

The Effect of Platform Owner's Entry on Complementors' Innovation Efforts

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Motivation:

Platforms such as Apple's App Store rely on millions of developers, so-called complementors, to build applications that enhance the value of the iOS ecosystem for users. However, Apple is not only the owner of the App Store but also regularly launches apps or features that compete directly with existing apps of developers, for example, when Apple launched its own maps service in 2012. Such cases of platform owner entry can also be observed in other markets. For instance, Amazon frequently starts selling products under its own brand that were previously sold very successfully by third-party sellers on Amazon Marketplace. Besides impacting complementors' pricing decisions and other strategic variables, platform owner entry can have a distinct effect on the innovation efforts of complementors. In the case of mobile apps, innovation could, for example, be the frequency with which new features are introduced to an app.

Goal:

The goal of this thesis is to answer the question of how platform owner entry impacts innovation efforts on the side of complementors. To this end, the scientific literature that examines this question with theoretical models and empirical analysis should be summarized. Based on the findings, recommendations for platform governance and conclusions on the impact on consumer welfare should be derived. Finally, potential policy implications should be discussed.

References and Related Literature:

Foerderer, J., Kude, T., Mithas, S., & Heinzl, A. (2018). Does platform owner's entry crowd out innovation? Evidence from Google photos. *Information Systems Research*, 29(2), 444-460.

Hagiu, A., Teh, T. H., & Wright, J. (2022). Should platforms be allowed to sell on their own marketplaces?. *The RAND Journal of Economics*, 53(2), 297-327.

Zhu, F. (2019). Friends or foes? Examining platform owners' entry into complementors' spaces. *Journal of Economics & Management Strategy*, 28(1), 23-28.