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From Concept to Profit

Developing a New Digital Platform into a Sustainable Business Model

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ABSTRACT:

The rise of digitalization has changed the way businesses can create and deliver value, leading to the growth of platform-based business models. This thesis explores how a new digital platform can be conceptualized, developed, and scaled into a sustainable business model.

The aim of this thesis is to analyze the key factors that influence the successful development of a digital platform business, from the initial concept to market entry and scalability. The research objectives are: (1) To analyze the components involved in conceptualizing a new digital platform, (2) To identify strategies that support the platform development and market entry, and (3) To examine the scalability and sustainability of the platform business model.

The research is based on a literature review of digital platforms and secondary interview data. The empirical part applies a qualitative study approach with a thematic analysis, and the main data source is a collection of 22 secondary entrepreneur interviews. The study combines the insights from the literature review and secondary interviews to build a practical digital platform development framework.

After building the framework, it is tested with Suomen Vuokrabili Oy as the case company. Vuokrabili was founded in 2020, and it operates a digital car rental marketplace in Finland. The case study part utilizes the analysis of the company's current state and business data from its minimum viable product to test the developed framework in practice.

The findings indicate that there is a clear structure to be followed when building a new digital platform business. It includes defining a clear value proposition, solving the chicken or egg problem, developing a minimum viable product, acquiring early users, and preparing for scaling. The study shows how the developed framework helps to identify future business development areas.

This thesis provides both theoretical insights and practical recommendations for entrepreneurs and companies aiming to develop new digital platforms. The results highlight the importance of strategic planning when thinking of starting a new platform-based business model.

KEYWORDS: Platform economy, business development, customer value, digital platform, digital marketplace, market entry, customer experience, business model

VAASAN YLIOPISTO**Tekniikan ja innovaatiojohtamisen yksikkö**

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TIIVISTELMÄ:

Digitalisaatio on muuttanut yritysten tapaa luoda liiketoiminnallista arvoa, joka on vauhdittanut alustapohjaisten liiketoimintamallien kasvua. Tämä tutkielma tarkastelee, miten uusi digitaalinen alusta voidaan konseptoida, kehittää, ja skaalata kestäväksi liiketoiminnaksi.

Tutkimuksen tavoitteena on analysoida keskeisiä tekijöitä, jotka vaikuttavat digitaalisen alustan onnistuneeseen kehittämiseen aina ideasta markkinoille tuloon ja skaalaamiseen asti. Tarkemmat tutkimustavoitteet ovat: (1) Analysoida uuden digitaalisen alustan konseptointiin liittyvät osa-alueet, (2) tunnistaa strategiat, jotka tukevat alustan kehittämistä ja markkinoille pääsyä, sekä (3) tarkastella alustan liiketoimintamallin skaalautuvuutta ja kestävyyttä.

Tutkimus perustuu digitaalisiin alustoihin liittyvään kirjallisuuskatsaukseen ja haastatteluaineistoon. Empiirisessä osassa käytetään laadullista tutkimusta ja temaattista analyysia. Tutkimuksen pääasiallisena aineistona on 22 yrittäjähaastattelua. Kirjallisuudesta ja haastatteluista saadut havainnot yhdistetään käytännölliseksi digitaalisen alustan kehityksen viitekehyyksi.

Viitekehystä testataan Suomen Vuokrabiili Oy:n tapaustutkimuksessa. Vuonna 2020 perustettu Vuokrabiili toimii digitaalisena vuokra-autojen markkinapaikkana Suomessa. Tapaustutkimuksessa hyödynnetään yrityksen nykytilan analyysia ja MVP-versioiden tuottamaa liiketoimintadataa kehitetyn viitekehyyksen eri osa-alueiden testaamisessa.

Tulokset osoittavat, että uuden digitaalisen alustan rakentamisessa on mahdollista seurata selkeää rakennetta. Siihen kuuluu järjestyksessä lueteltuna selkeän arvolupauksen määrittely, muna-kana ongelman ratkaiseminen, toimivan MVP:n kehittäminen, ensimmäisten käyttäjien hankinta sekä alustan skaalaamisen valmistelu. Tutkimus osoittaa, kuinka kehitetty viitekehys auttaa tunnistamaan tulevaisuuden liiketoiminnan kehitysalueita.

Tutkielma tarjoaa sekä teoreettista että käytännönläheistä tietoa yrittäjille ja yrityksille, jotka suunnittelevat uuden digitaalisen alustan kehittämistä. Tulokset korostavat strategisen suunnittelun merkitystä, kun uuden alustapohjaisen liiketoimintamallia valmistellaan.

AVAINSANAT: Alustatalous, liiketoiminnan kehittäminen, asiakaskokemus, tuotekehitys, digitaalinen alusta, liiketoimintamalli,

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1 Introduction

Digital platforms are reshaping entire industries and redefining the way value is created and exchanged in the modern economy. By enabling interactions between different user groups, they transform how modern services are delivered and how businesses operate. These models offer significant efficiency and scalability advantages, fundamentally changing how organizations create value. For entrepreneurs and businesses aiming to innovate in digital markets, understanding how platforms evolve from initial concepts into viable business models is essential (Parker et al., 2016, pp. 4–5).

1.1 Background and Motivation

In the past decades, the rise of digital platforms has transformed the way businesses create and deliver value. Across industries such as travel, food delivery, and business-to-business services, platform-based models have challenged traditional value chains. Digital platforms act as intermediaries that enable interactions between independent actors, reshaping how value is created and exchanged across industries (de Reuver, Sørensen, & Basole, 2018, pp. 125–126). Platforms leverage network effects to grow efficiently. As more users join, the overall value of the platform increases for all participants, which is accelerating adoption and usage even further (Parker et al., 2016, pp. 17-18).

The accessibility of digital infrastructure and tools has further lowered the barrier to entry for new platform businesses. This shift has empowered entrepreneurs and small firms to create user-centric, scalable services with limited upfront investment. At the same time, it has created an environment where innovation and differentiation are essential for survival. In today's digital economy, it is essential to understand how platforms evolve from concept to market traction and profitability.

1.2 Research Problem and Objectives

While many successful platform companies have been widely studied, there is limited research focusing on how digital platforms are developed in their early stages from the perspective of strategic and operational decisions required to transform a validated idea into a functioning and scalable business. It is especially important to understand how value propositions for the user groups are validated, how platforms are built, and what strategic steps are needed to gain traction and prepare for scaling.

The main research question of this thesis is: What are the key factors that contribute to the early development of a digital platform from concept towards a profitable business?

To answer this question, the study has three objectives:

1. To analyse the components involved in concepting a new digital platform.
2. To identify strategies that support the platform development and market entry.
3. To examine the scalability and sustainability of the platform business model.

These objectives are not only intended to guide the academic structure of the study, but to also generate insights that can support the development the early-stage digital platform development framework. It is created by combining academic literature and empirical insights from the secondary entrepreneur interviews. This framework is then applied to analyse the case company and its current state. The aim is to identify next steps to take in transitioning from a functional MVP to a competitive and scalable marketplace business. By analyzing early-stage platform development specific topics, this research aims to provide concrete steps that are applicable to similar companies.

1.3 Case Company: Suomen Vuokrabili Oy

Suomen Vuokrabili Oy was founded in 2020 and develops a digital marketplace platform for car rentals. The goal is to provide consumers with the best possible car rental offers

while serving car rental companies as an additional marketing channel to help increase rental revenue and vehicle utilization rates. By bringing multiple providers together, Vuokrabiili makes it easier for customers to compare and book vehicles in one place. Currently, the company is operating a functional minimum viable product (MVP) and has developed a new platform version aiming to scale its operations.

1.4 Scope and Structure of the Thesis

This research is based on a qualitative study that combines a thematic analysis of 22 secondary digital platform founder interviews from the Two-Sided podcast series with a review of academic literature on digital platforms and business model development. The empirical interview data provides insights on early-stage platform challenges, such as concepting, market entry, growth, and scalability.

Combining the theoretical and empirical findings, a framework is developed to guide the early development of digital platforms. The case company, Suomen Vuokrabiili Oy is then used to test the developed framework in a real-world context. This approach also allows to analyse the current situation and to identify development areas, as well as to demonstrate the practical relevance of the framework.

The thesis begins with a literature review that provides the theoretical foundation for understanding digital platforms and their key characteristics. This is followed with the research methodology and the analysis of interview data. The results chapter presents key findings from the interviews and combines them with insights from the literature to develop a framework for early-stage digital platform development. The framework is then applied in a case study of Suomen Vuokrabiili Oy. The thesis concludes with a summary of the main findings and offers recommendations for future research.

2 Literature Review

This chapter presents an overview of existing research related to digital platforms and the key factors that influence their development from concept to sustainable business models. The aim is to build a strong theoretical foundation that supports the empirical analysis and the development of a framework for the early phase of digital platform businesses. The review covers key themes such as platform concepting, MVP development, market entry strategies, scalability, and governance, which together form the basis for the framework developed in this thesis.

Digital platforms are digital ecosystems that enable different user groups to interact and exchange value (OECD, 2019). They are central to modern businesses and industries, and the importance continues to grow. According to de Reuver, Sørensen, and Basole (2018), a platform can be seen as a digital infrastructure that supports multiple actors and allows them to connect, coordinate, and create value together. This makes platforms different from traditional companies, which focus on creating value for a single customer.

2.1 Digital Platforms in Modern Economy

Digital platforms have become central to today's business environment. Their unique structure and approach to value creation have made them increasingly important for companies and economies alike. This section introduces the core characteristics and functions of digital platforms, setting the foundation for understanding how they shape markets and drive digital transformation both globally and in Finland.

2.1.1 The Nature of Digital Platforms

Digital platforms are a modern business model and are increasingly part of economic development. Instead of producing and selling products in a linear supply chain, they facilitate interactions between multiple user groups that might have not been connected

before. Compared to traditional businesses, there is a clear difference in how platform companies create, capture, and deliver value (Parker et al., 2016, pp. 5-7).

Platforms function as digital ecosystems where value emerges through interactions among independent actors (De Reuver et al., 2018). These systems often support modularity and allow users to contribute, consume, and co-develop services or content. This distinguishes platforms from traditional businesses, which typically generate value internally and deliver it to external customers (Gawer, 2014).

A concrete example of a digital platform ecosystem is Facebook, which connects end users, advertisers and developers. The ecosystem enables many separate interactions and value exchanges between independent actors, what shows the role of a platform more as a facilitator than a traditional producer (OECD, 2019, p. 187).

