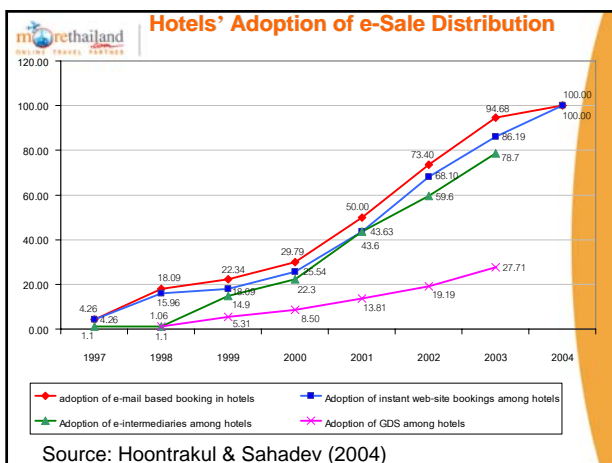

Somyos Akahadsri
 Chief Knowledge Officer

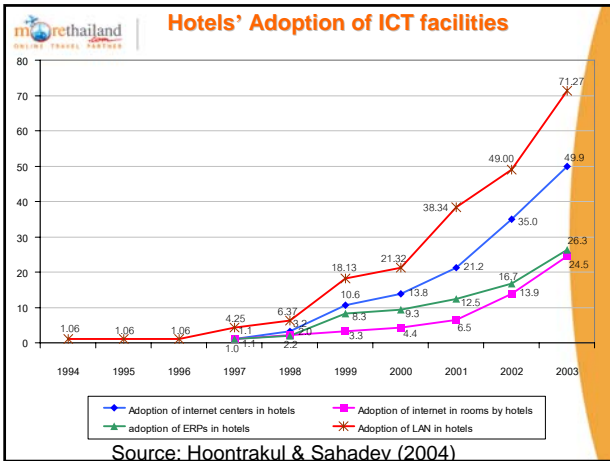
Vision:
 "To improve productivity in the travel industry and travel related businesses through electronic connectivity"

Mission:
 "To develop A2Z Professional Travel into a leading online travel firm with an international outlook"









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More Choices. More Value. More Instant Booking for Affluent Travellers.

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www.A2Zprotravel.com family members of online travel booking and content sites

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END

I love emails.
Any comments are welcome
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