Chapter 26
Expanding Peer-to-Peer Digital Intermediation Through a Mobile-Based Platform

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ABSTRACT

The fusion of several technologies has created disruptive innovation that changes the way in which people interact and transact. The rise of new and innovative business models such as mobile-based platforms in the transport industry has posed a big challenge to the incumbent in a very short time. The fusion allows start-up companies that employ the right strategies expanding their business rapidly by taking over the existing markets as well as creating new markets for them to expand in various directions. In this chapter, the authors discuss three theories to examine business expansion strategies in digital intermediation platforms: transaction cost economy, two-sided market, and value network and. Using these theories, they analyze how Gojek, an Indonesian mobile-based platform, rises and expands rapidly in a very short time. They argue that due to high intense competition, businesses that adopt disruptive technologies through mobile-based platforms by introducing products or services within the same platform are likely to be more sustainable in preserving the market.

INTRODUCTION

Digital intermediation or cybermediation has created a significant impact in many industries all over the world, including the transportation industry. Digital intermediation provides both sellers and buyers

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to transact cheaply, quickly and conveniently. For example, travelers can easily and conveniently books their accommodations using their smartphones through digital intermediaries such as TripAdvisor.com, Booking.com or Airbnb.com. In the transportation industry, especially taxicab, Uber provides peer-to-peer digital intermediation among car owners or drivers with customers through their smartphones. Unlike the traditional taxi companies, Uber does not own vehicles and hence does not need to hire drivers to run the business. It operates by attracting car owners/drivers to register and agree with the terms and conditions offered by Uber and then collaborate to find customers through the Uber app in their smartphones.

As digital intermediation firms provide innovative and efficient business models, they disrupted conventional firms globally. Consequently, they grow quickly and pose a serious threat to conventional firms.

Gojek, an Indonesian digital intermediation firm, has many similarities to Uber. It started with mediating motorcycle taxis (*ojek*) in Jakarta through telephone in 2010 with 20 motorcycle drivers involved (Chopra, 2016; Vadaketh, 2017). It helped customers find an *ojek* faster and also helped *ojek* drivers reduce their waiting time (*ojek* drivers often wait for customers in a particular place or a base set by them). However, providing intermediation services via telephone has many limitations such as the difficulties of handling many concurrent calls from customers, deciding the price and managing the relationship with *ojek* drivers. As such, growth of Gojek was very slow. Hence, intermediation through the telephone did not work as the process was difficult to manage and failed to create a sustainable network.

Things change quickly when Gojek decided to adopt smartphones as the front-end of its business model in 2015 (Sung, 2016). All the difficulties of telephone intermediation mentioned above disappeared and Gojek has expanded very quickly, one of the fastest growing companies in the world, expanding the business scope covering transportation, carriers, shopping, mechanics, food delivery, cleaning, and many more. The business model has been evolving from a Peer-to-Peer digital intermediation for *ojek* to provide market places that offer innovative services to buyers and sellers through its Peer-to-Peer mediating platform.

Peer-to-Peer (P2P) or Consumer-to-Consumer (C2C) commerce is nothing new. It has been in existence since the early period of human beings (Sahlins, 1974), whereby people exchange goods when they produce more than they need. Matching between consumers, directly or indirectly (mediated), to exchange goods or services has been commonly practiced by societies before the Internet Age. However, a significant growth of P2P or C2C commerce has started when internet-based intermediation or digital intermediation was introduced. The growth is further boosted when digital intermediaries are accessible through smartphones.

In general, an intermediation offers a value network (Stabell & Fjeldstad, 1998) through the connection of buyers and sellers in an intermediation platform. The magnitude of network created is really dependent on the size of the network and its expansion capacity (Katz & Shapiro, 1985). If the network is small, such the case of telephone platform initially offered by Gojek, the magnitude is low. As such, the growth of the intermediation is slow and the capacity for the network to expand is restricted. When the telephone platform was changed to a mobile platform and everyone can easily connect through their smartphones at no cost, the magnitude of the network expands, generating a greater network and creating a network effect.

The objectives of this paper includes exploring the P2P mobile-based digital intermediation expansion strategy using the lens of transaction cost economy, two-side markets, and value network. This paper focuses on P2P mobile-based digital intermediation on motorcycle taxis (Gojek) and its expansion in Indonesia. We use Gojek as a case study since it is the first local business that successfully implemented an innovative business model. Our research is aimed to answer the following research questions: 1)