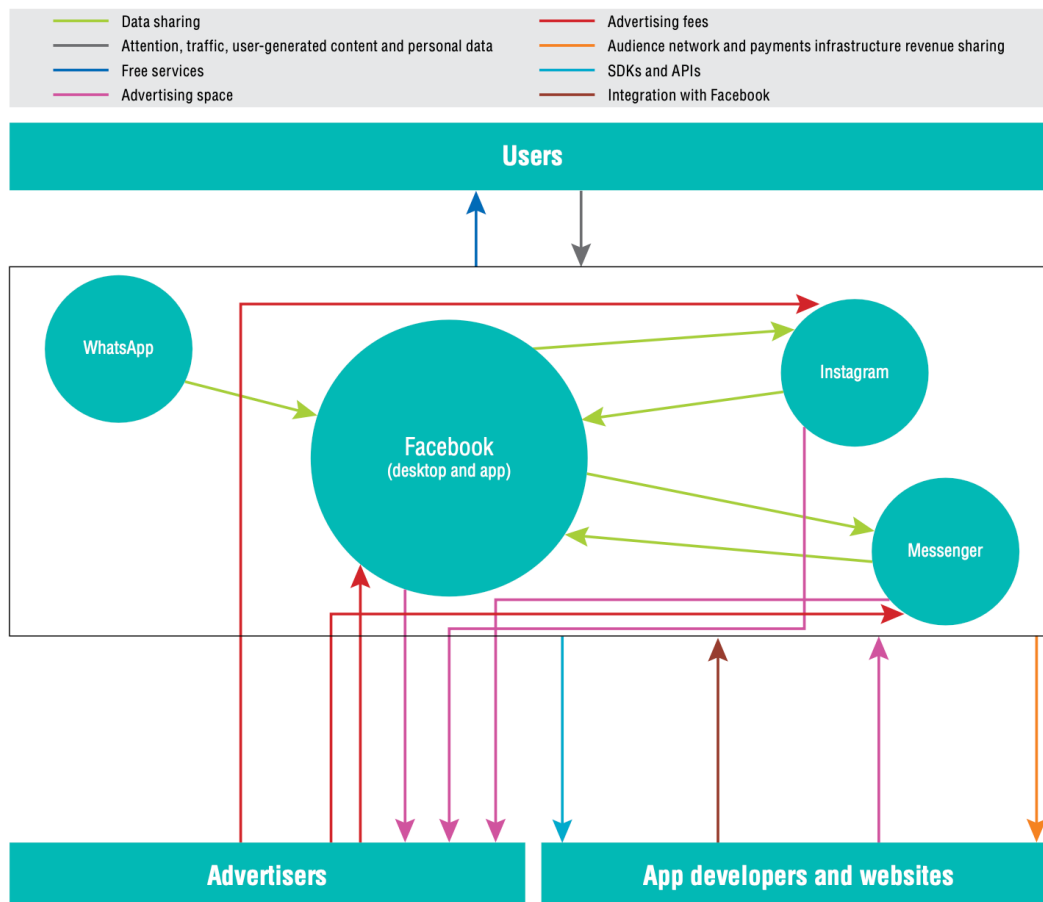


Figure 1. The Facebook Ecosystem (OECD, 2019, p. 139)

2.1.2 Value Creation in Multi-Sided Markets

Digital platforms often serve multi-sided markets, meaning that they provide value to several different groups simultaneously. Their role is to coordinate the interaction, provide visibility, and reduce friction in the exchange process (Evans & Schmalensee, 2016, p. 57). Creating a strong value proposition for all participants is at the core of platform design and strategy. Without a clear benefit, attracting and retaining users on the platform becomes challenging (Parker et al., 2016, p. 42).

An important element in digital platforms is the use of governance mechanisms. These refer to the rules and structures that guide how different users, such as customers and service providers, participate and create value within the platform. Good platform governance must find a balance between allowing innovation and maintaining control (Staub et al., 2022). This means that the platform owner needs to support flexibility and openness while also ensuring that it functions in a predictable and reliable way. Governance mechanisms can include entry rules, decision rights, and tools that help coordinate the activities of the platform users (Tiwana et al., 2010).

Platforms can be categorized based on their core function. Transaction platforms facilitate direct exchanges between users and innovation platforms offer a technological foundation that allows others to develop complementary products and services. Some companies act as hybrid platforms by combining transaction and innovation roles, which enables direct exchanges and external innovation (Cusumano et al., 2019, pp. 18–20; Gawer, 2014). While both transaction and innovation platforms are essential in the digital economy, this review will mainly consider transaction- and hybrid platforms that create value by connecting different user groups and enabling exchanges between them.

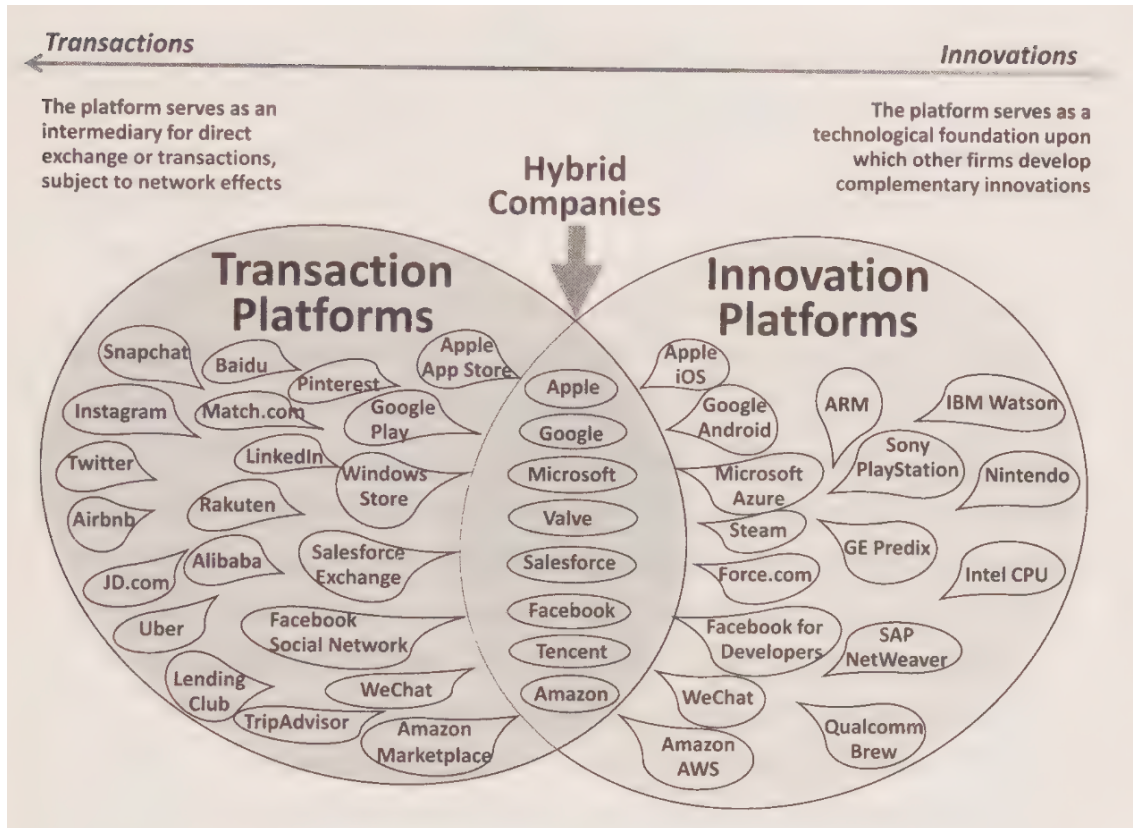


Figure 2. Types of Digital Platforms (Cusumano et al., 2019, p. 19).

2.1.3 The Platform Economy in Finland and Europe

At the national level in Finland, platform economy is recognized as an important driver of transformation across industries. It provides potential for new forms of value creation, and it has been identified as a strategic focus area for economic development in Finland and the European Union (Ailisto et al., 2016, p. 11). In Finland, both private and public actors are encouraged to move from traditional value chains to adopting customer-oriented approaches in digital business. Platform companies are seen to have the ability to leverage digital tools efficiently, enter new markets quickly, and shift from selling products to offering services through ecosystems (Viitanen et al., 2020, pp. 40-41).

2.2 Concepting a Digital Platform

Well concepted digital platform is the foundation for long-term business success. This section explores the key steps and considerations involved in turning a platform from an idea into a viable business model. It covers how platforms businesses can identify core interactions, design value-creating processes, develop ecosystem partnerships, select suitable business models, and find growth in a competitive environment.

2.2.1 Defining the Core Interaction

Concepting a digital platform is an important step for the long-term success of the business. Before any development or market entry, the team needs to have a clear understanding of the core interaction they are enabling on the platform, who are the participants, and what value is created and exchanged (Parker et al., 2016, pp. 38–39). When entrepreneurs focus on a clearly defined market gap, they can build a solution that creates value between user that were not connected before (Van Alstyne et al., 2021).

If the core problem is not well defined from the beginning, there is a risk of not meeting the market need. It is common not to discover the right business model immediately and it often requires adjusting the platform concept later (Silva et al., 2021; Filosa et al., 2025). Building a concept is more than a technical task, it is a strategic business decision that affects how scalable and relevant the platform can become (Silva et al., 2021).

2.2.2 Designing the Interaction

The core interaction refers to the most important activity on the platform, the exchange of value that attracts users and forms the foundation for network effects. Every core interaction consists of three elements: participants (such as producers and consumers), the value unit (the item or information exchanged), and the filter (the rule or mechanism that matches value units to users) (Parker et al., 2016, pp. 38-41). Each of these should be designed to make the interaction easy, relevant, and valuable for the users.

Understanding and designing value-creating interactions between different stakeholders is central to the development of effective platform business (Bullinger et al., 2017). A platform's primary purpose is to make this value exchange possible and attractive. While they can expand to include many kinds of interactions and participants, the most successful ones begin with a single core interaction that consistently delivers high value (Parker et al., 2016, pp. 41-44). If one user side of the does not see enough value to participate, the core business model might not work. Ensuring all user groups are motivated to participate and contribute value is essential for a functioning platform.

