

A Comparative Study on Platform Business Strategy of Reward App -Focused on case of Company A-

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Abstract: *Recently, with the increase of smartphone users and the expansion of smartphone functions, App Tech using smartphones is attracting much attention. When a user performs various roles given through a smartphone app, he or she provides a point or a certain amount of cash for compensation. The Reward app is a platform for App Tech. In the digital era of the 4th Industrial Revolution, platform business strategy is emerging as a new strategy of corporate ecosystem.*

In this comparative study, we conducted a comparative study on platform business strategy of Reward app for company A, which runs a survey reward app through smartphone app. As App Tech, Reward apps are evolving in various ways, such as changes in the value of life, the development of new digital technologies, and an increase in interaction networks.

As a result of the research, platform business strategy for company A's reward app success is as follows. First, increase value through network building and interaction with users. Second, diversification of compensation type. Third, systematic construction and utilization of user DB. Fourth, reduce the transaction costs of your product or service provider and strengthen your network to increase app usage value.

Keywords: *Platform, Platform Business, App tech, Reward App, Network effect, Interaction*

I. INTRODUCTION

App Tech is getting a lot of attention from people. App Tech is a combination word of application and tech. Customers are be compensated when they view advertisements or respond to surveys through smartphone apps. If the amount of the reward is sufficiently collected, it is converted into cash[1]. App Tech allows you to earn you money anytime, anywhere with a smartphone. For this reason, App Tech using smart phones is gaining popularity among students and general working population.

App Tech is evolving into a variety of reward apps. Initially, users were allowed to view advertisements or respond to surveys. Now, however, it is evolving to offer points and cash by performing various missions through smartphone apps. This is called a reward app. The Rewards app is a smartphone application[2] that gives users rewards (points, etc.) when they install related apps on their

smartphones and perform certain missions. The value of the Rewards app is also changing. The Rewards app is not just a business, it is changing to a loyalty program that increases customer satisfaction and brand loyalty.

Rewards applications in Korea started with the introduction of smartphones in early 2010. Initially, people were given points when they watched ads through a smartphone app. Rewards apps are now expanding into different ad formats, including surveys, unlocking, games, walking, calling, and receipt-upload, quizzes, etc.

These reward apps are a kind of platform business. These applications collect people and carry out what they want to do through interaction with them. Reward apps are a framework of business structure in which suppliers and participants can trade the desired value. Users participating in the Rewards app perform various purposes as suggested by the platform provider and receive cash or points as rewards. The platform provider should engage with the supplier in order to attract the users and actively take action.

In this comparative study, we will focus on the case of Company A, who operates the platform of the survey reward app. This comparative study is to find a complementary point to the success of the Rewards app as a platform business. We will draw strategic implications on how to structure and refine the success factors and roles as a competitive platform business and the business model of profit generation through previous studies.

II. MATERIALS AND METHODS

2.1. Definition of Platform

The platform has been used and used in IT since the mid-1990s and is widely used throughout the industry. The definition of platform is defined in terms of IT industry, industry / information / economy. From an IT perspective, Rochet and Tirole(2003) defined the platform as a medium that facilitates the interaction of each group, such as technology, programming, and IT service products and services. Econmids and Katsamaks(2006) defines platforms as a hub that connects technology and technology in the high-tech industry. Gawer and Cusumano (2008) defined a platform as an underlying technology or service that is essential to a broad and interdependent corporate ecology.

In terms of industry and information economics, Eisenmann et al(2006)



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called the platform "Components" and "Rules"[3]that are commonly used to facilitate interaction among network users. In 2011, we defined the platform as a focus and facilitator that made it possible for two or more people to share to create business in the marketplace. Choi, Byeong-sam(2010) stated that platform is a free-standing structure designed for common use in various applications[4]. Noh, Kyu-Sung(1985) defined it as an environment in which multiple groups such as suppliers and consumers participate and exchange values that each group desires through fair trade[5].

The platform is a framework that provides appropriate compensation and value according to the purpose of people participating in the frame of the structure, and promotes interaction among participants. Each company in the world develops and uses various platforms based on IT system, consumer experience, Internet of objects, data analysis, and ecosystem. Representative platforms such as Apple, Google, Amazon, Facebook, Alibaba, Tencent, Tesla, Netflix, Uber, Airbnb, and KaKaoTalk are changing the ecosystem and industry environment. It is expected that platforms constructed with sharing, convergence and digital paradigm of the 4th industrial revolution era[6] will be able to create more diverse and new values.

