

Basic ideas for presentation at Innovation Symposium

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1. Importance of the multi-sided form of market organization in digital industries

Industries ranging from computers to CE and communications nowadays are organized as *multi-sided platform markets*. This means that they revolve around platforms, which can be pure software (operating systems: PCs) or a combination of software and hardware/middleware. These platforms are central because they provide the key link between end-users and producers of a variety of professional applications, content, games, etc.

In this part I will discuss the resulting market structure and platform business models, using several case studies (PCs, PDAs, i-mode). Particular attention will be given to the exact economic role played by platforms.

2. Digital Convergence

In a networked world, in which a variety of digital devices ranging from PCs to TV sets to mobile phones communicate and exchange information with each other, software platforms acquire an even greater importance, as they are essential in ensuring that the variety of applications, content, games and data that users want can flow across many different devices.

Here I will explain what is meant by digital convergence and what it implies for platforms and the market structure in the industries mentioned above.

3. Competitive advantage

Given the above trend, it is important to determine where economic value lies in these industries (platforms seem to be in a good position to extract a large part of this value). What type(s) of companies are best positioned to take advantage of digital convergence and what are the corresponding strategies? (vertical integration or disintegration, extent of modularity, etc.)

I will discuss the issue of how to leverage Japan's comparative advantage in CE products in order to remedy its weakness in platforms, in particular software.

4. Industrial policy

The first objective is to make sure users get as much variety as possible and seamless interoperability. Another area in which industrial policy is potentially important is standards-setting and coordination through common projects, joint ventures, etc.

The second objective is to create dynamic and innovative industries (software, CE, etc.), which further contribute to reinforcing the first objective.