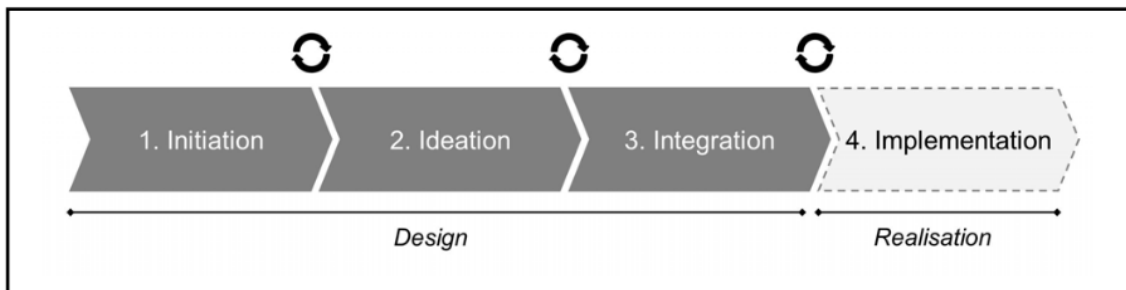


Figure 3. Process of Business Model Development (Bullinger et al., 2017, p. 5).

To build a platform business, there are four key steps to overcome. These include choosing which market sides to serve, solving the chicken or egg problem, designing a business model that supports the core interaction, and establishing clear rules for the ecosystem as illustrated in the Figure 4 below.

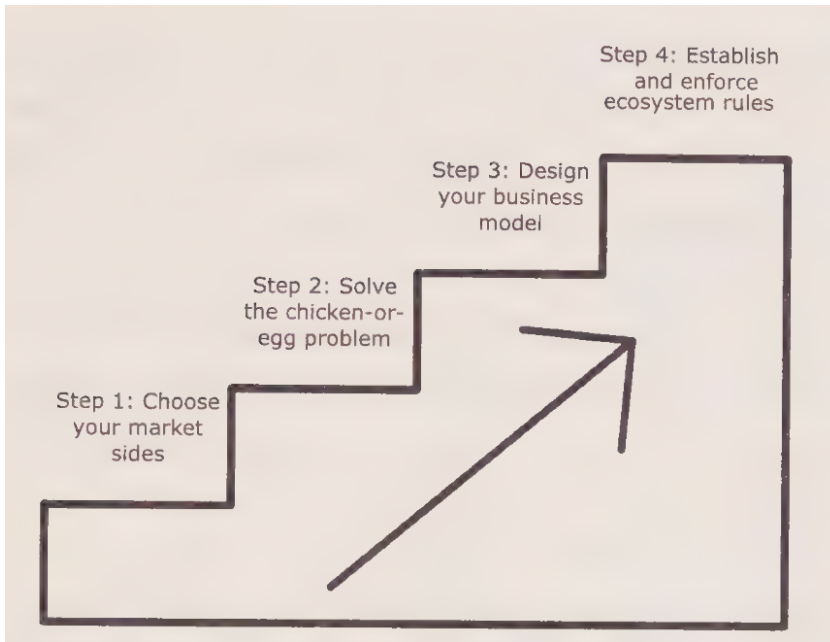


Figure 4. Steps to Build a Platform Business (Cusumano et al., 2019, p. 67).

2.2.3 Value Creation in Platform Ecosystems

When planning a digital platform, it is important to think about the business model and how value is created within the ecosystem. Users can be for example customers, content creators, partners, suppliers or even developers. This means that value is created together by two or more separate actors and not just by the platform itself (Kenney & Zysman, 2016). For this reason, it is important to plan how openness, modularity, and incentives of the platform help different groups to participate. By enabling partners and users to interact and contribute in new ways, online platforms can open opportunities for value creation and growth in their ecosystem (Sanchita & Gupta, 2023). Platforms work as digital ecosystems, where outside actors can use standard interfaces to create and exchange value (de Reuver et al., 2018). This makes them different from traditional businesses and shows why considering the whole ecosystem is important from the start.

2.2.4 Platform Business Models

Platform business models are continuously evolving and can appear in many forms. Some identified examples are service dominant-, data-driven-, and network-based

business models (Viitanen et al., 2020, Liite 2, pp. 122–129). Service-dominant model focuses on value creation through interaction between customers and other ecosystem participants (Bullinger et al., 2017). Data-driven business models uses information generated from occurring interactions to develop new business value and opportunities. Platforms can collect and analyse transaction data to understand user needs and trends. Based on that knowledge, they can create value for the users and the platform itself (Parker et al., 2016, p. 275). Network-based models rely on the value generated by large and connected user groups. A key feature of these models is the strong network effect, where each new user increases value of the platform for other users (Zhu & Iansiti, 2021; Viitanen et al., 2020, Liite 2, p. 126).

2.2.5 Strategic Positioning and Network Effects

An important part of platform concepting is to choose a clear niche to focus on. A digital platform should not try to serve everyone at once, so it needs to find a user group, a market area, or a service type that is not well covered by others (Parker et al., 2016, p. 88). Selecting a clear focus area makes it easier to build an initial base of users and ensures that the core problem being solved is relevant and valuable.

Network effects within the selected niche are central to the success of a platform, but these effects do not appear automatically. The team needs to actively encourage participation and design incentives that motivate users to join and stay. Early efforts should focus on ensuring that the core interaction truly creates value for all the market participants (Parker et al., 2016, p. 39). This closely relates to the rules and governance mechanisms guiding user behaviour on the platform, which is covered in a later section.

Network effects can take different forms depending on the platform's design and the market it serves. Some platforms operate with direct network effects, where the value increases as more users join the same side (Nooren et al., 2018). This is typical for social networks and communication platforms like WhatsApp or Facebook. Others rely on indirect network effects, where value increases when there are more users on the other

side of the platform. Many of the most successful platforms benefit from both direct and indirect network effects, especially when they serve multiple user groups. Figure 5 below illustrates the different types of network effects in platform business models.

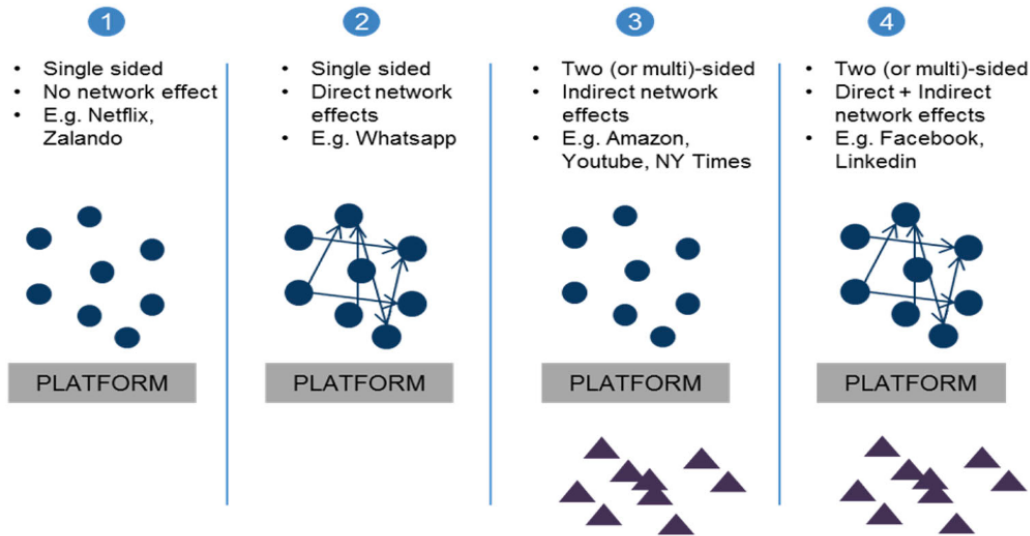


Figure 5. Network Effects in Platforms (Nooren et al., 2018, p. 8).

Building a new digital platform is not only about a new idea, but also about turning a market need into a business model that brings together users and the technology. The better this is done at the start, the easier it will be for the platform to develop and grow.

2.3 Platform Development and Market Entry Strategies

New platforms face unique challenges, such as attracting enough users to both sides of the market and building trust in a new ecosystem (Evans & Schmalensee, 2016, pp. 70–71). This chapter reviews key strategies for early platform development and market entry, including solving the chicken or egg problem, involving users in product development, building trust and partnerships, and the critical mass of users needed for growth.

2.3.1 Chicken or Egg Problem

One of the most well-known challenges in launching a digital platform is the chicken or egg problem. This means the platform must find a way to attract two or more user groups at the same time. Solving it is important, as each user group's participation depends on the presence of the other. For example, a marketplace needs sellers and buyers, but sellers will not join without buyers, and buyers will not come without sellers (Evans & Schmalensee, 2016, pp. 70–71; Parker et al., 2016, p. 89). This challenge is common for many types of multi-sided platforms and requires defined strategies to overcome.

To solve this problem, platforms often focus first on the side that is easier to attract or that will generate the most value for the other group. This can be done by offering special incentives, such as free access, discounts, or even direct payments to early users (Eisenmann et al., 2021; Parker et al., 2016, p. 94). Table 1 below summarizes most common launch strategies used by multi-sided digital platforms, including real-life examples.

Table 1. Platform Launch Strategies (Parker et al., 2016, pp. 89–99).

Strategy	Description	Example
Follow-the-rabbit	Use a successful traditional business as a model, then open to external users.	Amazon Marketplace (To third-party)
Piggyback	Leverage an existing platform's user base to attract your own users.	Airbnb (Craigslist import)
Seeding	Create value or content yourself to attract initial users.	Reddit (Fake accounts)
Single side	Build traction with one group first, then add the second side.	OpenTable (Restaurants first)
Producer evangelism	Attract producers who bring their own customers.	Kickstarter (Creators brought)

Strategy	Description	Example
Big-bang adoption	Use an event or campaign to quickly onboard both sides.	Tinder (USC party)
Micromarket	Start in a small, connected group or community.	Facebook (Harvard University)

After deciding on a launch strategy, platform owners must focus on getting enough users on both sides of the market to reach critical mass. The main challenge is to build a market that has enough active participants on both sides so the users can find each other and interact. Active interactions are essential for network effects to start (Eisenmann et al., 2021). Figure 6 demonstrates the critical mass frontier platforms businesses must pass.

