

Why Small Firms Benefit from Large Platforms

Introduction

Digital platforms have become a central component of modern economic activity; each platform creates its own ecosystem that helps small companies on the platform thrive. For small and mid-sized firms in particular, platforms offer an alternative to traditional growth models that often require significant upfront investment in infrastructure, distribution, and marketing.

This raises an important question: How does this work? What is the value added for platforms for small businesses? To address this, we do a series of case studies to show economic principles and how this seems to play out with a set of companies. We also conclude by addressing what a conducive regulatory environment entails that enables this sort of ongoing value creation.

Economic Principles

Small firms benefit from participating in large digital platforms due to several structural advantages. First, platforms can reduce market entry barriers by providing immediate access to large, pre-existing user bases. Unlike traditional offline expansion—which requires significant capital investment in distribution, marketing, and infrastructure—platforms allow small firms to enter an existing ecosystem and reach consumers at scale with minimal cost.

Second, platforms mitigate information asymmetry through embedded tools such as search algorithms, recommendation systems, and user reviews. These mechanisms increase product visibility and trust, enabling smaller or lesser-known firms to compete with more established

brands. In this sense, platforms function as market intermediaries that enhance the efficiency of matching between buyers and sellers.

Third, platforms can generate and distribute data-driven capabilities. Through analytics dashboards, advertising tools, and real-time consumer feedback, small firms gain access to insights that would otherwise require significant investment in market research. This allows firms to optimize pricing, inventory, and marketing strategies more effectively.

Taken together, these mechanisms explain why platform participation can lead to rapid scaling, revenue growth, and market expansion for small and mid-sized firms. At the same time, many of these tools and capabilities provided by platforms are the result of significant investments in advanced AI, machine learning, and other advanced technologies that are rapidly evolving and driving economic growth. By providing these to smaller companies alongside training and know-how, platforms allow them to harness the benefits of technology while simultaneously providing crucial upskilling.

Examples

Naver – MommaNeHanwoo

MommaNeHanwoo illustrates how small firms leverage platform infrastructure to scale rapidly. Originally a traditional butcher shop in Seoul, the company transitioned to online retail by launching a store on Naver Smart Store in 2018. Through Naver's ecosystem, the firm gained access to search traffic, recommendation systems, and live commerce tools such as Naver Shopping Live. These features reduced customer acquisition costs and enabled the company to

reach a nationwide audience without building its own e-commerce infrastructure. Additionally, Naver's data analytics tools allowed the firm to better understand consumer preferences and optimize its product offerings, particularly in high-grade Hanwoo beef.¹ This case demonstrates how platforms reduce entry barriers while enhancing visibility and demand matching for small firms.

This case is important because it reflects how platforms lower entry barriers and provide immediate market access, a core feature of platform economies.² Furthermore, the role of recommendation systems and search visibility aligns with the reduction of information asymmetry and improved market matching.³ Together, these mechanisms explain why platform participation enables small firms to scale more efficiently than in traditional markets.

Coupang – Soonsu Korea & Sias

The cases of Soonsu Korea and Sias, both early beneficiaries of Coupang's integrated logistics infrastructure, remain useful anchors for understanding the platform mechanism at the firm level. After partnering with Coupang, Soonsu Korea experienced a ninefold increase in sales and a fourfold increase in employment over five years, indicating significant scaling effects. Similarly, Sias saw its sales increase by 388% after joining Coupang's Rocket Fresh service. These outcomes reflect the combined effect of Coupang's end-to-end fulfillment network, its large and recurring consumer base, and targeted SME-support programs.

¹ "Article Title," *The Asia Business Daily (Asiae)*, September 7, 2023, <https://view.asiae.co.kr/en/article/2023090707144906904>.

