

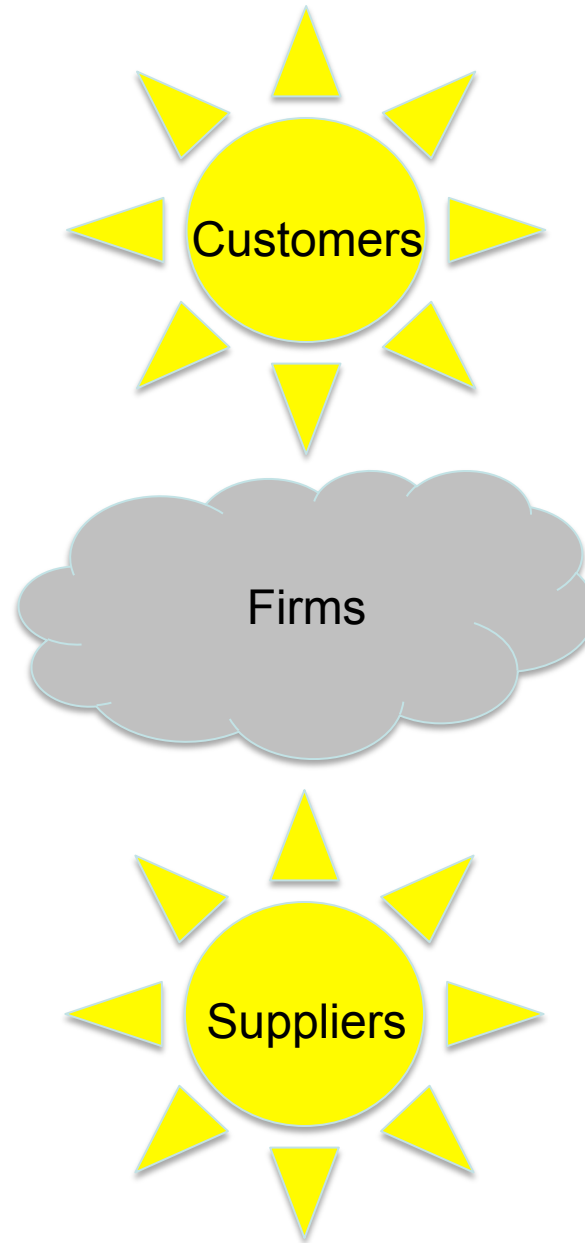
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All the Players in the Game

Adam Brandenburger

## Still a Cloudy Picture

What is in the cloud?  
Competitors  
Any other players?



## Complementors

Competitors reduce the added value of our given business.

Are there businesses that raise the added value of our business?

