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CASE STUDIES & TEACHING CASES

Trinks.com – digital platform at the service of beauty

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INTRODUCTION

Whenever the co-founder and CEO of Trinks.com, Marcel Gewerc, went to get a haircut, he would usually come back full of ideas for his business. After all, his company offered a digital solution that facilitated the internal management of hair salons and allowed online booking of various beauty services. On an August day in 2018 it was no different. Soon after paying for the cut, Marcel reflected on the potential revenue kept by the companies intermediating those payments, the acquiring merchants. The moment could not be more favorable since the meeting to assess the results of the first semester would take place in a few hours at the company's headquarters in Rio de Janeiro. At the meeting, Marcel and his three partners would also discuss new ways to further increase revenues and the attractiveness of the service packages offered by Trinks.com to the market.

BACKGROUND

Marcel began working with his father and grandfather in the family's eyeglasses factory at the age of 19. The factory was sold in 1997 and the following year, in the midst of the Internet boom in Brazil, Marcel co-founded the website Elefante, the most popular virtual agenda on the Brazilian web at the time whose number of users reached the mark of more than two million. The company received funding from groups such as GP Investments, bringing Marcel closer to important resources for technology projects. It was sold in early 2000, a time that became known as the burst of the speculative bubble of Internet initiatives. Marcel said that "with the experience at Elefante, I found myself to be an entrepreneur and a manager of technology business, so I went out looking for my next venture." Graduated in Administration, Marcel went to study technologies such as video on demand and decentralized printing. He started a Voice over IP (VoIP) business, but dropped it shortly afterwards.

In 2004, Marcel began to work at Perlink, a systems development consulting firm, with partners Maria Beatriz Monteiro, Fernando Bichara, and Carina Gewerc. In 2012, Marcel's wife, Carina, while looking for manicure services in Goiânia where she would attend a Congress, realized how inconvenient the process of searching and scheduling beauty services was. Graduated in Data Processing and with a Graduate Degree in IT Management, Carina soon thought about developing a solution that would facilitate this process. Already in early 2013, and taking advantage of Perlink's structure and staff, Trinks.com was born, a platform for online booking of beauty services. The low initial booking volume and the perception that the salons needed systems to assist them in managing the business influenced the incorporation of other features into the platform.

By incorporating a management system into the booking platform, Trinks.com took off, gaining visibility at trade fairs related to this industry as well as in magazines, newspapers, and television programs. In August 2018, Carina was one of the finalists of Winning Women Brazil, a project of Ernst and Young Global Limited (EY) with the objective of recognizing and boosting successful women entrepreneurs in the country.

In August 2018, Trinks.com had about 25,000 salons registered (see Annex - Table 1), of which a part were subscribers paying an average of R\$ 85,00 a month. A portion of the subscribing salons did not provide online scheduling for their consumers, although this feature was part of all the plans offered by Trinks.com.

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[Translated version] Note: All quotes in English translated by this article's translator.

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With about 300,000 consumers registered on the platform, there were approximately 70,000 appointments scheduled online per month. The number of appointments increased year by year (see Annex - Table 2). At the same time, in addition to the partners, Trinks.com had 30 employees: 9 belonged to the Development & Design department, 13 to the Marketing & Sales department, and 8 to the Business Management department.

BEAUTY AND WELLNESS

According to the Global Wellness Institute (GWI)¹, the wellness market comprises selling products and services that contribute to an integral state of health for human beings, ranging from beauty to public health, including healthy eating and alternative medicine. Also according to GWI, the global wellness market grew 10.6% from 2013 to 2015, when it reached a turnover of US\$ 3.7 trillion. The beauty and anti-aging market is responsible for US\$ 1 trillion of this turnover.

CB Insights² pointed to thirteen global trends in 2018 for the beauty sector: smart devices such as mirrors with augmented reality to allow users to experience the makeup virtually; development of products and services based on direct consumer involvement; reduction of domestic investment in R&D by large brands to incite and accelerate innovative external initiatives; men's personal care and gender neutral makeup; Japanese beauty products; personalized beauty products; partnerships of beauty brands with farmers and laboratories for supplying ingredients; consumer's desire for transparency in the price of products, inspiring new business models that offer quality cosmetics at more affordable prices; direct sales by dominant brands to the final consumer; increased use of viral merchandising; greater integration with the health and wellness industries; high technology driving consumer experiences and sales force training; and beauty services outside traditional environments or at home thanks to on-demand technologies.

According to the Brazilian Association of Personal Hygiene, Perfumery, and Cosmetics (ABIHPEC)³, the Brazilian market grew above GDP from 2008 to 2017 with occasional exceptions in 2015 and 2016, reaching a turnover of R\$ 47.5 billion in 2017, which represented a growth of 2.8% above inflation in relation to the previous year. In this market there were about 700,000 individual microentrepreneurs (MEI) registered as hair dressers, barbers, or other beauty service providers in August 2018⁴, a figure that was about 540,000 in October 2015⁵.

Known as the Law of the Partner Salon, Law No. 13,352 of October 27, 2016 (Lei nº 13.352, de 27 de outubro de 2016), established that professionals and beauty salons in Brazil can be partners and with that share the receivables and taxes related to the services provided without being characterized as an employment relationship between the parties. In the partnership scheme, the salon is responsible for equipment and facilities, issuance of a single tax document to the consumer, collection of taxes, and passing on the amount due to the professional, but is prohibited from demanding from the partner attendance or subordination. The professional partner, in turn, can work as an microentrepreneur and must issue tax documents to the salon for the part received. The purpose of this Law was to reduce the frequent informality of this relationship in the country.

In the Brazilian market there are beauty salons specialized in specific audiences such as for women, for men, unisex, or children and in specific services such as hair, feet and hands, or eyebrows and eyelashes. In July 2017, the Brazilian Micro and Small Business Support Service (Sebrae)⁶ pointed to consumption trends in the Brazilian beauty market: the valuing of natural hair; the proliferation of nail polish salons and manicure clubs, a combination of a nail polish salon and bar; the increase in concern on the part of men with famous brands and abdominal measurements; in addition to men's concern with keeping up their beard and fingernails.

¹ Global Wellness Institute. (2018). *Website*. Retrieved from <https://www.globalwellnessinstitute.org>

² CB Insights. (2018). *Website*. Retrieved from <https://www.cbinsights.com>

³ Brazilian Association of the Personal Hygiene, Perfumery, and Cosmetics Industry. (2018). *Website*. Retrieved from <https://abihpec.org.br/>

⁴ Entrepreneur Portal. (2018). *Website*. Retrieved from <https://www.portaldoempreendedor.gov.br>

⁵ Brazilian Micro and Small Business Support Service. (2016). *Website*. Retrieved from <https://www.sebrae.com.br>

⁶ Brazilian Micro and Small Business Support Service. (2017). *Website*. Retrieved from <https://www.sebrae.com.br>

BEAUTY-TECHS

The technology companies that operate in the Brazilian beauty sector can be classified in the following main modalities: e-commerce, subscription clubs, peer-to-peer platforms, and booking platforms.