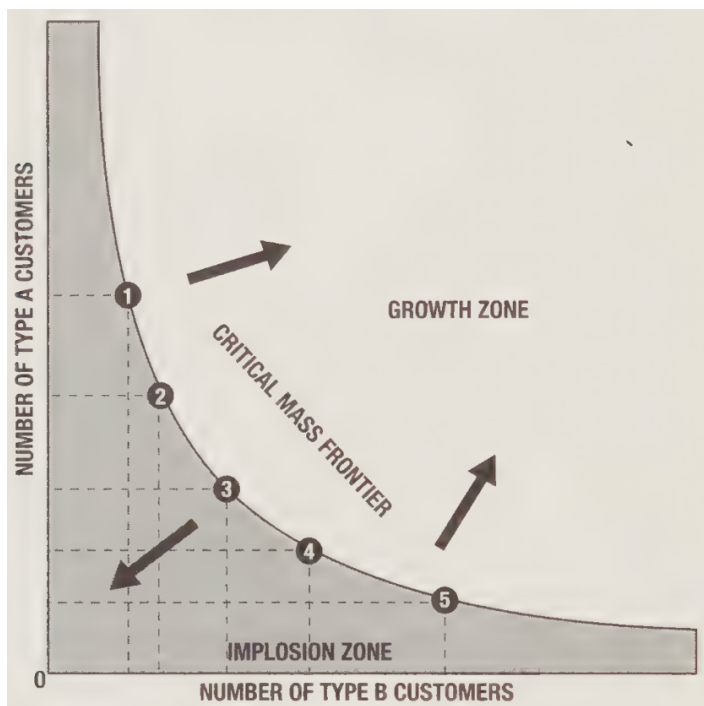


Figure 6. Critical Mass Frontier (Evans & Schmalensee, 2016, p. 78)

Once the chicken or egg problem has been solved and critical mass is achieved, network effects can start to drive further growth without as much help from the platform owner

(Evans & Schmalensee, 2016, p. 30). However, it is still important to monitor the userbase, so all sides of the platform stay engaged and the growth remains balanced.

2.3.2 Minimum Viable Product

After identifying a suitable market niche and defining the core business model, the next step is to develop a minimum viable product (MVP). It is defined as a tangible product or service with a limited number of features, created to enable learning about the value of a potential solution through experimentation and feedback from real users (Stevenson et al., 2024). In practice, this involves launching a simple version of the platform with essential functionalities, allowing the team to test its assumptions, measure market impact, and gather early customer feedback (Silva et al., 2021).

It is important to follow clear metrics during the MVP and pilot phase to see if the platform is working and creating value for users. The most useful metrics are for example user engagement (how often people use the platform), match quality (connecting of supply and demand), and interaction failures (users don't find what they need) (Van Alstyne et al., 2021). This data helps the team spot potential problems and to learn about their platform functionality (Silva et al., 2021). If the results are not good, the team can adjust or stop the project before spending more resources (Stevenson et al., 2024).

2.3.3 Building Trust and Partnerships

When conceptualizing a digital platform, building trust is one of the most important early tasks. Trust mechanisms such as reputation systems, guarantees, insurance, secure payments, and clear rules for dispute resolution are central parts of the concept. These features help attract and keep users from the beginning (OECD, 2019, pp. 32–34). Leading transaction platforms like Airbnb, Uber, and Amazon make reviews and ratings highly visible, allowing users to check others reputation and performance before engaging. These reputation systems are backed by algorithms and sometimes human moderators to remove fake or misleading reviews (Cusumano et al., 2019, pp. 91–93). Airbnb goes

even further by using risk scoring, background checks, insurance guarantees, secure payments, and refunds for additional trust and safety (OECD, 2019, p. 87).

Strategic partnerships are an important part of digital platform strategy because successful platforms create value by working with external partners, sharing resources, and building strong ecosystems (Van Alstyne et al., 2021). Working with partners helps to find new users, get resources, and build trust by connecting with known brands (Gawer, 2014). Partnerships provide social proof and make the platform look more reliable to potential users. They also help in accessing a wider network of innovation and to coordinate activities between different contributors. By forming these connections, the platform can become more attractive, supporting its growth and competitiveness.

2.4 Platform Scalability and Growth

Scalability is often a defining feature of a successful digital platform. After exceeding the critical mass of users, a scalable platform can continue to grow its user base and value creation without a matching rise in costs or complexity (Parker et al., 2016, pp. 24–26).

Platforms that make it easy for new users to join and participate can scale quickly and benefit more from network effects (Parker et al., 2016, p. 25). For example, Google was able to expand its network much faster than Yahoo by using algorithms instead of manual processes, which also minimized friction from market participants. Achieving scalability is essential in digital platforms and it requires careful planning in technology, business processes, and strategy to ensure that growth is efficient and sustainable.

2.4.1 Network Effects

Network effects are a fundamental driver of growth. They occur when the value of a platform increases as more users participate (Cusumano et al., 2019, p. 16). This is one of the main reasons why they can scale and achieve significant market impact (Evans &

Schmalensee, 2016, pp. 22-23). Reaching the critical mass of users can ignite stronger positive network effects that lead to rapid growth (Evans & Schmalensee, 2016, p. 12).

The structure of network effects significantly influences platform growth. Global platforms like Airbnb benefit from global network effects, where each new user adds value for all other users worldwide (Parker et al., 2016, pp. 17–19; Zhu & Iansiti, 2021). On the other hand, for example Uber depends on local network effects where value is created within individual cities. It often makes necessary to build strong communities and liquidity in each market separately. Platforms that operate on a global scale are less exposed to competitors, because it is more difficult for new entrants to grow a global network of users than a local one. (Zhu & Iansiti, 2021).

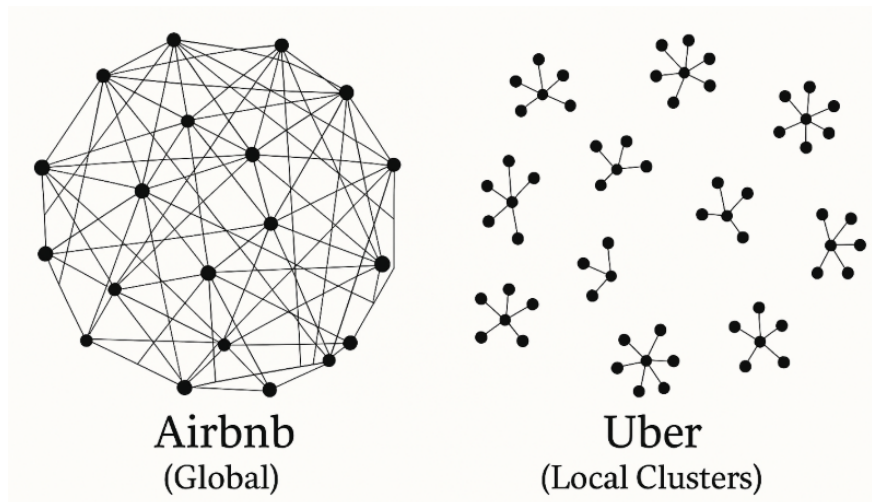


Figure 7. Platform Network Effects

The dynamics of network effects and their influence on platform growth are illustrated in Figure 8. The figure shows how platform development, user and service provider participation, and data are related together in feedback loops that drive growth (Ruutu et al., 2017; Parker et al., 2016, p. 32). These loops attract more users, generate more data, and improve the overall value proposition. However, as platforms scale, they must also manage the risk of negative feedback loops, such as one user group growing faster than the other. This can lead to longer wait times for service (demand) or unused resources

(supply), as seen in Uber's market development (Parker et al., 2016, pp. 31-32). Managing these dynamics is essential for sustaining healthy growth and avoiding market saturation that easily occurs in digital marketplace businesses (Ruutu et al., 2017).

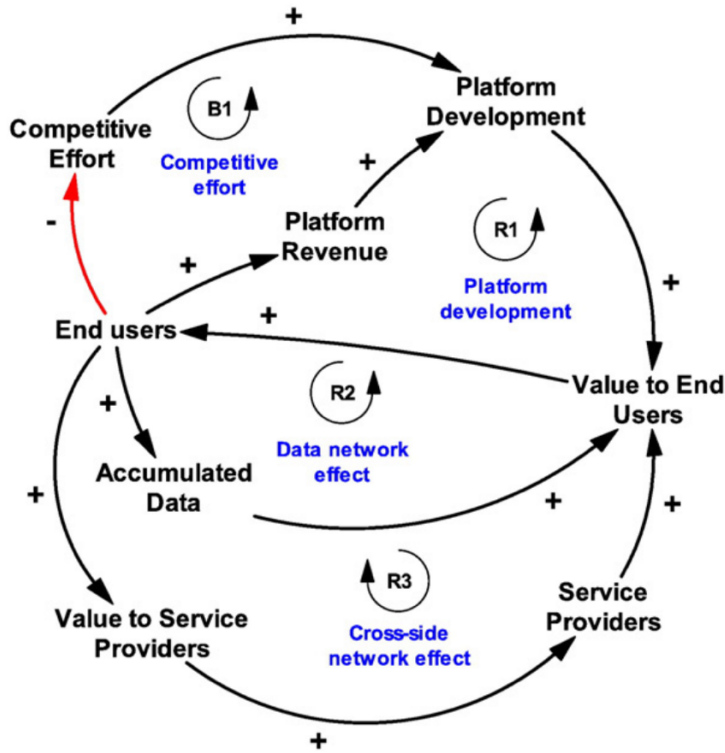


Figure 8. Feedback Mechanisms in Digital Platforms (Ruutu et al., 2017, p. 121).

2.4.2 Technical Architecture

The base for a scalable digital platform is its technical architecture. Most modern platforms use a modular design with clear, open interfaces. This makes it easy to add new features or connect third-party services, so the platform can grow and adapt to changing user needs even after it has been launched (de Reuver et al., 2018). Platforms that allow outside developers and partners to add new features or services can scale more easily and innovate faster than closed systems. Open and modular platforms work like flexible organizations where many different contributors can bring new ideas and solutions. This setup helps to respond quickly to new opportunities and changes in the market, making the ecosystem more adaptable and valuable for users (Gawer, 2014).

A good example of modular technical architecture is Google's search platform. Unlike Yahoo's earlier manual and closed indexing system, Google's automated algorithms continuously index websites from all over the world. This technical architecture minimizes friction for website administrators as new websites and content are added automatically, and they do not need to apply or wait for approval. This open, modular, and automated approach allowed Google to handle rapid growth, scale efficiently, and deliver increasing value as more users and content joined the network (Parker et al., 2016, pp. 24–25).

2.4.3 Sustaining Engagement and Growth

Even when a platform achieves strong network effects and rapid growth, keeping users engaged and ensuring long-term success can be challenging. One reason is that digital markets often have low barriers to entry, which makes it easy for new businesses to join the competition (Cusumano et al., 2019, p. 47). Decreasing technology costs and new business models appearing allows new competing platforms to quickly enter the market and fragment the userbase of existing ones (Cusumano et al., 2019, p. 47).