2.2. Platform type

Platforms can be divided into types of platforms and intangible platforms depending on the type[7]. Type platforms are property platforms that can be treated as asset values (E.g. railway platform, crude platform, spacecraft launch platform). An intangible platform is an intangible form that can not be captured by hand, it is highly scalable and is ported or fused to create new value-added (e.g. PC OS, OS of mobile terminal, Microsoft's Windows operating system, Google's Admob)

Platform type can be divided into product platform, customer platform, and trading platform by function(as shown in table 1)[4]. The product platform refers to actual goods that are commonly used in final product production. It creates added value through differentiation through the goods. The customer platform means the diversification of various goods or goods by providing a platform for the core customers targeted by the company. When customers purchase goods, emphasize the complementary nature of the goods, thereby increasing the desire to purchase the goods they provide. A trading platform is an infrastructure that deals with external suppliers. Focusing on expanding the power of customers through their integration and cooperation. Make producers and consumers profitable by tied-in within their platforms. As customer needs and business diversify and business models become more complex, demand for platforms increases.

Table 1. Platform Type by function

	Product Platform	Customer Platform	Trading Platform
Definition	Real goods, Creating value through	Provide various materials	Infrastructure for trading relationships

	differentiation	and products to Customer's Platform	with external suppliers
Purpose of Use	Lower costs	Increase Revenue	Industry-Driven
Scope	Internal Company		Outside the Company
Example	Samsung Smartphone, Tesla, Nokia, etc.	Uber, Frap, Zillow, Redfine, Airbnb, etc.	Apple iTunes, Google, Alibaba, Auction, etc.

- source : Byeong-sam Choi, Topics of Growth, Platform, SERI Management Note, No. 80, Samsung Economic Research Institute, 2010. p.3 reconstruction

Platform users tend to be more loyal when they have confidence in the platform. Based on this, platform companies can gain high profits and increase market dominance. This is commonly referred to as network effect. Network effect refers to the impact of a particular product or service user on the value of the product[8] to others in economics or business. As the number of users increases, the opportunity cost of not using the products and services increases, and the number of users for specific products and services increases. Network effects can be attributed to the value created by multiple platform users for each user. The platform can be divided into one-side platform, two-side platform, and multi-side platform according to participants' network connection type(as shown in table 2) [9].

Table 2. Platform Type based on engagement

	One-side Platform	Two-side Platform	Multi-side Platform
Business Type	Based type Platform	Mediated type Platform	Convergence type Platform
Business Role	Match Makers Platform	Audience Builders Platform	Cost Minimizers Platform
Revenue Model	Transaction brokerage fee	Advertising Platform	After based dissemination Derivatives/service Platform

- source : Ki-dae Kim, Technology utilization platform strategy of Manufacturing Industry, POSCO, 2015. p.4 reconstruction

The one-side platform deals directly with the platform operator. As a platform based on intermediaries, the revenue model is transaction brokerage commission. Business license, etc. are intermediary networks that provide products and services to customers. The two-side platform serves as a marketplace for platform operators. The free service of core services such as Google search service attracts the crowd and makes advertisements for them a profit model. Auction, information search



portal, and so on. The multi-side platform is a convergence type that creates network effects while different attributes on the network work simultaneously. There are a plurality of customer groups and supplier groups, and the platform provider plays a role of cost reduction. A profit model is a product or service derived from the spread of the base, and a network that continuously attracts it is needed.

2.3.Strategic for platform success as a business

The platform is attractive as a market business model connecting consumers and suppliers. In the digital era of the Fourth industrial revolution, the boundaries between industries collapsed and innovative values were created through the fusion of technology and industry. As this emerges as a new revenue model, the platform business is receiving lots of attention. The platform business is an environment[10] in which a group of many people, including suppliers and consumers, participate and exchange the value each group desires through transactions. Platform business is fundamentally different from traditional industries or markets in which products and services are unilaterally leading the process of supply, distribution, marketing, and diffusion. Traditional business takes a linear value chain structure that creates value through the linear value chain from product and service manufacturing through to sale to the consumer. In the platform business, however, value is created through the complex value chain between producers, consumers, and platforms[11]. The core assets of the platform business are information and interaction, both of which are a source of value and competitive advantage created by the platform business[12].