- E-commerce: sell products on e-commerce websites. The main websites that sell beauty products in Brazil are Submarino.com (www.submarino.com.br), O Boticário (www.boticario.com.br), and Natura (www.natura.com.br).
- Subscription clubs: the consumer may subscribe monthly, quarterly, or annually to regularly receive products at home. In Brazil, some of the main subscription clubs for beauty products are Glambox (www.glambox.com.br), iMakeBox (www.imakebox.com.br), and Home Shave Club (www.homeshave.com.br).
- Peer-to-peer platforms: the consumer can hire a beauty service provider directly without the intermediation of a salon. Through an app, the consumer chooses the service, location, and time they want the service. The main competitor in this segment in Brazil is Singu (singu.com.br).
- Booking platforms: Trinks.com (www.trinks.com), SuperAgendador⁷ (www.superagendador.com), and SalãoVIP (www.salaovip.com.br) are among the competitors who provide systems to facilitate the management of the salons and the online scheduling of beauty services.

COMPETITORS IN THE BOOKING PLATFORM MODALITY

In the Trinks.com app (see Annex – Figure 1), the consumer can search for the desired service or establishment, choose a professional, and request a time. The appointment can be saved to the consumer's schedule, which receives reminders and notifications by the app and by email. Consumers can also use the app to let the salon know that they will be late 10 minutes, reschedule, or cancel the appointment, call an Uber, check the location of the salon on the map, and call the establishment. Salons and professionals can also be made as favorites, evaluated with one to five stars, and receive comments made by consumers after the service is provided, but few do. Appointments can also be made by computer and the consumer does not pay to use services on Trinks.com. Scheduling appointments are managed by the establishment through a Trinks.com cloud app (see Annex – Figure 2), which also works as a management system to control the salon's inventory, products, commissions, tabs, and its finances.

Before subscribing to one of the Trinks.com plans (see Annex – Table 3), the establishment can test the solution for 10 days free of charge. The salon can also pay additional fees to use other features such as the loyalty program, issuance of invoices, and sending marketing e-mails and SMS to consumers.

SuperAgendador is a platform that allows consumers to schedule beauty services and for the salons to control these bookings who can also use the solution to control their finances, wages, commissions, inventories, and accounts payable and receivable, as well as for issuing invoices, registering customers and suppliers, and to manage the performance of their partners and employees. In August 2018, more than 50,000 establishments had already used SuperAgendador including clinics, dentists, recording studios, and other establishments. The platform positions itself as a cost-benefit option with plans adapted to the size of each company (see Annex – Table 4).⁸

SalãoVIP puts consumers and beauty establishments in contact with each other through online booking. It also offers a cloud management software for salons that enables managing professionals, services, customers, times and appointments on the agenda, as well as producing financial and managerial reports. SalãoVIP belongs to Avec⁹, a company that offers integrated solutions to the beauty sector. In August 2018, more than 15,000 establishments had begun to use the tool.

⁷ After this case was developed, the platform SuperAgendador was repositioned using the name Gendo. Retrieved from <https://www.gendo.com.br/>

⁸ SuperAgendador. (2018). *Website*. Retrieved from <https://www.superagendador.com>

⁹ After this case was prepared, the SalãoVIP platform was repositioned, adopting the name Avec.app. Retrieved from <https://avec.app>

At the same time, SalãoVIP seemed to be positioning itself as a premium service since it did not disclose its prices on the website.¹⁰

All three booking platforms also often offer solutions to make it easier for consumers to pay the salons. When contracting this type of solution, the salon begins to have its booking, payment, and management processes integrated into a single system. To be able to offer such payment solutions, booking platforms need an acquiring merchant.

ACQUIRING PARTY

Merchants register business owners to accept credit and debit cards for their sales. The payments are processed by point of sale (POS) terminals, electronic equipment known as card swipe machines, which are provided by the merchants to the business owners, enabling communication with the credit/debit card and banking systems. Usually, 30 days after a transaction is approved, the merchant passes the amount of the respective payment to the business owner, discounting the merchant discount rate (MDR), which is the fee charged for the service. The business owner may request receiving that amount prior to this period, but with the discount of additional fees.

Cielo, controlled by Banco do Brasil and Bradesco; Rede, controlled by Itaú; and Getnet, controlled by Santander, accounted for about 80% of the Brazilian acquiring merchant market in 2017.¹¹ In the same year, Visa and Mastercard accounted for about 90% of credit card transactions and about 80% of debit card transactions in Brazil,¹² considering that in 2017 credit and debit card transactions in the country totaled R\$ 1.2 trillion.¹³

In 2018, the Central Bank explicitly defined the figure of the sub-merchant, which may also register and supply card swipe machines to business owners, but is not authorized to process those payments directly. The card swipe machines of the sub-merchants need to communicate with the merchant systems, which process the transactions. Considering this, it is common for sub-merchants to charge more for the intermediation than the merchants and to anticipate the payments. Because it is easier to hire sub-merchants and operate with them, they are more commonly used by smaller business owners. Some examples of sub-merchants are PagSeguro and PayPal.

Merchants and sub-merchants can also broker payments for online purchases. Both can offer technological solutions with greater or lower level of integration to the business owner's website as well as add other services such as issuing payment slips and anti-fraud tools.

In August 2018, while SuperAgendador and SalãoVIP belonged to economic groups that could also operate as sub-merchants¹⁴, Trinks.com needed a partner sub-merchant.

Through the sub-merchant Pago, it was possible to customize a card swipe machine with the Trinks.com brand, given the name of *Belezinha*, launched in mid-2017 to offer this option to the salons. With *Belezinha*, in addition to the common purchasing services, the receivables and taxes of the services provided by the salon could be automatically divided between the establishment and the professional partner with the respective amounts being sent directly to each one's account. Only a small part of the fees charged for the intermediation of payments made with *Belezinha* remains with Trinks.com as a commission.

¹⁰ SalãoVIP. (2018). *Website*. Retrieved from <https://www.salaovip.com.br>

¹¹ Boanerges & Cia. (2018). *Website*. Retrieved from <https://www.boanergesecia.com.br>

¹² Brazilian Central Bank. (2018). *Website*. Retrieved from <https://www.bcb.gov.br>

¹³ Brazilian Central Bank. (2018). *Website*. Retrieved from <https://www.bcb.gov.br>

¹⁴ Avec. (2018). *Website*. Retrieved from <https://www.avecbrasil.com.br>

THE MEETING

Marcel opened the meeting with the other partners:

“Good afternoon! According to the agenda, we are going to look at the results of the first semester and discuss alternatives to leverage our business.”