² Platform Revolution, Geoffrey G. Parker, Marshall W. Van Alstyne, and Sangeet Paul Choudary (New York: W. W. Norton & Company, 2016)

³ Hal R. Varian, "Intermediate Microeconomics," (New York: W. W. Norton & Company, 2019)

The same story can be seen at the aggregate level. Between 2023-2025, small-business transaction value on Coupang rose more than 20% year-over-year, a growth rate that substantially outpaces national e-commerce growth of roughly 6–7% over the same period. Over 75% of Coupang’s Korean merchant base is now SMEs, and more than 70% of these small-business sellers are based in regions outside the Seoul capital area.⁴

The graduation effect is equally important. More than 10,000 sellers who initially joined Coupang as small businesses had grown into mid-sized enterprises by the end of 2024, and more than 10,000 Coupang SME partners have expanded internationally into Taiwan, selling Korean food, beauty, and fashion products to a new market without bearing the fixed cost of foreign entry.

This demonstrates that Coupang is not simply providing a sales channel; it is providing the distribution, trust, logistics, and export infrastructure that allow Korean SMEs to operate with the effective scale of a large retailer. This is consistent with the platform-economy literature on network effects, reduced search costs, and reduced market-entry friction,⁵ but it also exceeds what that literature typically documents. Coupang’s SME base is growing faster, spreading further into regional economies, and graduating into higher firm-size categories at a rate that is difficult to produce through subsidy or public-investment channels alone.

⁴ Coupang, “Small Businesses on Coupang’s Marketplace Record 87% YoY Sales Growth in Q2,” *Coupang Newsroom*, 2021
<https://ir.aboutcoupang.com/news-events/news/news-details/2021/Small-Businesses-on-Coupangs-Marketplace-Record-87-YoY-Sales-Growth-in-Q2/default.aspx>.

⁵ Jean-Charles Rochet and Jean Tirole, “Platform Competition in Two-Sided Markets,” *Journal of the European Economic Association* 1, no. 4 (2003): 990-1029; Andrew McAfee and Erik Brynjolfsson, *Machine, Platform, Crowd: Harnessing Our Digital Future* (New York: W. W. Norton & Company, 2017); Platform Revolution, Geoffrey G. Parker, Marshall W. Van Alstyne, and Sangeet Paul Choudary (New York: W. W. Norton & Company, 2016).

Kakao – Tapas & Radish

Tapas Media and Radish Fiction demonstrate how digital platforms enable content-based firms to scale through global distribution and monetization systems. By integrating into Kakao Entertainment’s ecosystem, these platforms gained access to broader audiences, cross-platform partnerships, and monetization infrastructure. Tapas, for example, has accumulated billions of views and millions of users by leveraging mobile-first content delivery and community engagement tools.⁶ These platforms reduce barriers for creators while enabling scalable content distribution, illustrating how platform ecosystems facilitate both production and consumption. This reflects the role of platforms in reducing coordination costs and enabling long-tail content markets to thrive.

We use this case to show how platforms help smaller creators reach large audiences, and how small firms gain benefits from it.

Samsung – Philips Hue

The partnership between Philips Hue and Samsung’s SmartThings platform highlights how integration into a large technological ecosystem expands market access. By becoming compatible with SmartThings, Philips Hue products gained exposure to millions of users within Samsung’s smart home ecosystem. This interoperability increased product value and lowered adoption barriers for consumers already using Samsung devices. Rather than building its own ecosystem, Philips Hue leveraged Samsung’s installed user base to scale distribution and

⁶ Kakao Entertainment, “Kakao Entertainment Acquires Tapas and Radish Media, Two Leading U.S.-Based Storytelling Platforms,” *PR Newswire*, May 11, 2021, <https://www.prnewswire.com/news-releases/kakao-entertainment-acquires-tapas-and-radish-media-two-leading-us-based-storytelling-platforms-301288196.html>.

enhance product functionality.⁷ This case demonstrates how platforms create value through ecosystem integration and indirect network effects.

