

Competition in smartphone markets essay sample



Recent decades have seen the increasing competition among smartphones markets where high-technology firms are keen on developing strategies to engage the competition. Smartphones collapsed, “the boundaries between previously distinct devices” (Kenney and Pon, 2011, 240). Surprisingly, few previous studies have investigated that the underlying idea behind smartphone competition leads to monopolistically competitive market. With the maturity of monopolistic competition, it is considerable that whether the competition over physical cell phones will ultimately shift towards to the competition among platforms.

Michael (2010) argues that the winner of the smartphone competition is the one with the most effective platform and core strategies. This essay attempts to identify the nature and the future of monopolistic competition in smartphone markets by using economic models and theories. Theories employed to address this issue include monopolistic competition, network externalities and multi-sided platforms. Subsequently, the central business strategies employed by smartphone companies will be analysed.

The final part will investigate whether and why eventually a platform would dominate this area. Relevant graphs and concepts will provide support as well. The Concept of Monopolistic Competition There are two of the most significant features of monopolistically competitive competition. First of all, smartphones are identified as differentiated products, with network effects, which means they have different brand characteristics with quite similar purposes. For example, the main aim for both iPhones and Samsung phones is communication.

Simultaneously, they are different in the appearance design and most importantly, ecosystems. Apple owns its powerful iOS platform while Google uses Android platform. Each differentiated platform has a great number of various apps. Hence, there are two types of consumers in this market: application developers and users. The more developers who create appealing and attractive apps work for the platform, the more benefits users would gain from this platform.

The second critical feature of monopolistically competitive market is that there are no barriers to entry. Initially, in 2007, Apple Inc. shifted its emphasis from PC to mobile devices by launching the first iPhone to introduce the innovation of the smartphone market. At that time, there were few close substitutes of unique iPhones, thus the Price Elasticity of Demand (PED) is relatively low and the demand line is downward and steep as shown in (Figure 1). When $P_0 > ATC$, Apple Inc. earned all the profits.