Carina quickly suggested:

“Our focus now needs to be on building a network of representatives to bring new salons on board quickly! I have been thinking about this since we marked this meeting.”

“We already have 25,000 establishments registered, Carina. We have to bring in another group into the game! Salespeople of all kinds of beauty products will be interested in using Trinks to reach the salons,” explained Fernando.

“OK, Fernando. The problem is that once a salon adopts a tool, whether it be ours or the competition, it usually resists a lot to change it, even when it comes as a better solution. There are many territories where no one has gone and we need to get there first so that they start using our solution,” Carina argues.

Maria Beatriz listened carefully until she shared her thoughts:

“Good point, Carina. But do you think that the fastest way to reach these new salons is through a network of representatives? For a long time I have thought that we should add more value to the other side of our platform. We have to offer something beyond online booking for our consumers! Perhaps they can help us to take Trinks to new establishments in a more viral way.”

Taking advantage of that moment during the meeting when alternatives to boost the business were being raised, Marcel complemented:

“Hey guys, we can’t forget that the penetration of *Beleza* will increase. The commission we receive from Pago today is very low. We have to do something to keep the revenue generated by this service! We could consider a merger or acquisition of a sub-merchant.”

At that point Marcel had to step out of the meeting for a few minutes to take an important phone call. The call was from Google to confirm the launch of a partnership with Trinks.com. When searching for a salon part of Trinks.com platform on Google, the consumer would see the salon’s schedules and professionals and would be able to schedule the desired service directly from Google Maps. In other words, after the launch, the consumer would be accessing a new Google Maps functionality powered by Trinks.com.

Back at the meeting, Marcel informed the others:

“We closed with Google! It is going to start next month!”

They all celebrated. However, they knew that it was necessary to decide soon what the company’s focus would be in the coming months. After all, the competition was also moving fast. They were aware, for example, that SuperAgendador was also negotiating a partnership with Google. They still had a lot to discuss in this meeting.

ANNEXES

Table 1
Establishments registered by state

State	Quantity	State	Quantity
Acre	132	Paraíba	154
Alagoas	154	Paraná	1,672
Amapá	44	Pernambuco	198
Amazonas	220	Piauí	88
Bahia	440	Rio de Janeiro	6,050
Ceará	484	Rio Grande do Norte	176
Federal District	836	Rio Grande do Sul	836
Espírito Santo	462	Rondônia	66
Goiás	1,408	Roraima	88
Maranhão	352	Santa Catarina	836
Mato Grosso	264	São Paulo	7,282
Mato Grosso do Sul	616	Sergipe	110
Minas Gerais	1,716	Tocantins	44
Pará	176		

Source: Provided by Trinks.com.

Table 2
Appointments made by Trinks.com per year (thousands)

2013	2014	2015	2016	2017
12.6	62.3	120.5	225.6	528.6

Source: Provided by Trinks.com.

Table 3
Trinks.com price list

Professionals	Monthly Plan	6-Month Plan	Annual Plan
1 to 4	R\$ 48.00/month	R\$ 44.00/month	R\$ 40.00/month
5 to 10	R\$ 88.00/month	R\$ 84.00/month	R\$ 76.00/month
11 to 20	R\$ 136.00/month	R\$ 126.00/month	R\$ 116.00/month
21 to 30	R\$ 206.00/month	R\$ 192.00/month	R\$ 176.00/month
31 to 40	R\$ 274.00/month	R\$ 254.00/month	R\$ 232.00/month

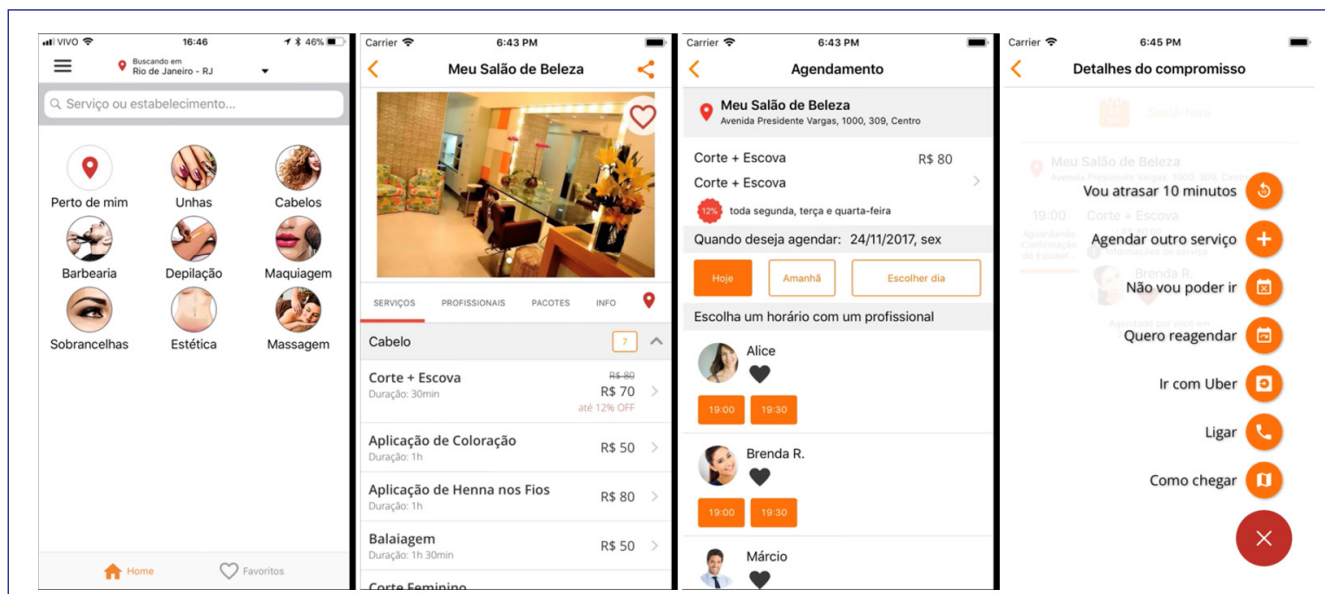
Source: Provided by Trinks.com.