There are multiple ways a platform market can develop. In some cases, a single platform with the strongest network effects and highest user engagement can capture most of the market. This is known as the "winner-take-all" scenario (Ruutu et al., 2017; Cusumano et al., 2019, pp. 48–49). Figure 9 illustrates three possible scenarios of platform adoption and quality: Fragmented development, when platforms fail to reach critical mass and user activity disappears. Winner-take-all, when one platform becomes dominant and others lose traction. A competitive scenario, when no clear winner is established and multiple platforms collaborate or compete for user activity (Ruutu et al., 2017).

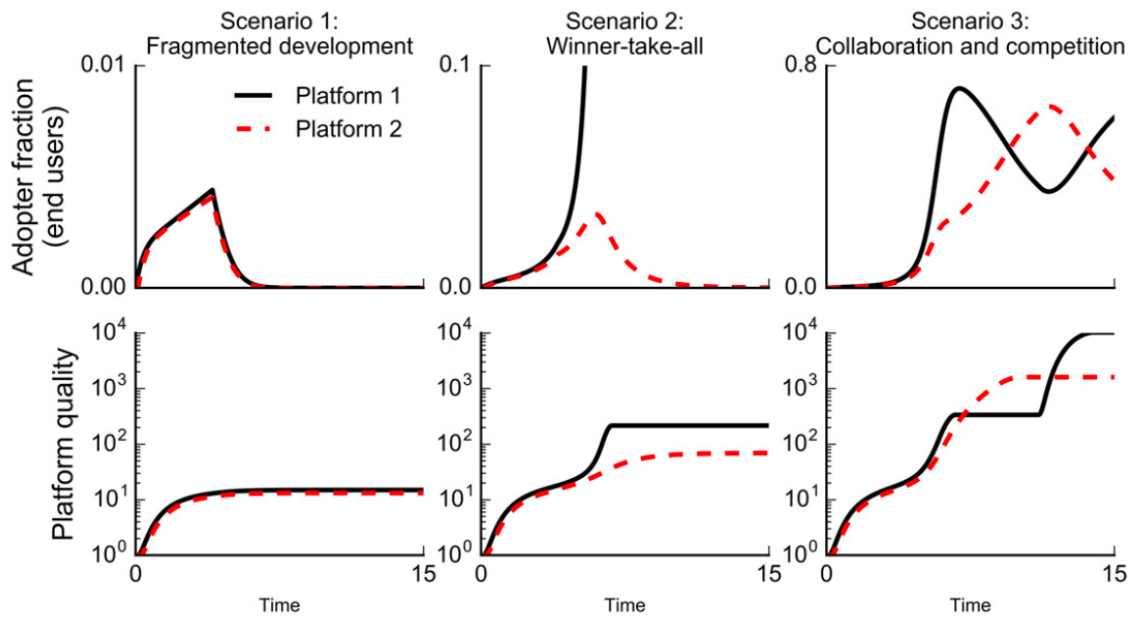


Figure 9. Platform Development Scenarios (Ruutu et al., 2017, p. 126)

The possibility for a winner-takes-all outcome depends on several factors, such as the strength of network effects, the difficulty of user multi-homing, differentiation opportunities, niche competition, and market entry barriers (Cusumano et al., 2019, p. 49). These factors, together with the platform's ability to keep users engaged and create lasting user value determines which scenario will materialize (Ruutu et al., 2017).

2.5 Platform Governance

Platform governance refers to the rules, structures, and processes that coordinate how separate participants interact within a digital platform. Effective governance is essential for balancing openness, innovation, and control (Tiwana et al., 2010). Platform owners need to manage the balance between generativity and control. Generativity means encouraging users to innovate and create value, while control refers to maintaining stability, security, and alignment (Staub et al., 2022).

As platforms connect people who might not otherwise interact, trust becomes a key requirement. Bad actors, fraud, and risks that could harm users or damage the platform's

reputation must be mitigated. The experience of Facebook highlights the challenges of platform governance. As Facebook grew, issues such as privacy, data misuse, and fake news became serious problems, which forced the company to move away from being a completely open platform and to take a more active role in monitoring and controlling user content and behaviour (Cusumano et al., 2019, pp. 188–191).

Governance mechanisms in platform ecosystems are important because they bring together loosely connected and independent actors with their own interests and goals. The owners act as orchestrators, aiming to align these diverse interests so that the platform operates without friction (Tiwana et al., 2010). Mechanisms can include entry rules, decision rights, dispute resolution procedures, and incentives for desired behaviours (Staub et al., 2022). Too much control can limit creativity and slow down innovation, but too little can lead to poor quality, mistrust, or conflicts between users. Finding the right balance is an ongoing task that evolves as the platform matures (Staub et al., 2022).

3 Methodology

This empirical study focuses on the real-life experiences from early-stage digital platform entrepreneurs. The research uses secondary qualitative interview data from 22 episodes of Sharetribe's Two-Sided podcast series, where one episode includes one founder interview. These interviews provide insights on how they have tackled challenges such as the chicken or egg problem, minimum viable product development, achieving initial growth, and scalability in the early stages of a digital platform business.

The main goal is to understand how digital platforms are built in real life, especially from the perspective of early-stage challenges and solutions. The findings from these interviews are analysed thematically to build a clearer picture of the most important factors. Then, by connecting the data collected from the interviews with the findings from the literature review, the aim is to build a framework that guides new platform entrepreneurs in the early stages of launching a new digital business.

3.1 Research Approach and Data

This study uses a qualitative research approach. The reason for choosing qualitative research is that it helps to understand the experiences, opinions, and solutions of early-stage platform entrepreneurs. This approach is suitable because it allows a closer look at the challenges and actions involved in developing a digital platform business, instead of only looking at available numbers or statistics (Silva et al., 2021).

The main data source for this study is a collection of 22 secondary interviews from the Two-Sided podcast by Sharetribe. The analysis is based on thematic analysis. This means that the interview material is grouped under key themes that were identified in the literature review: chicken or egg problem, minimum viable product development, initial growth strategies, and platform scalability. This method allows the analysis to focus on topics that are relevant in the early stages of digital platform business. Table 2 below

provides an overview of the platforms included in the interviews. The table lists the interview episode, platform name, and gives a short description of the business idea.

Table 2. Interview Episodes: Company Name and Business Idea

Interview	Business Idea
S1E1 (Airbnb)	Peer-to-peer marketplace for short-term accommodation
S1E2 (oDesk)	Platform connecting freelancers with remote work projects
S1E3 (Freightos)	Digital freight and logistics marketplace for global shipping
S1E4 (Florence)	Staffing platform matching healthcare workers with open shifts
S1E5 (CREXi)	Online marketplace for real estate brokers and property listings
S1E6 (WhiteHat)	Platform for young professionals to find work opportunities
S1E7 (Scientist.com)	Marketplace for outsourcing science and pharma research
S1E8 (Communo)	Networking platform for creative freelancers and agencies
S1E9 (Stasher)	Platform to find and book luggage storage places
S1E10 (Kickstarter)	Crowdfunding platform for creative projects and products
S1E11 (GreenPal)	Digital marketplace for booking local lawn care services
S2E1 (Eventbrite)	Event management platform for ticketing and registration
S2E2 (Encore)	Platform for booking live musicians and bands for events
S2E3 (TempStars)	Marketplace matching dental clinics with temporary staff
S2E4 (Reedsy)	Marketplace for hiring publishing professionals and editors
S2E5 (PaulCamper)	Peer-to-peer platform for campervan rental and sharing
S2E6 (MicroAcquire)	Marketplace to buy and sell businesses
S2E7 (MarketPryce)	Platform connecting athletes with sports agents and sponsors
S2E8 (Curtsy)	Peer-to-peer secondhand clothing marketplace

Interview	Business Idea
S2E9 (Drive lah)	Peer-to-peer platform for renting and sharing private cars
S2E10 (Queenly)	Marketplace for buying and selling formalwear and dresses
S2E11 (Shortboxed)	Marketplace for buying and selling collectible comic books

3.2 Analysis Structure and Themes

The analysis is organized around the main themes identified from the literature review and the interview data. Thematic analysis was used to group the findings from the interviews. This approach makes it possible to compare the practical experiences of platform founders to the theoretical concepts presented in the literature review.

The four main themes used for the interview analysis are:

1. **Chicken or Egg Problem:** How founders addressed the initial challenge of building liquidity and attracting both supply and demand to the platform.
2. **Minimum Viable Product (MVP):** What types of first platform versions were developed and what learnings came up.
3. **Initial Growth Strategies:** Early actions and tactics to acquire the first users and build initial traction in the marketplace.
4. **Platform Scalability:** How entrepreneurs managed growth, technical challenges, and expanding operations to new markets or segments.

4 Results

The main results of the empirical study are presented in this chapter. The findings are based on the thematic analysis of secondary interview data described in the methodology section. The analysis of the interviews is organized around three main topics: the chicken or egg problem, minimum viable product development, and platform scalability.

At first, each interview topic is examined to highlight what was discussed by the founders and what challenges and solutions were identified. After this, the key findings from the interviews are combined with insights from the literature review to build a framework for early-stage development of digital platform business.

4.1 Interview Analysis

The main findings from the interview data are organized into the three key topics introduced earlier. Key insights from the platform business founders are highlighted under each topic. The aim is to find what kinds of challenges and solutions were most common in the early stages of building a digital platform. Each sub-section focuses on one topic, listing the main points and using direct examples to support the analysis. Table 3 below provides the number of interviews discussed each topic in detail.

Table 3. Topics Discussed in the Interviews

Topic:	Detailed discussion in:
Minimum Viable Product (MVP)	Seven Interviews (7)
Chicken or Egg Problem	Nine Interviews (9)
Platform Scalability	Eight Interviews (8)

Out of the 22 analysed interviews, 15 had detailed discussions and provided insights to at least one of the main topics. Seven interviews were not used in the main analysis and

those were S1E2, S1E5, S1E7, S1E8, S1E10, S2E4, and S2E6. They were reviewed but excluded as they focused on other topics or only mentioned the main themes briefly.

4.1.1 Minimum Viable Product Development

A key theme in the seven interviews addressing minimum viable product development in detail, was starting with a lean and manually operated version of the marketplace. In many cases spreadsheets, emails and phone calls were enough to get started. For example, Florence pivoted from their ongoing platform development project to using a shared Google Sheets file to connect nurses with open shifts (Sharetribe, 2020, S1E4). A common theme in MVPs development was doing manual things that do not scale. It allowed teams to take a jump start in validating the business model and learning from actual users before investing to the development of more complex digital platform solutions.