In the platform business, economies of scale are important. The involvement of many people in the platform business is because their networks can evolve from everyday relationships to social relationships. The external effect of such a network can strengthen the phenomenon of win-win system on the platform.

Marshall W. Van Alstyne, Geoffrey G. Parker, and Sangeet Paul Choudary present three key factors in the process of moving a pipeline enterprise organization to a platform organization: From resource control to resource orchestration, from internal optimization to external interaction, from a focus on customer value to a focus on ecosystem value [12].

Hirano Atsushi Karl and Andrei Sachu[13] refer to three functions as a successful platform. Create self-existent value (reduce search costs and transaction costs), facilitate exchange (information and search) between target groups, and manage them (rules and norms for creating material management).

III. RESULTS AND DISCUSSION

3.1. Introduction to Company A

Company A is a startup founded in 2015. The business idea is a survey reward app. It's a business model that downloads Company A's survey app from a smartphone and generates revenue by providing points to people participating in surveys on their products or services. The concept of the Rewards app is "Make money in a fun way based on what I like".

Company A conducts surveys through the unlocking device of the smartphone. Anyone can easily participate in the survey. Company A seeks to develop distinctive and sophisticated persuasive compensation application platform systems. Company A intends to make this a core asset of the company, diversify its business and create various profit models.

3.2. Overview of the Reward App

The Rewards app is a piece of software that allows smartphone users to install specific apps and earn points or small cash rewards for doing tasks. A user's task means a specific action. Performing various types of actions, such as clicking on ads, viewing commercials, surveying, installing specific apps, posting receipts, walking, etc., provides corresponding compensation. Rewards apps are evolving into app tech in terms of generating economic returns.

The platform business model for the Rewards app consists of advertisers (suppliers), users (members), and platform operators. Advertisers ask for surveys, advertisement viewing, games, and so on. Use the Rewards app to get quick results at low cost. The user performs the mission required by the reward app regardless of the place or time via the smartphone. Depending on the result of the mission, you will get points or a small cash amount. There are few rewards that can be gained by performing one missions, but they are accumulated and used as a means of re-engineering. The platform (Reward app) attracts members who use the Reward app and fulfills the advertiser's needs by performing the request of the advertiser. The apps provide users with points for rewarding their participation in the mission and continue to manage users. It offers a variety of content and events to expand networking and loyalty to users. They also partner with related companies to monetize their reward apps and offer users a variety of benefits.

The development of the Rewards app can be roughly divided into three stages (in figure 1).

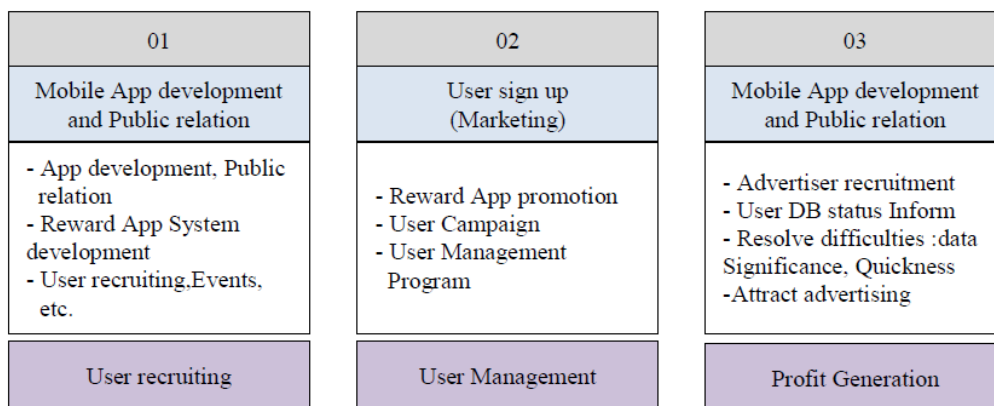


Figure 1: Reward App Business Process

First generation: Download an app to watch ads, surveys, and more. Second generation: This is a form of providing rewards by unlocking without accessing related apps in a rocker way. It is easy for users to use and facilitates the provision of various contents. Latte screens, Upbir, and Honey screen are examples. Third Generation: This is a way of getting points by getting the user to prove the action by belonging to the verification type. Cashwalk of walking a million steps, Cash Cow of Goods Receipt Confirmation, Cashslide, Recpid and Kwai Coin are example. Rewards apps can be used for various types of rewards such as sports, finance, receipt, image viewing, sleeping, attendance check, leave stay, surveys for health and well-being in existing ad viewing, App is coming. It is evolving into a life-like practical reward app that analyzes user's main interests and provides appropriate content.