Table 4
SuperAgendador price list

Professionals	Monthly Plan	6-Month Plan	Annual Plan
1	R\$ 39.99/month	R\$ 34.99/month	R\$ 29.99/month
2 to 5	R\$ 59.99/month	R\$ 54.99/month	R\$ 44.99/month
6 to 20	R\$ 119.99/month	R\$ 109.99/month	R\$ 89.99/month

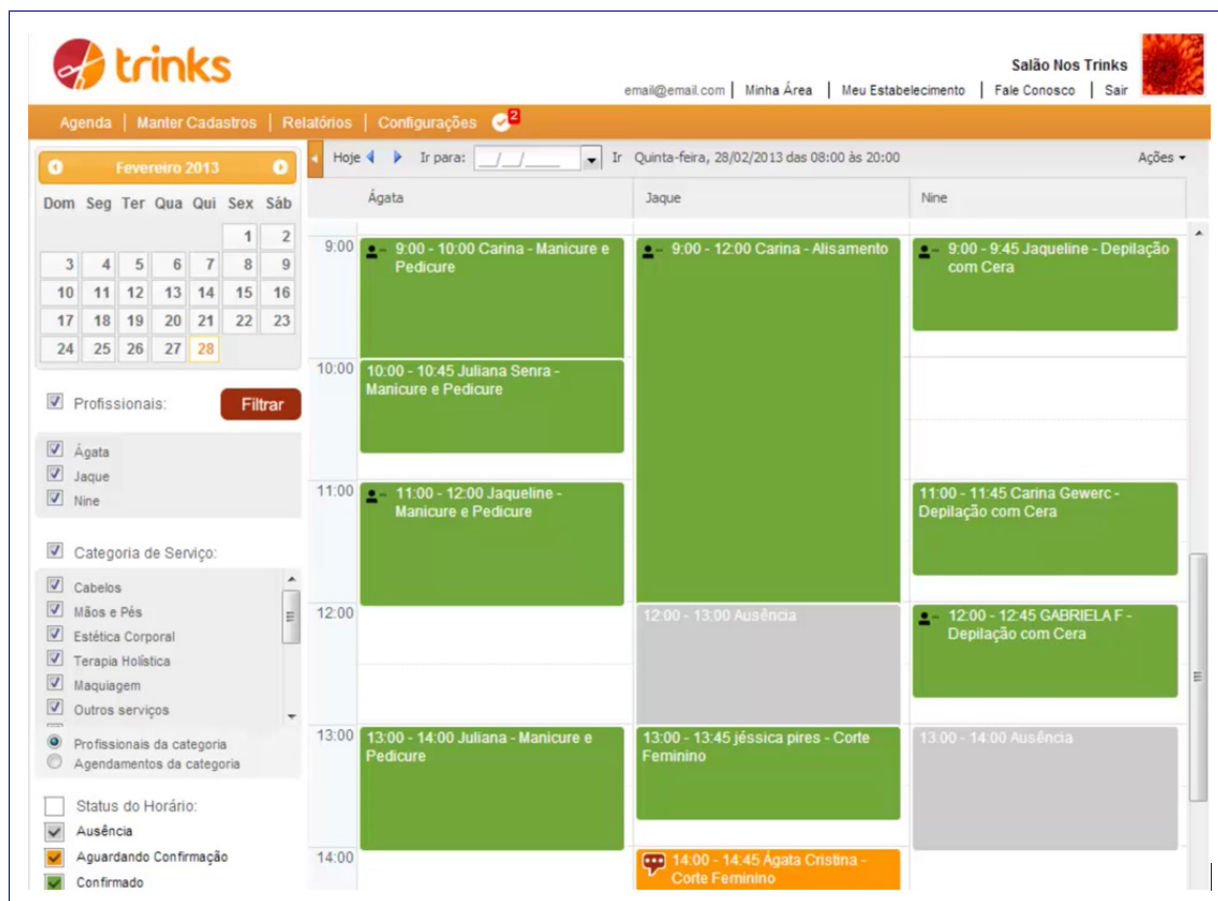
Source: Provided by SuperAgendador (2018).

Figure 1
Interfaces of the Trinks.com App for the consumer



Source: Provided by Trinks.com.

Figure 2
Interfaces of Trinks.com for the beauty salon



Source: Provided by Trinks.com.

TEACHING NOTES

Trinks.com – digital platform at the service of beauty

Abstract

The case shows the dilemma faced by Marcel Gewerc, co-founder and CEO of Trinks.com, a company that offered a digital solution to facilitate the management of beauty salons and allow online booking of services. Faced with opportunities and threats from inside and outside the beauty industry, Marcel was evaluating alternatives to leverage his business. The case has been developed to stimulate discussions about envelopment mainly in Strategy disciplines in *lato sensu* and *stricto sensu* postgraduate courses in Business Administration, but it has also been tested with great success in undergraduate classes. It is expected that, at the end of the case discussion, students will be able to achieve the following learning objectives: (a) understand the platform business model (b) understand the exponential nature of digital platforms; (c) understand the business ecosystem concept; (d) understand the concept of adjacency of digital platforms; (e) understand envelopment strategies.

Keywords: Digital Platforms. Envelopment. Beauty. Well-being. Strategy.

Trinks.com – plataforma digital a serviço da beleza

Resumo

O caso relata o dilema enfrentado por Marcel Gewerc, cofundador e CEO da Trinks.com, empresa que oferecia uma solução digital para facilitar a gestão interna dos salões de beleza e permitir o agendamento *on-line* dos serviços. Diante de oportunidades e ameaças vindas de dentro e de fora da indústria da beleza, Marcel avaliava alternativas para alavancar seu negócio. O caso foi desenvolvido para estimular discussões sobre envelopamento, principalmente em disciplinas de Estratégia em cursos *lato sensu* e *stricto sensu* de pós-graduação em Administração, mas também foi testado com bastante sucesso em turmas de graduação. Espera-se que, ao final da discussão do caso, os alunos possam alcançar os seguintes objetivos de aprendizagem: (a) entender o modelo de negócio de plataforma (b) compreender a exponencialidade das plataformas digitais; (c) entender o conceito de ecossistema de negócio; (d) compreender o conceito de adjacência de plataformas digitais; (e) entender as estratégias de envelopamento.

Palavras-chave: Plataformas Digitais. Envelopamento. Beleza. Bem-estar. Estratégia.

Trinks.com – Plataforma digital al servicio de la belleza

Resumen

El caso relata el dilema al que se enfrentó Marcel Gewerc, cofundador y director ejecutivo de Trinks.com, una empresa que ofrecía una solución digital para facilitar la gestión interna de los salones de belleza y permitir la reserva de servicios en línea. Ante las oportunidades y amenazas de dentro y fuera de la industria de la belleza, Marcel evaluaba alternativas para apalancar su negocio. El caso fue desarrollado para estimular discusiones sobre involucramiento principalmente en disciplinas de Estrategia en cursos de posgrado *lato sensu* y *stricto sensu* en Administración de Empresas, pero también fue probado con gran éxito en clases de graduación. Se espera que, al final de la discusión del caso, los estudiantes sean capaces de lograr los siguientes objetivos de aprendizaje: (a) comprender el modelo de negocio de plataforma (b) comprender la naturaleza exponencial de las plataformas digitales; (c) comprender el concepto de ecosistema empresarial; (d) comprender el concepto de adyacencia de las plataformas digitales y (e) comprender las estrategias de involucramiento.

Palabras clave: Plataformas Digitales. Involucramiento. Belleza. Bienestar. Estrategia.

