The Hong Kong University of Science and Technology
Department of Information Systems,
Business Statistics and Operations Management

Seminar Announcement

Competitive Strategies in Business Model Innovation

by

Ms Mei Lin
McCombs School of Business
The University of Texas at Austin

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Time: 11:00 am – 12:15 pm
Venue: Room 4379, ISOM Conference Room (L17/18)

ઉઉઉઉઉ All interested are welcome ઉઉઉઉઉ

Abstract

An effective business model is critical to the success of innovation, which is ultimately defined by its profitability in the marketplace. In this paper, we address the imperative for strategic choices of business models in a competitive environment under relevant market attributes. Specifically, we explore the context of online service provision, an innovative market that is flourishing with Cloud computing. The rich interface and the abundance of information in this digital medium allow the service providers to bundle advertisements with the service in innovative fashions. Based on consumers' varying taste for ads, such business model innovations with ad-support require strategic consideration of market ad-aversion as well as competition. We derive competing firms' equilibrium strategies with choices between three business models, no ad-support, and ad-support with optional or mandatory advertising strategies, and find that competitive business models can be differentiation-driven or advertising-driven. In a strongly ad-averse market, the equilibrium results are differentiation driven, as one firm implements mandatory advertising, and the competing firm chooses to not acquire ad support or to implement optional advertising; with moderate to mild ad-aversion, depending on advertising profitability firms' equilibrium strategies may be advertising-driven with both firms adopt advertising support. Interestingly, mandatory advertising weakly dominates optional advertising under certain market conditions. Our findings offer new insights to the bundling literature.

Biography

Mei Lin is a doctoral candidate in Information Systems at the McCombs School of Business, at the University of Texas at Austin. She received her bachelor's degrees in Computer Science and Mathematics, and a master's degree in Economics, from UT Austin. Her research interests include innovation, online advertising, and online collaborative communities.