All the Players in the Game

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Still a Cloudy Picture

What is in the cloud?
- Competitors
- Any other players?

Suppliers
Firms
Customers
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.

\[
W2P(\text{our business } \& \text{ complementor}) > W2P(\text{our business}) + W2P(\text{complementor})
\]

Superadditivity!

Reference: Co-opetition, by Adam Brandenburger and Barry Nalebuff, Doubleday 2006
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Symmetrically, there are businesses that reduce SC for resources/inputs.

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

\[ SC(\text{our business} \& \text{complementor}) < SC(\text{our business}) + SC(\text{complementor}) \]

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.
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.
“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).


References:
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.