Educational Objectives

This case was developed to stimulate discussions about envelopment in digital platforms within the context of a beauty company that already has thousands of subscribers. When faced with opportunities and threats coming from inside and out of the beauty industry, the company's partners weigh alternatives to grow the business. The possible integration of the company with a sub-merchant is an immediate and obvious dilemma in the case. Another fundamental and less explicit reflection deals with diverse opportunities and envelopment threats.

The case has been developed to stimulate discussions mainly in Strategy disciplines in *lato sensu* and *stricto sensu* graduate courses in Business Administration, but it has also been tested with great success in undergraduate classes.

It is expected that by the end of the case discussion, students will be able to achieve the following learning objectives: (a) understand the platform business model; (b) understand the exponential nature of digital platforms; (c) understand the business ecosystem concept; (d) understand the concept of adjacency of digital platforms; (e) understand envelopment strategies.

Sources of information

The case was prepared based on interviews with Marcel Gewerc, co-founder and CEO of Trinks.com, and secondary sources such as websites of entities in the beauty and wellness sector, news platforms, in addition to the Trinks.com website itself.

Teaching plan

This case was designed to be a didactic instrument to foster learning through an inductive process. Previous readings beyond the case are not mandatory. However, if the teacher wishes to request readings from the students before classroom time, the following texts are recommended:

- For *lato sensu* courses: Eisenmann, Parker, and Van Alstyne (2006); Iansiti and Levien (2004); and Van Alstyne, Parker, and Choudary (2016).
- For *stricto sensu* courses: Eisenmann, Parker, and Van Alstyne (2006); Iansiti and Levien (2004), Van Alstyne, Parker, and Choudary (2016); and Eisenmann, Parker, and Van Alstyne (2011).

The case was developed assuming prior individual extra-class preparation by the students. In addition, it is recommended that the teacher provide 20 to 30 minutes for students to discuss the case in small groups prior to a full class discussion. The time required for the full class session can total 50 to 80 minutes. The opening of the discussion with the entire class should take between 10 and 15 minutes. The analysis of the questions should take 30 to 50 minutes. Closing the class discussion will take between 10 and 15 minutes.

Envelopment

Envelopment is the strategic movement through which a digital platform (enveloper) adds functionalities from another adjacent digital platform (enveloped), absorbing the market of the latter (Eisenmann et al., 2006). Often the enveloper offers these new features as part of a bundle that includes its original features. Such a movement may pose a great threat to the enveloped platform if it cannot sufficiently cut its prices or put together an equally competitive bundle (Eisenmann et al., 2006).

Vertical envelopment is that which occurs based on vertical adjacencies or up the value chain (Tiwana, 2014). For example, the iOS operating system and the Uber app on an iPhone are vertically adjacent platforms. After all, you need a smartphone with the operating system before you can open the app. One possibility that this proximity represents is for iOS to envelop the Uber features, absorbing the passenger transport market.

Horizontal envelopment is that which occurs based on the horizontal adjacency, meaning the customer (Tiwana, 2014). For example, the Airbnb and Uber apps are horizontally adjacent platforms because there is considerable overlap between the user bases of both, meaning that the same user who rents an accommodation also needs transportation to get to it.

One possibility that this proximity represents is for Airbnb to envelop the Uber features and begin operating in the passenger transport market.

From the examples above, it is possible to realize that envelopment movements allow platforms with initial action in completely different industries to compete relatively easily with each other, crossing the border between markets and causing competitive convergence among companies.

Questions for discussing the case in small groups

The wealth of the discussion with the entire class will depend on the quality of the prior preparation by the students. Therefore, it is recommended that the following set of questions be proposed to direct the discussion in small groups, helping to prepare the students for opening the discussion with the entire class:

- How do consumers look for new beauty service providers?
- What are the problems with Trinks.com?
- What solutions can Trinks.com adopt to solve these problems?
- What are the advantages and disadvantages of each solution?

Opening the case for discussion with the entire class

Opening the discussion can be used to call the student's attention to the Trinks.com business model. The teacher can instigate this discussion by asking the following question:

Who is a Trinks.com customer?

Students are expected to identify two customers: the consumers who use the booking platform free of charge and the salons that pay to use the Trinks.com management system and booking platform.

Questions for discussing the case with the entire class

Throughout the case it is possible to note that Marcel was thinking about the potential of the merchant services and is looking for alternatives to leverage his company. A set of questions can then be suggested to be used to stimulate the analysis of the case during the discussion stage with the entire class:

- **Question A:** How do platforms generate value for their users?
- **Question B:** How do digital platforms gain in scale?
- **Question C:** How can the competitive environment of a digital platform be defined?
- **Question D:** How do digital platforms interact and complement each other to generate value?
- **Question E:** What are the conditions for envelopment on digital platforms?

Analysis of the questions with literature support

QUESTION A

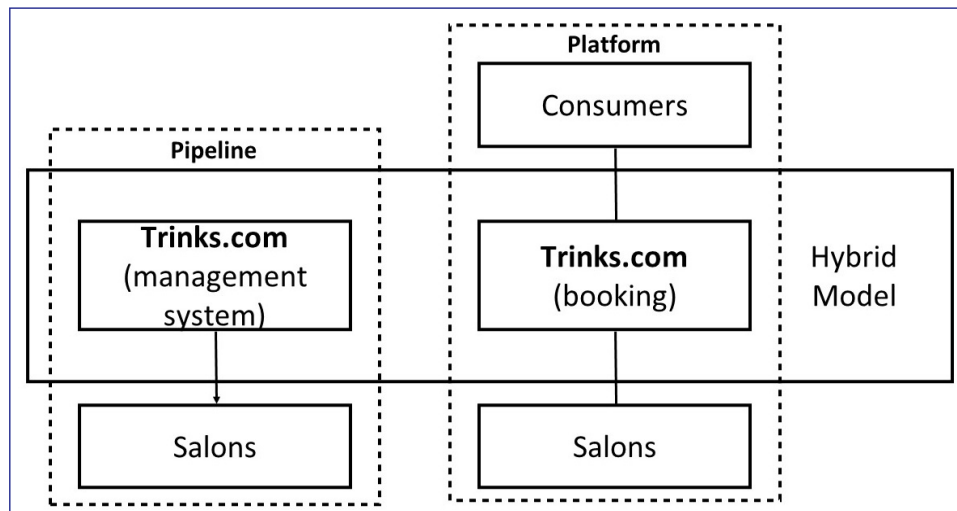
How do platforms generate value for their users?