CompanyA’s Reward app is a research / marketing platform business model. Provide appropriate questionnaires to users according to the needs of survey respondents (individuals, corporations). The software development toolkit takes a native app approach based on an embedded lock screen. It has programming languages and features optimized for research and marketing. The UI consists of packages and libraries. Surveys are conducted around images or text. Cash and mobile gift coupons are provided as a reward for the survey responses. The points awarded for cash are over 20,000 points, and mobile coupons can be used for mobile shopping when the points are over 5,000 points. The questionnaire can be free of charge for each individual's main interest or fun-oriented questionnaire. Businesses are charged for products, services and market trends(in figure 2).

3.3. CompanyA’s Reward App Platform Business Strategy

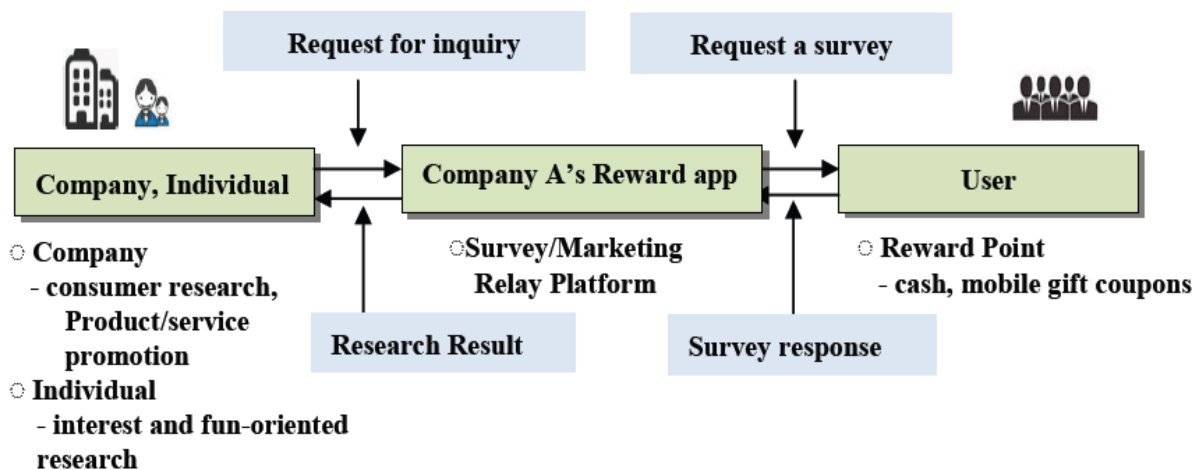


Figure 2: Company A’s Reward App Platform Business Strategy (AS-IS)

To be successful as a platform business model of the Rewards application, market dominance should be enhanced by user convenience and reinforcement of interoperability and compatibility between reward applications.

The ability to analyze questionnaires according to the age, gender, and needs of users participating in the questionnaire should be enhanced.

Company A’s Platform Business Strategy:

First, it should provide activities to create value for users in the platform ecosystem. From the value of compensation

for a simple questionnaire response, various contents and event activities that can enhance networking should be steadily developed.

Second, it should provide users with an opportunity to use rewards in a diverse and reasonable way. Also it should induce producers and consumers to interact and share their ideas and resources[12]. The compensation method should provide various opportunities to use it



reasonably based on small cash, points, etc. The type of compensation should be diversified in the form of exchange, refund, donation, etc. Rewards should be able to donate or contribute rewards or points earned through the performance and synergy of the apps to disadvantaged neighbors, NGOs, and public benefit organizations. This is because it makes an important contribution to the role of raising the social value of the individual as a member of the social community.

Third, the quality of networking between suppliers, users, operators and users is strengthened. Continuous growth is difficult if the network is not strong among suppliers, operators, and users on the platform. Platform business operators should move from a simple broker role. Negative network formation in the platform reduces the value of the platform business model and accelerates user departure. Therefore, it must be a business platform that attracts users

through openness and sharing, and has new values and innovations.

Fourth, users should perform STP (Segmentation, Targeting, Positioning) according to gender, age, and area of interest. This should be refined into a segmented revenue model.

