Standards and Strategy: Competing in Increasingly Open Worlds

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## Thinking about the dynamics of the strategic space

<table>
<thead>
<tr>
<th>Access is:</th>
<th>Open</th>
<th>Closed</th>
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</thead>
<tbody>
<tr>
<td>Public</td>
<td>Details of standards are available to all: no single firm has control over how they evolve: no charge for their use</td>
<td>Standards are owned and controlled by the public sector but are not freely available</td>
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<td>E.g. TCP/IP, HTML</td>
<td>E.g. Cryptography</td>
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<td>Private</td>
<td>Details of standard are made available to all: but owner has control over how the standard evolves and may charge for use</td>
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<td>E.g. Nintendo, Palm OS</td>
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<td>Technology may be standard, but details are not made available beyond the firm</td>
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<td>E.g. Landmark Graphics, IBM 360</td>
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In practice these boundaries are fuzzy:

Control is:
- More Public
- More Private

Access is:
- More Open
- More Closed

- Linux
- Symbian
- CDMA
- Windows
- IBM 360
- Mercury/Corba
Conventional logic (1): What do customers prefer?

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Conventional logic (2): What do producers prefer?

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Wireless communications in transition

Market Share

Service Provision
- T-Mobile
- Orange
- NTT DoCoMo
- Vodafone

Network Operation
- Motorola
- Siemens
- TI
- Qualcomm
- Clones and Asians

Applications
- Microsoft
- Symbian
- Series 60-90
- BREW
- I-250 and beyond

Operating Systems
- Linux
- UIQ
- SavaJe
- Windows

Device Design
- Motorola
- Nokia

Device Manufacture
- Motorola
- Samsung
- Sony Ericsson

Chipset Design
- Microsoft
- TI
- Infineon

Chipset Manufacture
- Vodafone

Value Share
Will all markets tip?

Or:
Getting a standard established
With Strong Network Effects Market Share Itself Creates Value

Value to consumer

Value of standards
Driven product

Conventional product

Actual (or anticipated) size of the installed base
If network effects are important, markets may “tip”

Probability the next consumer chooses to buy A
Tipping dynamics differ with the strength of network effects

Products with extensive N.effects

Products with “threshold” network effects

Conventional product

Actual (or anticipated) size of the installed base

Value to consumer
Markets with moderate network effects only tip once critical thresholds are reached.

- Probability the next consumer chooses to buy from Firm A.
- Firm A’s actual or anticipated share of installed base.

Graph illustrating the relationship between the probability of the next consumer choosing to buy from Firm A and Firm A’s share of the installed base.
Will this market tip?