Table 4. Interview Insights: Minimum Viable Products

Interview:	Examples of the MVP development:
S1E3 (Freightos)	A simple website with shipping options and a button to make a booking. Transactions were handled manually by the team.
S1E4 (Florence)	Started by building a complex platform but pivoted to a shared file in Google Sheets that connected open shifts with nurses.
S1E6 (WhiteHat)	With a static website and a phone number. Applicants called and the team manually vetted and matched them with companies.
S2E2 (Encore)	By listing musicians online and matching bookings manually using email and phone before automating the process.
S2E8 (Curtsy)	With simple listing app with manual processes and no payment system, handled some on-site transactions themselves.
S2E10 (Queenly)	Launched quickly a simple app, but real operations and transactions were happening offline until gaining traction.

Interview:	Examples of the MVP development:
S2E11 (Shortboxed)	Operated manual marketplace functions behind a website that looked like it had automated processes in place.

The main lesson from the interviews is that the first platform version should be as simple as possible. Founders used basic tools and did much of the work manually to connect supply and demand in the beginning. This approach allowed direct user communication and feedback, while allowing teams to adapt based on received input when needed. It also created a strong foundation for later platform automation and scaling as the needs of users were better known. For new platform entrepreneurs, launching a hands-on MVP is often the best and quickest way to see if there is demand for the service.

4.1.2 Chicken or Egg Problem

One of the main challenges discussed in the interviews was the chicken or egg problem, with 9 out of 22 interviews addressing it in detail (Sharetribe, 2020–2021). It means how to get one side to join the platform when there is no value without the other side. Solving the problem was often the first step to get real transactions and platform activity started.

Most founders solved the problem by narrowing their focus geographically and by focusing to a small market niche to start with. Almost always, the supply side was the first one to go for as it was the harder side to attract. For example, Freightos focused first only on freight forwarders, building them software tools to make their work easier. Then they waited to invite shippers until there was enough activity from the supply side (Sharetribe, 2020, S1E3). GreenPal started in one city and personally called every local lawn service provider and making it simple and risk-free to join the platform (Sharetribe, 2020, S1E11).

Table 5. Interview Insights: Chicken or Egg Problem

Interview:	Approaches to the chicken or egg problem:
S1E1 (Airbnb)	Start by focusing to a small market. Pick a side (often supply), build it first and start creating value. Then activate demand.
S1E3 (Freightos)	Freightos built a software tool for only the supply side and waited years before launching the demand side.
S1E9 (Stasher)	Make it very easy for supply partners to join. Even if there is not much demand at first, wait for demand to grow.
S1E11 (GreenPal)	Called to every local lawn service provider (supply) and offered a simple value proposition: free to join, pay if you earn.
S2E1 (Eventbrite)	Focused on the supply side of event producers as they will bring the demand. Demand won't come if there's nothing to find.
S2E2 (Encore)	Built a musician network first and added some without their consent. Then went to events like wedding fairs to recruit demand.
S2E7 (MarketPryce)	Added real sponsorship offers from brands (without charge) before bringing in athletes, so there were real deals available.
S2E8 (Curtsy)	Launched in one sorority and organized in-person events to create fast matches between supply and demand.
S2E10 (Queenly)	Used the founder's beauty contest network and posted in social groups to bring the first supply and user to the service.

These cases showed that most platforms started small and focused on the more difficult side first, which usually was the supply. Founders often did the first user recruiting themselves and used manual methods. The main lesson is to keep the focus narrow, use resources wisely, and making sure the marketplace looks active from the very beginning.

4.1.3 Platform Scalability

Scaling a platform often requires transitioning from manual processes to building systems that can handle user growth. In the interviews, eight episodes discussed scalability in detail (Sharetribe, 2020–2021). For example, Freightos automated their shipping price calculations (Sharetribe, 2020, S1E3), and Florence built a review system so the community can maintain high quality even when the team could not anymore manually verify each new user (Sharetribe, 2020, S1E4).

Table 6. Interview Insights: Platform Scalability

Interview:	Approaches to the chicken or egg problem:
S1E3 (Freightos)	Rebuilt the core system, automated key processes, and set strict data and trust standards before scaling up.
S1E4 (Florence)	Automated quality controls, launched rating and reviews tools, and expanded region by region after reaching liquidity.
S1E9 (Stasher)	Expanded operations one city at a time, standardized user onboarding and insurance, and built local partnerships.
S2E3 (TempStars)	Automated user matching and rating, scaled to new cities, and built support systems for regulatory compliance.
S2E5 (PaulCamper)	Transitioned to automated verification systems, invested in SEO and localized content when going to new markets.
S2E8 (Curtsy)	Pivoted the business model and focus from college campuses to a broader market and mitigated operational bottlenecks.
S2E9 (Drive lah)	Built systems for user validation and insurance, expanded after securing legal challenges and local partners.
S2E11 (Shortboxed)	Automated listing and payment processes, hired moderators, and invested in community activities as they scaled.

Founders saw that what works for a small group of users is different from what is needed to make it work in scale. This sometimes meant rebuilding the software, changing operating workflows, or pivoting the business model. A key lesson from the interviews is that trust and quality must scale with user numbers. As platforms grew, what previously was manually managed through direct contact to users, had to be developed into integrated features and rules guiding the interactions within the ecosystem.

User acquisition methods needed to become more systematic as platforms grew. For example, PaulCamper invested in search engine optimization by building localized content on their website (Sharetribe, 2020, S2E5), and Drive lah transitioned from manual outreach to referral programs and digital marketing (Sharetribe, 2020, S2E9). Other approaches included paid digital marketing and influencer programs to gain visibility.

Many founders grew their businesses by focusing on one region at a time and only moving to new areas when core interactions and users were in balance. As the platforms got larger, founders had to share responsibilities, hire new people, and move from doing everything themselves to working with a larger team. A scalable platform is built with a solid foundation of strong technology, reliable operations, and a trusting community. These elements allow the business to grow and handle new challenges as it expands.

4.2 Integration of Theoretical and Empirical Findings

When comparing the literature with the interviews, they highlight many of the same ideas about early-stages of building a new digital platform. Both point out the importance of starting with a clear problem and focusing on creating value for users right from the beginning. The literature covers the main challenges in detail, but often from a strategic point of view without many concrete examples from starting the business.

The interviews fill the literature theory with practical examples and specific actions taken by early-stage founders. For example, while the literature lists different strategies to

solve the chicken or egg problem, the interviews show what these strategies look like in practice. Often this meant manual work, creative strategies, and a high level of persistence. The same goes for building a minimum viable product as it was well discussed in the literature, but the interviews added concrete details from very basic approaches without any technical development to organize first transactions.

Both the literature and the interviews support the idea that building a platform is a step-by-step process. Platforms usually start small, test their ideas, and slowly build up activity and trust before scaling. The interviews help make these steps more concrete by showing what happens in real cases. Together these sources make it possible to get a complete understanding of how early-stage development in practice, as the existing literature gives strategic direction and the interviews show what has worked.

4.3 Digital Platform Development Framework

This section combines the key insights from the literature and the founder interviews to form a practical framework for early-stages of building a new digital platform business model. The goal is to provide a clear path from the initial idea to early growth by connecting previous research with entrepreneur interview materials. Next sections will go through the process step by step, allowing new founders to understand and decide what are the key things to focus on during the early stages of platform development.

The framework outlines the main steps for building a new digital platform from a concept to early growth. The process starts by defining the core value exchange and main user groups, then moves to solving the chicken or egg problem by deciding which side to focus on first and how to create initial activity. Next is building a minimum viable product to test the concept, followed by acquiring the first users through direct outreach and feedback. The final step is preparing the platform for scaling, which includes improving systems and planning for wider growth. The table below summarizes each step in the process. The following section explains what to do at each stage.

This chapter describes the main steps that early-stage platform founders typically follow when developing a new digital platform business. Each step focuses on a specific area, from defining the core interaction to preparing the business for growth. The aim is to provide a practical process that can be used as a guide in platform development.

4.3.1 Defining the Core Interaction

The process starts with defining the specific value exchange the platform will enable. The core interaction is the activity that brings the users together, such as connecting buyers and sellers. It should be as clear and concrete as possible, while including a description of what value is exchanged and who are the main user groups. Before any development, it should be possible to explain in one sentence what the platform does and why users would join. This step helps set the direction for all future development.

Table 7. Key Outcomes: Core Interaction Design

Attributes:	Key Outcomes:
Users	Clear identification of the main user groups (e.g. buyers and sellers)
Value	The main benefit and reason for each group to join
Interaction	The core activity that exchanges value and brings users together

To define the success of designing the core interaction, the main question is if the platform's value exchange and user groups can be clearly described. At this stage, it should be obvious what the platform does, who it serves, and why users would join. If these elements are well defined, the team can move forward with a strong direction for building the rest of the business model. This clarity helps ensure that the platform addresses a real need and makes it easier to communicate the concept to users and partners.

4.3.2 Solving the Chicken or Egg Problem

The plan how to overcome the problem of starting a platform without any users. In most cases the approach is to first focus only on a small niche and attract one side of users to join. Often the first group is the supply, but it is also possible to recruit multiple groups at start. Next, create value for the first group and convince the other side to join later.

Table 8. Key Outcomes: Chicken or Egg Problem

Attributes:	Key Outcomes:
Users	First targeted user group is decided and clearly specified
Niche	A specific segment or location is chosen to start with
Method	Concrete actions used to activate the chosen side of users

To define the success of overcoming the chicken or egg problem, the main question is if the team has recruited at least one side of users to join. If there is clear evidence that one group is active on the platform, it shows that the launch strategy is working and creates the foundation for starting to build up the other side.

4.3.3 Building a Minimum Viable Product

The main goal at this stage is to develop a very basic version of the platform that only includes the most essential features for making the core interaction possible. The purpose is to allow real users to test the concept as soon as possible, so the team can learn what works and what needs improvement. This helps avoid wasting resources on building features that are not needed and gives a clear direction for further development.

Table 9. Key Outcomes: Minimum Viable Product Development

Attributes:	Key Outcomes:
Product	Functioning and simple first version that allows the core interaction

Attributes:	Key Outcomes:
Usability	The MVP can be shown and tested with users for feedback
Validation	Evidence from testing that the core interaction idea is feasible

To define the success of the minimum viable product step, the main question is if the developed version enables real users to try the core interaction and give feedback. If users can test the concept and there is evidence that the idea works, the team is ready to move forward and start focusing on acquiring the first real users on the platform.

