

Ecosystem, Control Device Antitrust

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Vertical Integration, Franchising, Open system

- Vertical Integration; do all levels
- Franchising. Franchisor-Franchisee
- Double moral hazard problem
 - Franchisees are exposed to ex post exploit. Ex post lock in relation
 - Franchisor is exposed to 'free riding problem.' Incomplete contract on quality.
 - Brand value. Franchisees' incentives are different.

Open system; Three challenges

- Three challenges
 - Quality control
 - Attractive for others, Commitment to open system
 - Revenue generating business model
 - Open parts // control parts
 - Revenues funding the project

- “Travelers love to see fast-food chains at airports. Even if they’re 2000 miles from home, they can go into an airport McDonald’s, order a Big Mac, and know exactly what they’re getting and more or less what it’s going to cost” (quoted in *Frequent Flyer*, March 1991).
- “If Big Macs were different from McDonald’s to McDonald’s, people wouldn’t stop at McDonald’s very often.” Case; McDonald at Paris



- <https://comic.naver.com/webtoon/detail.nhn?titleId=403631&no=4&weekday=sun>



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Business model: revenues

- Revenue generating business model
 - Open parts // control parts
 - Revenues funding the project
- Product B is on sale ,while Product A is provided free with product B
- Product A is marketing device for product B. Is it tying?
- Free software + advertising.
- Is it Tying?

Fried Chicken Franchising

- One franchisor put one method for fried chicken in public.
- Special sources are free. But if you want special sources, you have to use their delivery Box showing advertisements.
- Is it Tying?
- If a government intervenes, what would happen?

Business model and Competition

- Very successful in both a firm and an industry level.
- The same business model from the very start.
- Then, responsibility after success?

- Two questions
 - Competition effects
- Without the business model, would they have started that business?

- “Since the pre-installation of Google Search and Chrome together with our other apps helped us fund the development and free distribution of Android, we will introduce a new paid licensing agreement for smartphones and tablets shipped into the EEA.”
 - <https://www.blog.google/around-the-globe/google-europe/complying-ecs-android-decision/>

- "Given the realities of modern franchising, we think the proper inquiry is not whether the allegedly tied products are associated in the public mind with the franchisor's trademark, but whether they are integral components of the business method being franchised. ... Applying this standard to the present case, we hold the lease is not separable from the McDonald's franchise to which it pertains." Principe v. McDonald's, 631 F.2d 303, 309 (1980).