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Platform Fragmentation and Complementary Innovation

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Published Online: 6 Jul 2022 | <https://doi.org/10.5465/AMBPP.2022.17700abstract>

Abstract

Complementor innovation is an essential form of value co-creation in open platform ecosystems. However, the increasing platform fragmentation, i.e., divided users in the ecosystem adopting different versions of the platform technologies, has significantly hindered complementor innovation. Reducing platform fragmentation is a complex coordination problem involving several parties in the ecosystem, thus it is unclear whether and how a platform's efforts to fight fragmentation would affect complementor innovation. Focusing on recent efforts by Google to address Android fragmentation, we find that while the platform investment does not immediately reduce Android fragmentation, app developers respond to the platform's action by significantly increasing their innovation efforts in updating apps shortly after platform investment. This forward-looking behavior is likely due to developers' anticipation of lowered innovation cost in the future, as the impact of platform investment is greater for developers with more variable cost structure such as a larger and more diverse user base, less development experience and lack of economies of scale (i.e., with a smaller portfolio of apps). The effect is also greater for developers in more competitive markets where gaining user base can be costly due to market competition. Our research highlights the role of platform commitment to improve platform infrastructure in complementor innovation, and provides implications for platform investment and intervention.



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