4.3.4 Acquiring the First Users

Attracting the first real users to join the platform is about getting the first transactions and creating early activity. The main goal is to prove that people are willing to use the platform and that the value proposition works in real life. Common strategies for initial user acquisition includes personal outreach, word-of-mouth marketing, and connecting with potential users through existing networks. It is important to focus on learning what motivates users to join and what might prevent them from taking part.

Table 10. Key Outcomes: Acquiring the First Users

Attributes:	Key Outcomes:
Outreach	Concrete actions taken to contact and invite initial users
Engagement	Evidence of first signups, transactions, and activity on the platform
Feedback	User insights about what works and what could be improved

To define success at this stage, the main question is if the team has managed to get first users to sign up and engage with each other using the core platform features. If there is continued activity, the team can move forward and focus on scaling its operations.

4.3.5 Preparing to Scale

Once the first users are active and initial transactions are happening, the next step is to prepare the platform for larger growth. This stage focuses on strengthening the foundation so that the platform can handle more users, more transactions, and new markets. Typical actions include automating manual processes, improving the technical infrastructure, and building systems for trust and safety. The goal is to ensure quality and reliability even as the user base grows. It is important to identify any weak points that could cause problems at a larger scale and address them before expanding further.

Table 11. Key Outcomes: Preparing to Scale

Attributes:	Key Outcomes:
Automation	Manual tasks replaced with automated or streamlined processes
Infrastructure	Platform is technically ready for additional user growth
Trust Systems	Tools and processes are in place to ensure safe transactions

To determine success at this stage, the main question is whether the platform is robust enough to support increased activity without losing quality or user trust. If the systems work smoothly, and there are plans for handling growth and maintaining a positive user experience, the platform is ready to scale up to the next level.

4.4 Framework Case Study: Suomen Vuokrabiili Oy

This chapter applies the digital platform development framework to a real-world case. Suomen Vuokrabiili Oy is a Finnish digital marketplace platform company that brings together local car rental companies and consumers on one platform. By testing the framework with this case, the aim is to see how well the framework describes the key steps and challenges in developing a platform business in practice. Another goal is to identify the most relevant next step for Vuokrabiili's development based on the framework's

indicators. The analysis follows the framework's main stages, starting with an overview of Vuokrabiili's current business model and then reviewing development process steps.

4.4.1 Business Model and Current State

The case company operates a digital marketplace that connects local car rental companies with customers through an online platform. The company's core business model is based on aggregating rental car offers from partner companies and presenting them in a single comparison interface for consumers. This approach aims to solve the problem of fragmented local car rental supply by bringing together various providers, allowing users to compare prices, availability, and vehicle options in one place. Platform revenue is generated from commissions of completed bookings.

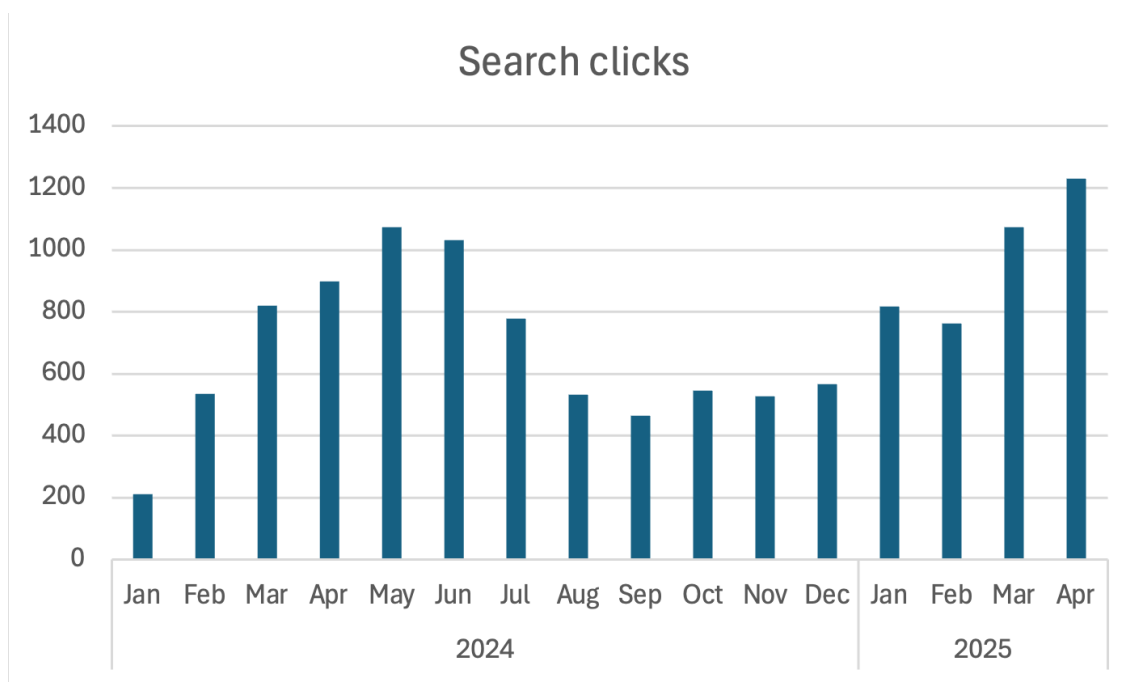


Figure 10. Organic Visitors from Google Search

Figure 10 shows the organic search click volume and development from January 2024 until April 2025. The number of users coming from organic Google search has shown clear seasonal variation, with the highest volumes occurring during the spring and summer months. This trend aligns with the typical peak periods for car rentals in Finland, as

demand increases around holidays and the start of the summer vacation season. Vuokrabiili's user acquisition strategy mostly relies on search engine optimization. No paid advertising is currently being used, so growth in traffic directly reflects the platform's visibility and relevance in search results.

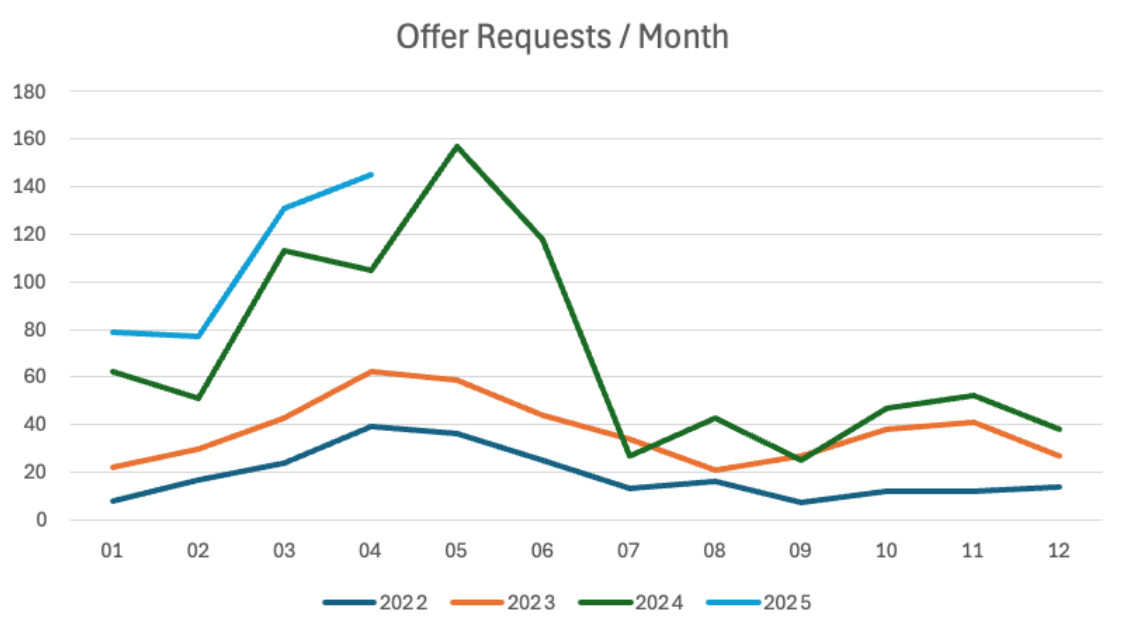


Figure 11. Development of Platform Activity (2022-2025)

The line chart in Figure 12 shows offer requests per month from 2022 to 2025. The data shows a clear upward trend in demand-side activity, as the monthly offer requests are mostly higher each month compared to the previous year. It is important to note that the current MVP version of the platform or its marketing has not been developed since the end of 2022. Despite this, the demand has continued to grow and shows a strong underlying consumer interest for the platform's value proposition.

Table 12. Average Value of Accepted Rental Offer

Price per month	Months per rental	Value per rental (Price x Months)
657.30 €	2.57	1689.29 €

Vuokrabiili mainly focuses on monthly minileasing rentals instead of short-term bookings. The numbers in Table 12 show the average value of each transaction the platform facilitates. On average, the rental price of accepted offers is 657 € per month, and the duration is 2.57 months. This means the average value of each transaction is 1689 €.