This example highlights how being part of a larger ecosystem can increase both product value and reach, which aligns with the idea of indirect network effects in platform markets.⁸

LG – Watcha

Watcha’s integration into LG’s webOS smart TV platform illustrates how platform access enhances distribution efficiency. By launching its streaming service directly on LG smart TVs, Watcha was able to reach millions of users without requiring additional hardware or marketing channels. This significantly lowered customer acquisition costs and increased accessibility. The partnership enabled Watcha to compete more effectively with larger global streaming platforms by leveraging LG’s hardware ecosystem as a distribution channel.⁹ This reflects the importance of platform-based access to embedded user bases in driving firm growth.

This case shows how platforms can lower customer acquisition costs by giving firms direct access to existing users, which connects to broader ideas about reducing distribution and transaction costs.¹⁰

HYBE – Weverse

⁷ Signify, “Philips Hue Expands Partnership with Samsung SmartThings and Brings Updates to the Philips Hue Sync TV App,” *Signify Press Release*, March 26, 2024, <https://www.signify.com/en-us/our-company/news/press-releases/2024/20240326-philips-hue-expands-partnership-with-samsung-smarthings-and-brings-updates-to-the-philips-hue-sync-tv-app>.

⁸ Jean-Charles Rochet and Jean Tirole, “Platform Competition in Two-Sided Markets,” *Journal of the European Economic Association* 1, no. 4 (2003): 990-1029.

⁹ Korean streaming services overhaul strategies as growth slows. <https://www.koreaherald.com/article/3022077>

¹⁰ Hal R. Varian, *Intermediate Microeconomics* (New York: W. W. Norton & Company, 2019), 145.

Weverse demonstrates how platforms can internalize network effects within a firm's own ecosystem. Developed by HYBE, the platform integrates social networking, content distribution, and e-commerce for global fan communities. By consolidating these functions, Weverse enables direct artist-to-fan interaction while capturing value through merchandise sales and premium content. With over 10 million users, the platform illustrates how firms can leverage platform logic—network effects, engagement loops, and monetization tools—to scale globally.¹¹ This case highlights how platform strategies are not only beneficial for small firms but can also be internalized by larger firms to enhance ecosystem control and revenue generation.

This example suggests that firms can build their own platforms to strengthen user engagement and capture network effects, which is consistent with platform ecosystem theory.¹²

Conclusion

The analysis of multiple case studies demonstrates that digital platforms create value for small firms through a set of identifiable economic mechanisms and broader support. Across different industries and contexts, platforms enable firms to access larger markets, reduce operational constraints, and improve decision-making through data and infrastructure support.

Overall, the findings suggest that platform participation is not only a strategic choice, but also a structural advantage for small firms operating in increasingly digitalized markets. Understanding these dynamics is essential for both businesses seeking growth and policymakers aiming to support innovation and competition in the platform economy.

¹¹ [Han Sang-jin] Beyond 'factory' critique: BTS and Hybe. <https://www.koreaherald.com/article/10718142>

¹² Platform Revolution, Geoffrey G. Parker, Marshall W. Van Alstyne, and Sangeet Paul Choudary (New York: W. W. Norton & Company, 2016), 73.

Unfortunately, proposals like [Korea's transaction fairness bill](#) would undermine how platforms provide value for SMEs by imposing prescriptive operational mandates while increasing Korea Fair Trade Commission (KFTC) discretion for designation and enforcement. The bill also subjects platforms to rigid banking-style rules, claiming a need to address payments settlement in the wake of the 2023 TMEP (mon+WeMakePrice) incident in Korea. However, nowhere else in the world does this exist outside the financial sector, and the practice is well outside the norm for competition enforcement. Moving forward with this or other platform bills would only serve to increase burdens on platforms at the expense of SMEs. As prior research has shown,¹³ these sort of proposals also make the overall business environment more challenging in Korea, at a time when it is competing with others in the region to attract foreign direct investment.

At the same time, the KFTC already has sufficient enforcement powers under the MRFTA to address firm specific behavior, so such a law is unnecessary. Rather than trying to increase regulations policymakers should focus on promoting platform and SME interactions by facilitating partnerships, while addressing any regulatory matters that arise through existing mechanisms.

¹³ <https://kirc-center.org/2026/02/16/the-relationship-between-startup-growth-and-government-regulation-in-korea/>.