
Digital Platforms as a Key Tool for the Transformation of Regional Economy

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Abstract:

Purpose: *The presented article is aimed at exploring the possibilities of utilizing digital platforms as a key tool for transforming the regional economy, based on the classification of types and revealing the advantages of digital platforms.*

Design/Methodology/Approach: *In the current conditions of regional transformation and the integration of traditional production and marketing processes into the electronic market conditions, any economic agents including commercial enterprises, non-profit organizations and public authorities, should use the advantages of digital platforms in the process of satisfying the needs of customers and the interests of stakeholders. The methodological grounds of this study are based on a systematic approach and a classification method, which are used to substantiate the advantages and possible limitations of introducing digital platforms into the activities of economic and social actors of the regional economy.*

Findings: *The following advantages of digital platforms as a tool for the development of the regional economy are revealed: consolidation in one place of the external resources of various business partners; the ability to seamlessly integrate new functional modules into an existing platform; economies of scale on the demand side; reduction in transaction costs; platform value growth with an increase in the number of users; increased returns as the network effect of the digital ecosystem develops; opportunities for quick monetization and capitalization of the service; the presence of control of all business processes of the digital ecosystem. It is proposed to highlight innovative, informational, communication, commercial, professional digital platforms and digital government services platforms.*

Practical implications: *In practice, the results of the study will help to determine the vectors for the further implementation of various types of digital platforms in the economy of the region, taking into account the interests of owners, participants, users and stakeholders of regional electronic platforms.*

Originality/value: *The introduction of digital platforms into the economic system will be the driver of the development of the regional economy due to faster and better satisfaction of the needs of owners, participants, users and stakeholders of electronic platforms.*

Keywords: *Digital economy, digital platforms, transformation of the regional economy.*

JEL Codes: *F02, F15, F63.*

Paper type: *Research paper.*

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1. Introduction

Digitalization of the regional economy involves the active introduction of modern information technologies and new business models. The digital platform should become the key tool for the development of the regional economy in modern conditions. In the context of digital transformation, the concept of digital platform should be understood as a hybrid multifunctional virtual platform for the interaction of a wide range of diverse subjects of socio-economic relations interested in achieving common goals based on the implementation of multimedia and interactive communications, the use of technologies for storing and processing large amounts of data, implementation of artificial intelligence in the process of creating mutually beneficial for society, commercial and non-profit organizations and public authorities.

With the development of digital technologies, the efficiency of mass production of the same type drops sharply, giving the way to customized production, the introduction of digital consumer services and the formation of integral ecosystems of customer interaction. The importance of digital platforms in the regional economic system is determined by the attractiveness of new business models for the development of small and medium-sized businesses, as these electronic platforms make it possible to use the innovative resources of large enterprises and organizations and the organizational resources of government bodies to achieve common goals for the region's socio-economic development (Belikova *et al.*, 2019; Polyakova *et al.*, 2019).

Digital platforms allow economic agents increasing the efficiency of business processes, providing fast and reliable communications, creating opportunities for the development of a sharing economy and the formation of new ways to create value for consumers, while reducing the dependence of economic agents on geographical, temporal and other factors affecting social and economic processes, institutions and phenomena of the regional economy.

The issues of developing digital government and electronic platforms for implementing government programs, interacting with business and the public, and monitoring the socio-economic situation in the region are of interest for the study. It can be assumed that in modern conditions of the digital economy, new opportunities are opening up for the use of electronic platforms in the formation of a single regional information space, in ensuring the growth of economic indicators, in unlocking the social and entrepreneurial potential of organizations and the population of the region. The purpose of this study is to classify digital platforms and determine the benefits and risks of their use in the development of the regional economy.

2. Materials and Methods

The specifics and the development trends of digital platforms for today's digital economy are considered in the works of Geliskhanov *et al.* (2018), Kuprevich (2018),

Accenture (2016) and Hagui and Rothman (2016). The advantages of using digital platforms in the formation of a single information space of the regions and approaches to the classification of digital platforms are presented by Tyurin (2017), Shabanov (2018), DE (2019) and Uenlue (2017).

Nevertheless, despite the presence of some aspects of the problem posed in the scientific literature, the classification, and advantages of utilizing digital platforms in the regional economy remain insufficiently and fragmentarily studied in existing publications and require further research.

The study has used the following methods. System analysis, classification method, source analysis and expert assessment method.