Companies that create value by intermediating transactions between members of different groups such as readers and advertisers in the case of newspapers, buyers and retailers in the case of shopping malls, and app users and developers in the case of operating systems are known as **platforms** (Eisenmann et al., 2006). Companies that create value by controlling a linear series of activities, transforming inputs into products and services sold to their clients, are known as **pipelines** (Van Alstyne et al., 2016). With increased access to the Internet and the development of information and communication technologies, numerous **digital platforms** have emerged and transformed sectors previously dominated by pipelines (Van Alstyne et al., 2016). Platforms demand changes in the focus of the strategy for controlling resources controlled by third parties, optimizing internal processes for facilitating interactions between offer and demand, and generating value for the customer by generating value to the ecosystem (Van Alstyne et al., 2016).

It can be said that Trinks.com operates a hybrid business since it offers a management system to the salons, generating value like a pipeline, and a booking functionality, generating value like a platform. In the context of this case, the salons seem to see the booking more as a process that facilitates the management of the establishment than as a source of new consumers and this may explain why some of the salons do not use that functionality.

Figure 3 presents the suggestion of a slide to be shown for this stage of the discussion. See the Appendix for an overview of the scheme proposed for the overhead.

Figure 3
Pipeline vs. Platform



Source: Elaborated by the authors.

Having established the characteristics of the platforms and their differences to pipelines, the teacher can then explore the potential of the digital platforms. To do so, the following transition question (TQ) can be proposed:

TQ 1: What is the value of Trinks.com for the consumer if there are no registered salons?

Students are expected to realize that on platforms such as Trinks.com, user participation in a group influences the perception of a platform's value by users of another group, a phenomenon known as network effect (Van Alstyne et al., 2016).

QUESTION B

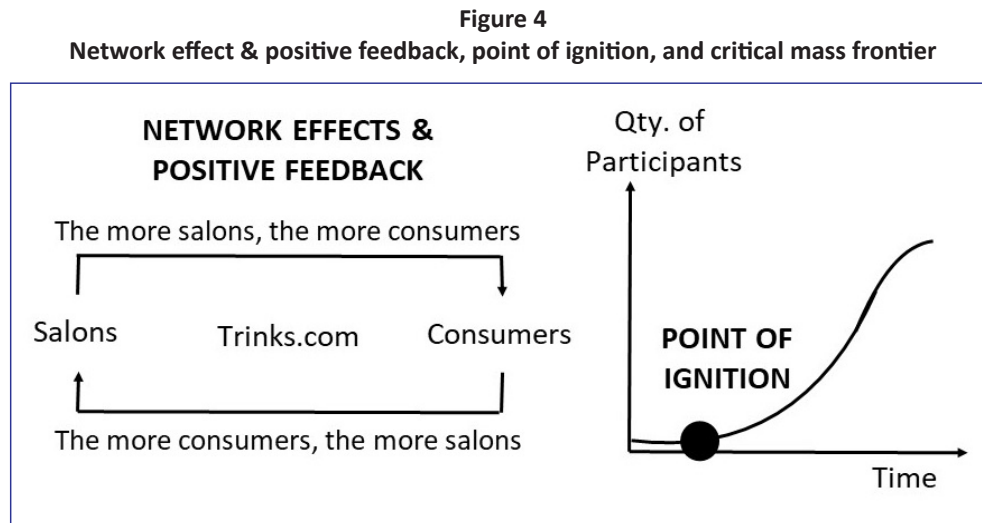
How do digital platforms gain in scale?

The positive network effect tends to initiate positive feedback where an increase in the number of participants in a group generates an increase in the number of participants in another group, which in turn generates a further increase in the number of participants in the first group, and so on (Van Alstyne et al., 2016). This positive feedback is associated with exponential business growth, but this virtuous cycle only occurs from the point of ignition, which is the moment the platform reaches a certain critical mass of participants (Evans & Schmalensee, 2016). This can occur by combining several numbers of participants in each user group, which causes platforms in early stages of development to often face the following dilemma: which group should be attracted to the platform first? – known as the “chicken or the egg” dilemma (Evans & Schmalensee, 2016). All of this exponential growth dynamic tends to be even more accelerated on digital platforms, which have marginal costs close to zero.

Trinks.com faced the “chicken or the egg” dilemma by first attracting the salons. By adding management features to the platform, it made the product self-sufficient for the salons, independent of consumer participation. However, some of the establishments do not use the booking functionality and there are few evaluations of salons and professionals made by

consumers, which is an indication that the network effects are still weak, that the point of ignition has not yet been reached, and that the positive feedback has not yet occurred.

Figure 4 presents the suggestion of a table for this stage of the discussion. See the Appendix for an overview of the scheme proposed for the overhead.



Having discussed the exponentiality of digital platforms, the teacher can then explore its competitive environment. To do so, the following transition question can be proposed:

TQ 2: In which industry does Trinks.com and its competitors operate in?

Students are expected to realize that the classic sectoral boundaries become diffuse in the case of digital platform operations, which cross over these boundaries, competing simultaneously in various industries. Students should point out examples such as beauty, health, wellness, merchant services, finance, audiovisual, among others.