Fifth, it is necessary to differentiate and reinforce the contents of the Rewards app by using new technologies such as AI and VR. The supplier's products or services should be more detailed and sophisticated. This is because it can increase the participation of the survey response by inducing the fun and pleasure to the user, and it can obtain more effectively what the supplier wants to obtain. This is because expanding the survey method type from image or text to sound, video, etc. can enhance network externalities (in figure 3).

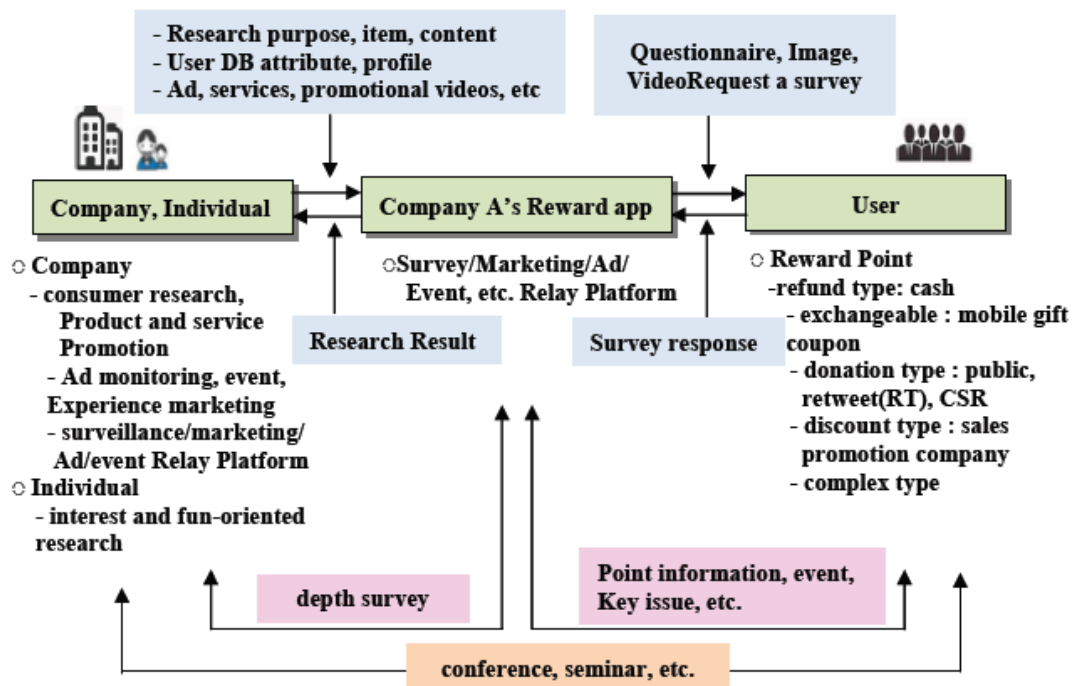


Figure 3: Company A's Reward App Platform Business Strategy (TO-BE)

Successful companies in the platform business have creative capabilities in platform design and operation. These companies also create new value for the participants and provide cost savings. They also demonstrate network effects that explosively increase demand for more participants, create new ecosystems, and constantly change and evolve platforms.

IV. CONCLUSION

This comparative study analyzed company A's survey reward app platform business strategy and tried to find strategic implications of profit generation. Rewards apps are evolving rapidly and diversified due to changes in people's living values, increased participation of the market, super-connectivity and super-intelligence by digital new technologies. As a result of reviewing Company A's Rewards App Platform Business Strategy, Company A was found to lack the user compensation system, differentiation and

originality of reward app management, interaction network of fun and pleasure, and various profit models.

As a reward app platform, company A needs to strengthen their competitive advantage and create various revenue generating strategies. Company A's Rewards App Platform business needs to build network with users, strengthen interaction, and diversify compensation types. In this case, company A should increase personal and social value, and implement systematic construction of user DB, which reduces the transaction cost and supplier's transaction cost. In addition, Company A will increase utility value and strengthen its network.

At the core of the platform business strategy is to have a base to attract and retain customers. It must have a competitive edge and a platform business identity as well as a technical basis. Provide services that meet user needs and behaviors, and provide differentiation and convenience of user



experience to participate in reward apps. In the platform business, strategy is becoming an important factor in determining the success and failure of an enterprise. Strategic support should be developed for organizing and utilizing external forces with components of the platform. It is important to determine which platform systems connect with each other, whose business strategy involves participating and acting on it, and how the interactive network effect will be triggered.

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