3. Results

The advantages of digital platforms as a tool for the development of the regional economy are as follows:

- consolidation of the external resources of diverse business partners, which determines the high speed and quality of managerial decisions on the development of entrepreneurial activity in the region;
- the possibility of seamless integration of new functional modules into an existing platform, showing the possibility of expanding digital platforms over time with changing needs of the socio-economic development of the region;
- economy of scale through demand, this distinguishes the use of modern digital solutions from standard forms of doing business, when only the expansion of production capabilities led to a reduction in fixed costs of the enterprise;
- reduction of transaction costs, the exclusion of a large number of intermediaries between producers and consumers of material goods and services;
- the growth of the platform's value with an increase in the number of users, that is, the attractiveness of the digital platform for suppliers and sellers is directly proportional to the size of the community and users of this platform, in this regard, the digital platform must be dynamic and well scalable for the changing segment of consumers with a convenient and multifunctional user interface;
- increase in return as the network effect of the digital ecosystem grows, this advantage follows from the previous one, when an increase in the use of the digital platform leads to an increase in the profitability of each individual network user;
- possibility of rapid monetization and capitalization of the service, this is determined by the relevance of the benefits and services offered by the

- platform, a large number of users, which affects the popularity of the platform among advertisers, partners and stakeholders;
- control over all the business processes of the digital ecosystem, the platform owner has the ability to track any changes in user mood, regulate real-time conflicts in the system and use artificial intelligence technologies to predict future problems and anticipate their timely resolution.

The author proposes the following types of digital platforms:

- innovative introducing new forms and types of interaction between partners searching for investment funds,
- crowdfunding platforms introducing new production technologies and service technologies,
- knowledge platforms,
- informational search systems, media platforms, integrated platforms uniting interested users - residents of one city or region, visitors to information portals, open educational resources,
- communicational social networks, dating sites, searching for business partners, searching for work and employees,
- networking platforms,
- commercial electronic trading platforms, multifunctional online stores, market placements, mobile application stores,
- professional or industry-specific association of users by professional interests - teachers, doctors, ecologists, technologists, representatives of working professions, etc.,
- public services platforms public services, platforms of medical institutions, portals of housing and communal services and others.

4. Discussion

The discussion of the specifics of introducing digital platforms into regional economy's transformational solutions includes the opinions of various authors about the risks of business concentration around large digital platforms.

The development of digital innovation in the context of the network effect leads to the concentration of the digital business and the emergence of huge digital super companies forming a new structure of the global economy around themselves (Prokhorov, 2019). At the same time, large digital platforms could introduce paid services, affect the content posted online, control the development of these platforms for their marketing purposes. Lansiti and Lakhani (2017) define digital platforms such as hubs that have competitive advantages based on the network effect and network capital obtained in one type of business and used to overcome barriers to entry into other industries. As Lansiti and Lakhani noted, hubs take network assets that have already reached a scale in one area to enter another industry and "reverse engineer"

its competitive structure from product to network, while small companies that do not have network capital are dependent from the resources of large hubs, which leads to the 'economy of digital hubs'.

On the other hand, the openness of digital platforms to the public coupled with the great dependence on the need to permanently ensure user confidence forces large platforms to flexibly adapt to the needs of participants, interacting with new agents on the market and constantly improving the content and interface of platforms. Which, along with the wide resource capabilities of the digital giants, allows organizing the process of satisfying the needs of potential and real consumers at a higher level, leading to an increase in the quality of life of the region's population and the achievement of socially significant goals of regional economic development.

Practice also shows that there are wide opportunities for introducing young small entrepreneurs with truly unique innovative proposals for using digital platforms into the digital market (for example, an electronic platform for independent typesetting and publishing of books, a solution for automating the life cycle management processes for the construction of a technological pipeline, an innovative platform for the development of viticulture technologies, software solution for automation of analytical processes of state assessment soils and increasing their fertility, a platform for interaction between citizens, the state and business - automation of geoinformation management processes based on the processing of incoming information inquiries from citizens (Shabanov, 2018) a software solution for optimizing and monitoring the routes of sales agents, and others.

5. Conclusions

Thus, we can conclude that the introduction of digital platforms into the economic system will indeed be a driver for the development of the regional economy due to faster and better satisfaction of the needs of owners, participants, users and stakeholders of electronic platforms. At the same time, special attention should be paid to creating the conditions for entrepreneurs and organizations of any size to enter the digital market of all sectors of the regional economy, actively using the identified advantages of digital platforms to create an open innovative technology market.

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