

URL: <https://stvp.stanford.edu/clips/network-effects-businesses>

Venture capitalist Mike Maples Jr. talks about how businesses seeking to exploit network effects must deeply understand the network itself, its nodes and the role of the operator. He points to railroads, record companies and TV stations as historical examples of network-effects businesses and urges present-day founders to have an ongoing hypothesis of their network that evolves over time.



Transcript

The thing that I would say about network effects is that if you're going to build a network effects business, I think it's important to ask yourself, what is my network? What are the nodes of the network? How do they connect with each other? Where are the connections strong? Where are they not strong? Is it a global network? Is it a hub and spoke network? What does it mean for me to be the network operator? Interestingly, network effect businesses have existed for a long time.. They existed with the railroads, they existed with canals, they existed with RCA, with records, and TV.. They existed with Craig McCaw, and McCaw cellular.. And all of those people thought of themselves as not just lean startup innovator iterators.. They conceived of what the network was in the first place.. And this is a book I highly recommend.. It's by a guy named Yochai Benkler.. He used to be at Yale.. I think he just moved over to Harvard.. The book is called The Wealth of Networks..

And what I think is good about it is, it takes a very structured way of thinking to the approach of building networks.. And I think that just like you wouldn't build a deep technology business without really understanding the technology in depth, most people, when they build a network effects business, I believe, should have an ongoing hypothesis of their network at fine grained detail that evolves and migrates through time...