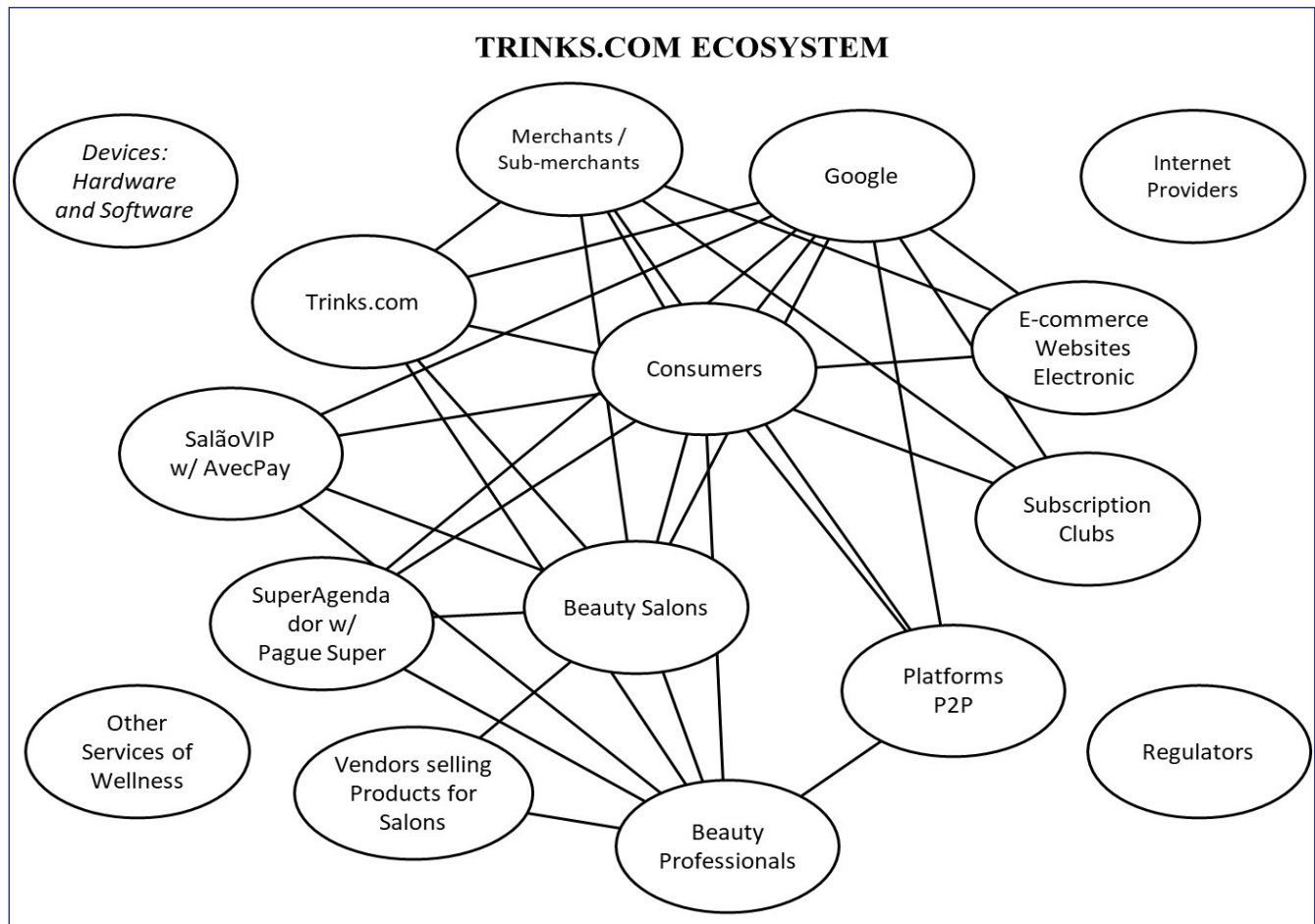
QUESTION C

How can the competitive environment of a digital platform be defined?

Iansiti and Levien (2004) point out that business success increasingly depends on monitoring not only the company's industry, but also the ecosystem in which the company is inserted. To accurately design the entire ecosystem is an impossible task, so Iansiti and Levien (2004) recommend identifying the players with which the future of the company is more interconnected and determine the most critical dependencies for the business. Some of the main players in the Trinks.com ecosystem are consumers, beauty professionals, beauty salons, booking platforms, merchants, other beauty and wellness services, search engines, regulators, and Internet providers.

Figure 5 presents the suggestion of a slide to be shown for this stage of the discussion. See the Appendix for an overview of the scheme proposed for the overhead.

Figure 5
Trinks.com Ecosystem



Source: Elaborated by the authors.

After discussing the plurality of the Trinks.com ecosystem, the teacher could explore the interdependence of the digital platforms. To do so, the following transition question can be proposed:

TQ 3: What resources are required for the consumer to use Trinks.com?

The student is expected to realize that Trinks.com does not work in a vacuum and should point out that the consumer needs several resources such as a smartphone with an operating system, Internet access, search engines, among others to be able to use Trinks.com.

QUESTION D

How do digital platforms interact and complement each other to generate value?

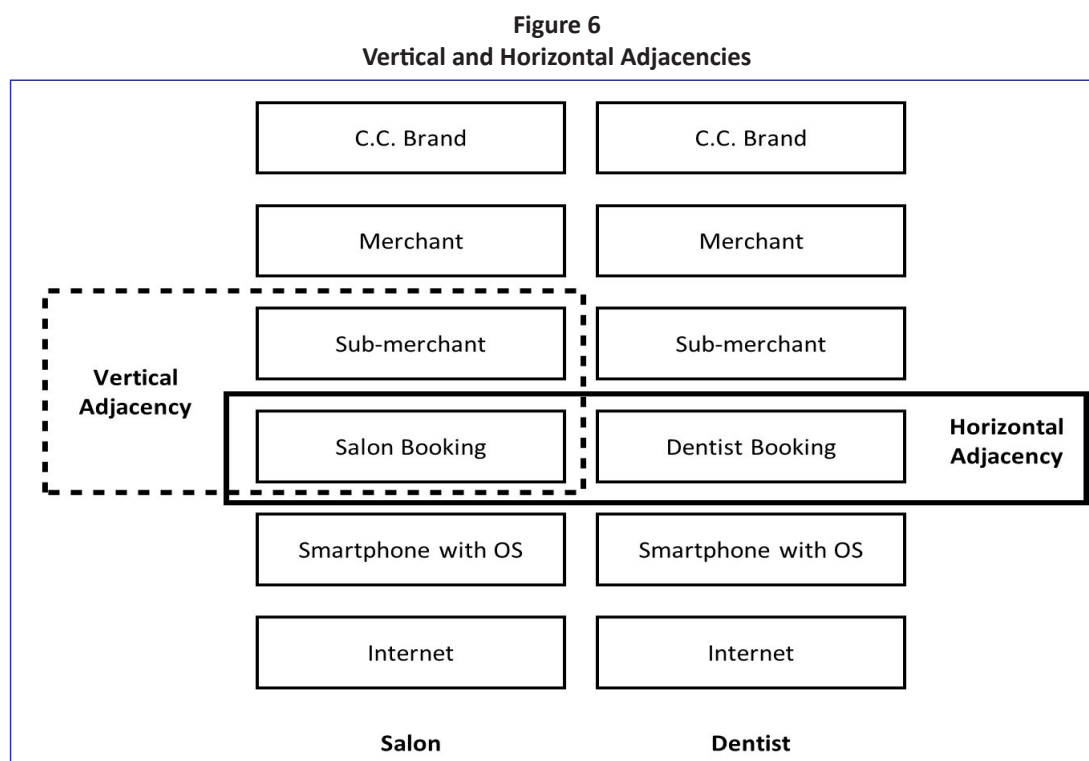
Digital platforms can be built on the top of other digital platforms (Evans & Schmalensee, 2016). When two platforms occupy different but close links in a value chain, it is said that there is a vertical adjacency or adjacencies of the value chain between them (Tiwana, 2014). For example, in the process of hiring a beauty service, it is possible to observe a vertical adjacency between booking platforms and sub-merchants. It is also possible to perceive vertical adjacencies between booking platforms and operating systems that run apps on these platforms. In this example, there is an interdependence between the booking platform and the operating system. Without the app or without the operating system, the online booking does not occur.

Once the interdependence of vertically adjacent digital platforms are understood, the teacher could explore the complementarity of horizontally adjacent digital platforms. To do so, the following transition question can be proposed:

TQ 4: How many consumers of beauty services also go to the dentist?

Students are expected to realize that the consumers of these two services can coincide and both services need to be scheduled. When two platforms have customer bases that substantially overlap, it is said that there is a horizontal adjacency or customer adjacency between them (Tiwana, 2014). In the example, the set of beauty service consumers overlap extensively with the set of dental service consumers. Given this overlap, beauty service booking platforms and dental service booking platforms are horizontally adjacent.

