



The Economics of Platforms: Concepts and Strategy. By Paul Belleflamme and Martin Peitz. Cambridge, UK: Cambridge University Press, 2021.

From the fine team who brought us their textbook *Industrial Organization: Markets and Strategies* (Belleflamme and Peitz 2010), the best industrial organization (IO) text since Jean Tirole's (1988) masterful work, we now have a much awaited and much needed book about platform economics. It's been a long time coming, as were the academic economists late getting to the heart of the business model that has become so prevalent. As the authors explain, the subject has been burgeoning faster than they could keep up with it. Their workaround expedient is to divide the subject into two parts. So, this volume comprises the background and monopoly analysis. We will have to wait for a while to get the competitive analysis and competition policy/regulation, but their strategy makes a lot of sense. They have written several review pieces and multiple papers since their IO text. They've

borrowed from these and their text, sometimes verbatim (as they tell us upfront). This means this material is already written up and now is brought together for a fuller picture (with the second volume to complete it, though the authors already give multiple pointers of key insights on competition). The volume provides a lot of up-to-date references to state-of-the-art work, so it will be accessible to a wider audience as soon as possible. Consequently, the book is an amalgam of styles. The first two chapters take quite a jaunty trip through describing network effects and ratings/ recommendations respectively, with nary a formal model in sight. The fifth chapter ends up with a dense algebraic delivery of multiple variants on pricing contracts within a common linear framework, and the sixth chapter includes some really keen synopses of seminal contributions (that will scarcely be accessible to undergraduates). Nonetheless, for the researcher this is all invaluable. Chapters 3 and 4 nicely cover core concepts: how to derive network demands, equilibrium multiplicity, chicken-egg, divide-and-conquer strategies, and overcoming failure to launch. The chapters use a common structure of "lessons" (two-line more formal takeaways—often followed by pithy informal and incisive takeaways) and are peppered with nice real-world example "cases," and then have a synopsis at the end of each in the "Key Insights." The "lessons" are analogous to the way one might look through a paper to see highlights in propositions and theorems (although several repeat variants of platforms pricing low to one group to extract more from the other). More technical material is marked with a warning that "Less mathematically oriented readers may want to skip this part" and the authors do try to convey the content.

The book can be used as a background for some key concepts on platforms, and then melded to either a deeper IO coverage, or more on competition, or indeed some more specialized platform area. For example, media economics could be one segue that can follow after talking about some of the background issues that are motivated from the material here. I hope to see more on media in the other volume! There are also some price discrimination gems to pick from in the text and these resonate with students.

Congratulations to the authors for putting this out, especially under the time constraints under which they worked. The reader will find a wealth of interesting developments, issues, and material to draw on to understand the key concepts of platform economics. I think this would be a good book to teach from—and for such a compelling topic.

**Book Review by Filipos A. RUXHO, Professor Assistant – Sustainable Regional Development
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