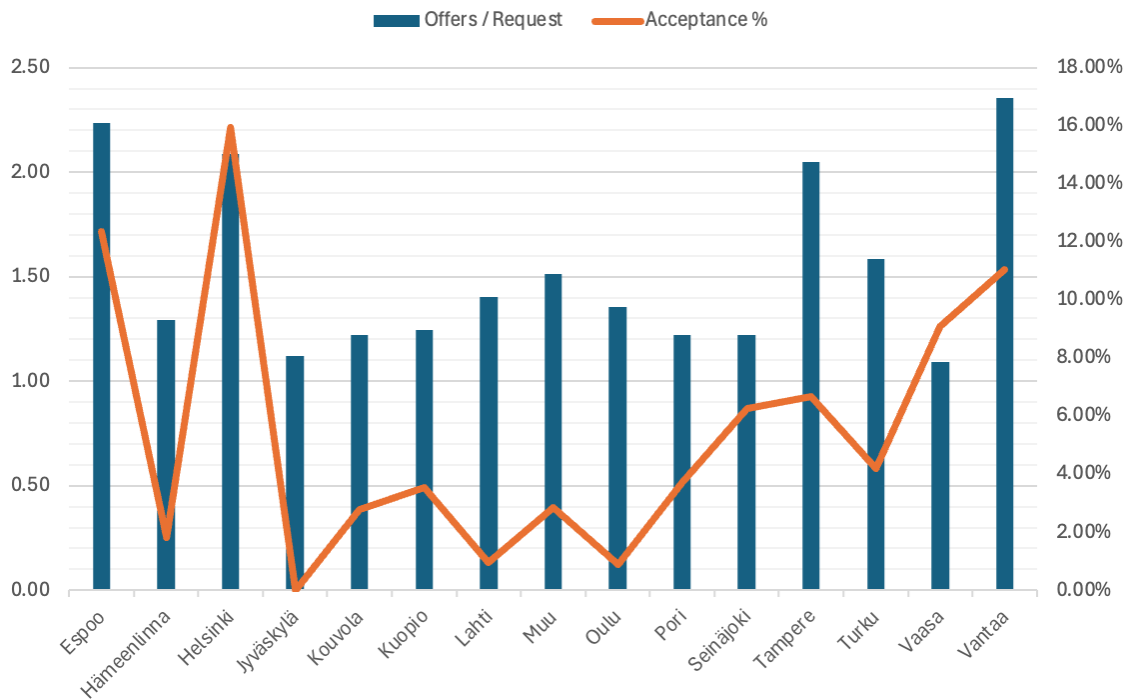


Figure 12. Offer acceptance rate and offers per request in cities

The chart in Figure 12 shows the current supply-side platform activity with the average number of offers received per customer request and the acceptance rate in different cities. In major cities such as Helsinki, Espoo, and Vantaa, customers receive over two offers for each request and the acceptance percentage is also higher. In other cities, both the number of offers per request and the acceptance rates are lower. It should be noted that the number of requests is higher in larger cities compared to smaller ones.

4.4.2 Analyzing the Core Interaction Desing

The core interaction of Vuokrabiili is connecting customers looking for monthly car rentals with the local suppliers by allowing customers to send requests and receive offers.

The main value for customers is the ability to easily compare several rental offers in one place, while car rental companies use the platform as a marketing channel to get more demand for their available monthly minileasing cars. Suppliers only pay a commission if they get direct bookings, which lowers their barrier to join.

At first, Vuokrabiili aimed to focus on regular short-term rentals, but early MVP testing showed this was not a viable business model with the available technology and resources. As a result, the development returned to the core interaction stage, and the concept was pivoted to focus on monthly rentals. This change ensured the business model matched the platform's technical capabilities and market needs.

Currently, Vuokrabiili meets the core interaction outcomes by clearly identifying its main user groups and the main benefit for each to join. Customers can easily find and compare monthly car rentals, while suppliers get more visibility and sales opportunities. This clear value for both sides provides a strong foundation for further development.

4.4.3 Analyzing Chicken or the Egg Problem

For Vuokrabiili, the initial solution to chicken or egg problem was to focus on the supply side by collecting email addresses of local car rental companies. Once the minimum viable product was built, customers could start sending rental requests through the site and they were simply forwarded to car rental companies, without any prior onboarding. Many car rental companies began responding to the requests on their own, showing that there was real interest and willingness to participate even with minimal outreach.

When looking at the framework's key outcomes, Vuokrabiili meets several important points at this stage. The first targeted user group was clearly defined as rental companies. A niche of monthly rentals was chosen, but the geographic area could have been narrowed down as there were 15 cities from the start. A concrete method was used to activate the supply side as customer requests were sent directly to companies.

Comparing the key outcomes with business data, there is clear evidence that it would have been better to focus only on the capital area including Helsinki, Vantaa, and Espoo before expanding to other markets. As Figure 12 shows, smaller cities do not have enough active suppliers to provide multiple offers, which means the platform does not create the intended user value for the demand side in those cities. This is also showing on the acceptance rate, as cities providing more offers also get more accepted offers.

4.4.4 Analyzing Minimum Viable Product

The minimum viable product for Vuokrabili was built as a simple website where users could submit rental request through forms, which were then forwarded directly to local car rental companies by email. This basic version included only the essential features needed to test the core interaction of connecting demand with supply and seeing if rental companies would respond with offers. The main goal was to learn if the platform would work in practice, with real users on both sides.

The first version was developed and launched quickly, without any need for external development resources. Offering process was very manual for the supply side, as every time responding to a customer request, they had to manually fill out an online form with their company name, email and offer details. These minor details were fixed already in the MVP, as each of the suppliers was provided their own form with pre-filled information for reduced workload. The core interaction process did not require any manual work from the founder, as the platform enabled users to directly interact with each other.

Looking at the framework's key outcomes for the minimum viable product, it allowed the core interaction to occur with real users and produced evidence that the concept is feasible. Additionally, it started generating business data from the interactions and allowed users to give feedback for the development of a more advanced platform.

4.4.5 Analyzing First Transactions

After the MVP launch, the focus was to attract the first users and see if the platform can create actual activity between supply and demand. Customers started submitting rental requests and suppliers responded. These initial transactions provided proof that the value proposition worked for both sides. The first user engagement was achieved mostly through website search engine optimization and a small initial investment in paid marketing. Even when paid marketing was ended after couple first months, the platform demand-side activity has kept increasing every year as seen in Figure 11.

The key outcomes at this stage were concrete actions to acquire initial users, clear evidence of ongoing platform activity between demand and supply sides, and user insights about what worked well and what needed improvements. In Vuokrabiili's case, the key outcomes were achieved, and it is ready to move forward to focusing on growth.

4.4.6 Analyzing Scalability

After confirming that users were willing to use Vuokrabiili for monthly car rentals, the next challenge is to consider how the platform could scale from its early activity. Scalability means being able to handle more users, requests, and transactions without losing quality. This step involves automating manual processes, improving user experience and ensuring safe transactions for the next growth steps.

In this case, responding to consumer requests has caused car rental companies a high manual workload as they need to fill each offer separately. This reason has also been addressed in the feedback, and at least one company stopped making offers as a result. The current MVP version has worked well for testing the core interaction and initial growth, but to keep current suppliers and attract new ones, these manual processes need to be made easier and more scalable for higher volumes.

At the stage of preparing to scale, the main outcomes are replacing manual work with automated systems, ensuring the platform can handle more users, and have reliable trust features in place. Vuokrabiili has a new platform version ready for launch that lets suppliers list cars directly and all customers can see the availability without extra work. With the updates, the platform will be more efficient and ready for increased activity. At start all the necessary tools such as reviews will not be in place but those can be added to the structure later. The key question is whether the launch is successful, and the supply side sees the value in more active participation.

4.4.7 Key Development Areas and Recommendations

A key development area for Vuokrabiili is narrowing the platform's geographical focus to maximize activity in a few priority areas before expanding further. The data shows that the acceptance rate for offers rises sharply when customers have more offers to choose from. This means that building a critical mass of suppliers locally is essential for creating value for customers and increasing booking conversions. With the new platform version all the available offers will be instantly visible, and customers do not need to wait for manual offers, which can also increase the acceptance rate further.

To make this happen, there is a need for more supply-side activation and recruiting, especially in areas with high demand. By focusing on the key cities first, Vuokrabiili can improve offer availability and user experience, while achieving sustainable growth.

5 Conclusions

This chapter summarizes the main findings of the study and discusses what they mean for both research and practice. The aim is to reflect on how the digital platform development framework helps to understand the early stages of building a new platform business. This section also considers what can be learned from the case study and how the results can be used to guide further development. The limitations of the study and suggestions for future research are also presented at the end of the chapter.

5.1 Summary of Findings

The purpose of this thesis was to explore how a digital platform can be developed from an initial concept into a sustainable business model. The research combined a review of relevant literature with empirical findings from interviews to create a framework to describe the key steps and challenges in early-stage digital platform business development. Once the framework was created, it was used to a case study of Suomen Vuokrabiili Oy.

The main results show that building a digital platform can be split into clear process steps. First, it is important to clearly define the core interaction and value exchange between the main user groups. The study found that solving the chicken or egg problem and getting both sides of the platform active requires a defined approach. Often targeting one user group first and starting in a specific niche market and location is a key. Then, developing a minimum viable product, acquiring the first users, and achieving the first real transactions are crucial milestones that test if the business model works in practice.

The case study of Vuokrabiili supported the framework but also showed that the journey is not always linear. After the first try with short term rentals was not viable at the time, returning to the start to design the core interaction again helped the platform to move forward. The analysis showed that clearly defining the target user groups and focusing on monthly rentals helped to create a strong value proposition. The MVP allowed for early testing of the concept, and the first user activity provided evidence that the idea

worked in real life. The case also highlighted the need to focus supply and marketing efforts in the most promising and small areas first, before expanding further.

5.2 Theoretical and Practical Contributions

A central concept in platform business is the core interaction, which refers to the main functionality that a platform enables between its user groups (Parker et al., 2016, pp. 38-44). The purpose of platform design is to make the core interaction possible and valuable for all participants. To achieve this, founders must attract users, facilitate interactions, and connect the users with each other (Parker et al., 2016, pp. 45–49).

The developed framework builds on these topics and offers a clear step-by-step model for organizations and entrepreneurs looking to develop digital platform businesses. It can be used as a practical tool to plan and manage the development process in a more structured way. It can also help to avoid common mistakes in digital platform development and use limited resources more effectively to the most important steps at the time.

This study shows that for small digital platform startups with limited resources, concentrating initial efforts on a specific market segment and user group is especially important. Building strong network effects in a small niche is often more valuable than having weak supply and demand in a bigger market. The main findings about a clear focus, fast MVP launch, and active user engagement can serve as guidelines for most platform ventures.

5.3 Limitations and Suggestions for Future Research

This study has several limitations that should be considered when applying its results. First, the empirical research was based on a limited set of secondary interviews from the Two-Sided podcast. While the interviews provide insights into early-stage platform development, the findings may not be fully generalizable to all types of platforms or business environments. The study focused on marketplaces connecting supply and demand, so platforms with different structures or operating models may face other challenges.

Another limitation is that the framework was tested with only one case company, which had a similar business model to many of the interviewed companies and had already gone through most of the defined steps. It also may limit the applicability of the results to organizations in other industries, development phases or with different resources. In addition, the study concentrated mainly on the early phases of platform development and did not focus on profitability of the business model or challenges in later stages.

For future research, it would be valuable to test the framework in other case studies, especially as an ongoing process while developing a new platform business, or in different market contexts or platform types. Further studies could also investigate how the framework could be extended with additional steps to in the early stages or continue it to later stages of digital platform development. Overall, while this thesis provides a useful starting point, more research is needed to deepen the understanding of platform development processes and to refine the framework for wider use.

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