Figure 6 presents the suggestion of a slide to be shown for this stage of the discussion. See the Appendix for an overview of the scheme proposed for the overhead.



Source: Elaborated by the authors.

Once it is understood how the adjacent digital platforms interact and complement each other to generate value, the teacher could explore the opportunities and threats that these adjacencies represent. To do so, the following transition question can be proposed:

TQ 5: What are the obvious opportunities and threats in the Trinks.com ecosystem?

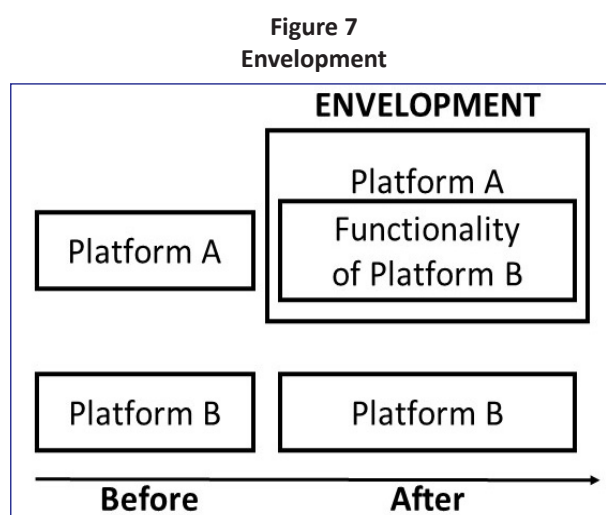
Students are expected to point out the opportunities associated with horizontal and vertical adjacencies and realize that these adjacencies are also sources of threat.

QUESTION E

What are the conditions for envelopment on digital platforms?

A platform can incorporate features from another platform, a phenomenon known as envelopment (Eisenmann et al., 2011, 2006). Through the envelopment of new features, the enveloping platform tries to increase the competitiveness of its bundle. Tiwana (2014) points out that envelopment efforts have three requirements: (1) there should be a potential economy of scale between the markets of the enveloper and the platform enveloped, (2) the asset leveraged by the enveloper should be relevant and readily transferable to the market of the platform enveloped, (3) the enveloped functionality should be adjacent to the domain of the enveloper. It is called horizontal envelopment when it occurs based on the horizontal adjacency (or on the customer) and vertical envelopment occurs based on the vertical adjacency (or value chain).

Figure 7 presents the suggestion of a slide to be shown for this stage of the discussion. See the Appendix for an overview of the scheme proposed for the overhead.



Source: Elaborated by the authors.

Closing the case for discussion with the entire class

The case does not have absolutely right or wrong strategic options, so the discussion about the challenges faced by Trinks.com is more important. However, throughout the discussion it is possible that the student realize that Trinks.com can be leveraged by focusing its strategic actions as a pipeline or as a platform, but that the potential for growth as a platform is greater. If the decision is made to leverage the company as a platform, Marcel needs to direct the strengthening of the effects of the Trinks.com network. At this point the teacher could ask the student to explain how he or she would do this. To do so, the teacher could propose the following question: How would you strengthen the effects of the Trinks.com network in order to initiate positive feedback that triggers exponential growth?

It is possible that the discussion about these alternatives extends beyond the classroom.

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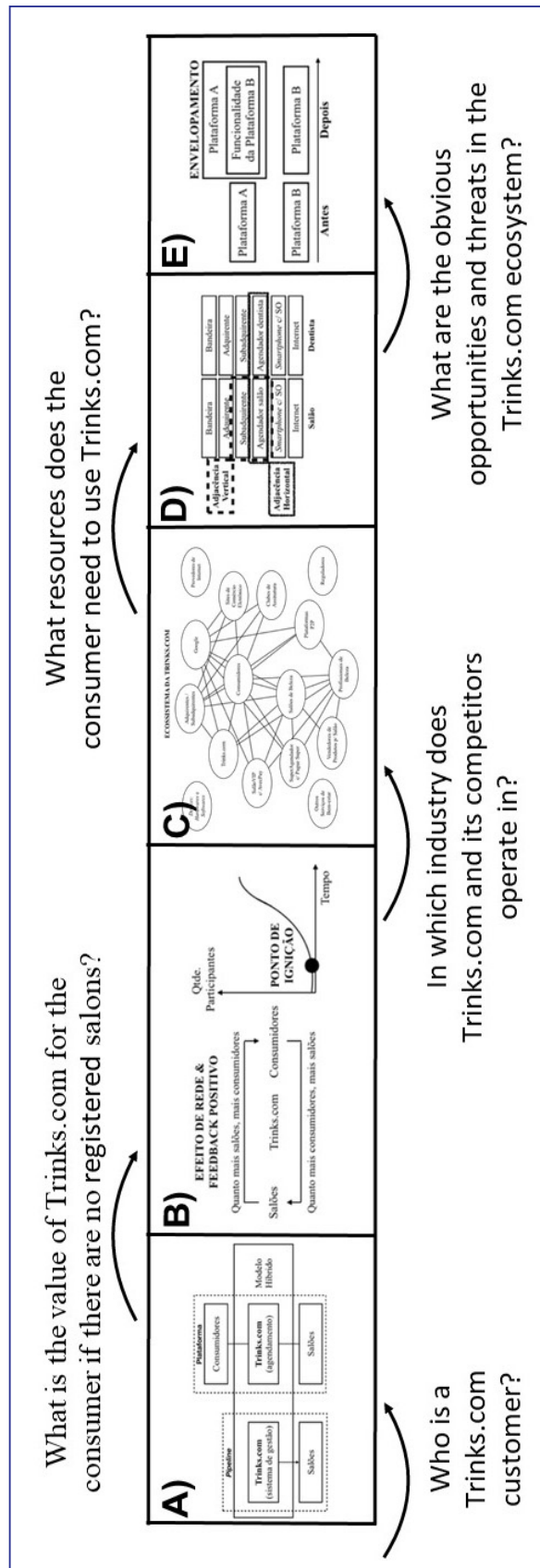
AUTHOR'S CONTRIBUTION

Bruno Fernandes: Conceptualization (Equal); Data curation (Lead); Formal Analysis (Lead); Investigation (Lead); Methodology (Supporting); Project administration (Equal); Supervision (Lead); Validation (Equal); Visualization (Lead); Writing- original draft (Lead); Writing- review & editing (Equal).

Victor Almeida: Conceptualization (Equal); Formal Analysis (Supporting); Methodology (Lead); Project administration (Equal); Supervision (Supporting); Validation (Equal); Writing- original draft (Supporting); Writing- review & editing (Equal).

APPENDIX

Figure 8
Class discussion plan (scheme proposed for the overhead)



Source: Elaborated by the authors.