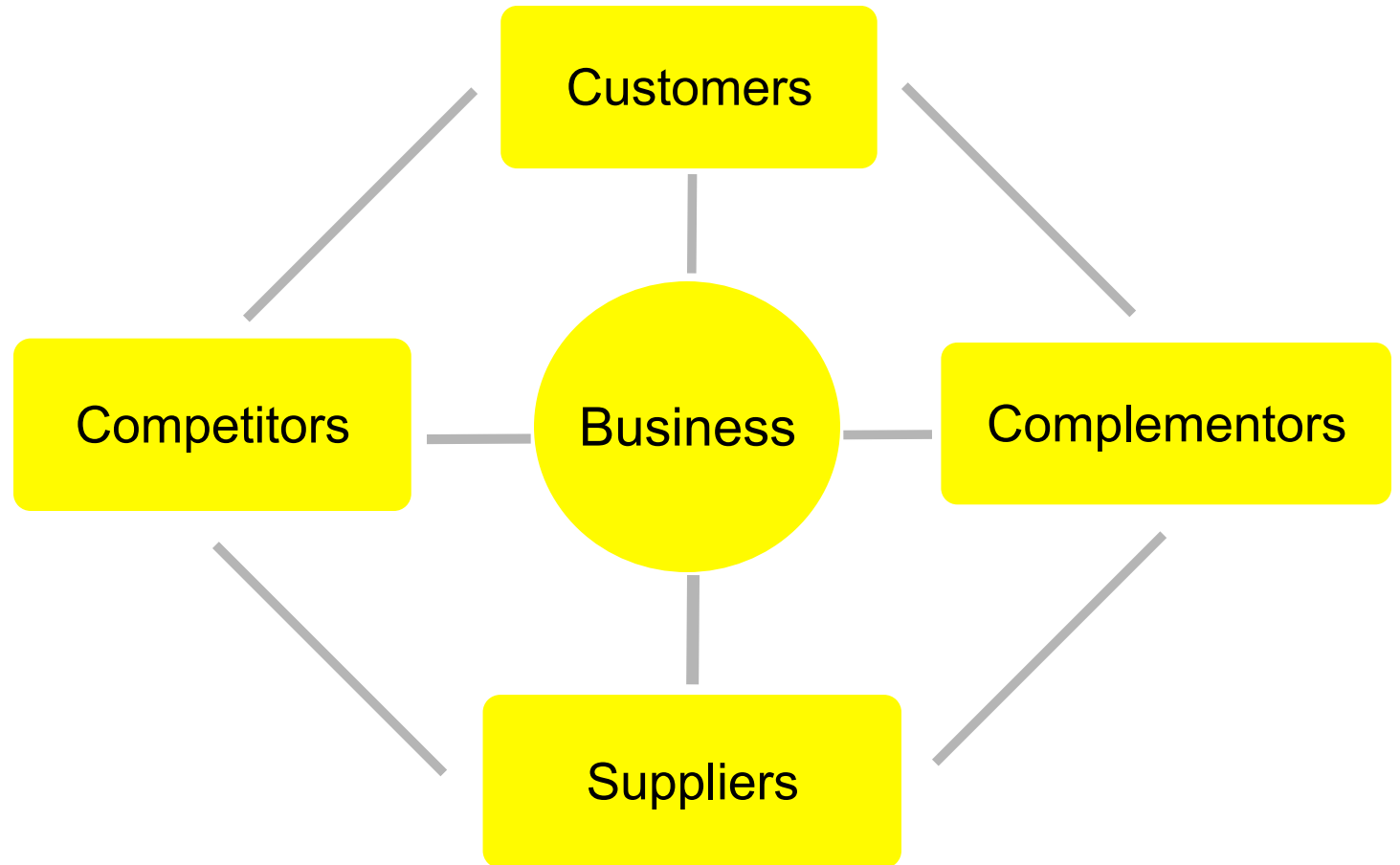
Yes --- businesses that provide products that increase W2P for our products/outputs.

We refer to such business as complementors.

$$\begin{aligned} &W2P(\text{our business \& complementor}) > \\ &W2P(\text{our business}) + W2P(\text{complementor}) \end{aligned}$$

Superadditivity!

## The Value Net



Reference: *Co-opetition*, by Adam Brandenburger and Barry Nalebuff, Doubleday 2006

## Complementors cont'd

Symmetrically, there are businesses that reduce SC for resources/inputs.

These businesses are complementors, too (just as there are competitors for resources/inputs).

$$\begin{aligned} \text{SC}(\text{our business \& complementor}) &< \\ \text{SC}(\text{our business}) + \text{SC}(\text{complementor}) \end{aligned}$$

Subadditivity!

A typical example:

If a supplier can design a new product for our firm and another firm together, then it can share development costs across the two projects.

## Terminology

Why not just call complementors partners or allies?

The terms are too broad:

Customers and suppliers can also be the firm's partners or allies.

The terms are too narrow:

The relationship involves an inherent tension --- complementors increase the size of the pie but also compete over its division.

## A Canonical Example

“We realized that we alone don’t create the market. We need complementors to help develop and create an ecosystem.”  
-- Les Vadasz, president of Intel Capital\*

Intel had to care about the whole computing environment, not just the microprocessor.

Intel’s strategy was to work with complementors to help create demand for processing power:

Coordination with Microsoft --- but also with Linux.

Investment (via Intel Capital) in complementary technologies and services (e.g. WiFi).

\* Quoted in “Intel Corporation: 1968-2003,” HBS Case 9-703-427.

### References:

*Platform Leadership*, by Annabelle Gawer and Michael Cusumano, Harvard Business School Press, 2002.

“Platform Owner Entry and Innovation in Complementary Markets: Evidence from Intel,” by Annabelle Gawer and Rebecca Henderson, *Journal of Economics & Management Strategy*, 16, 2007.

**A Paradox (Not Really)**

The ideal complementor makes an insanely great product and sells it at an insanely low price.

We seem to have better intuitions about competition than complementarity.