




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Electronic Commerce and Collaboration Between Competing Firms

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Abstract

Investments in electronic commerce technology typically require large sums of money and the realisation of possible benefits is often highly uncertain. Possible investors may also be confronted with the so-called free rider-problem. Innovators have to bear all development costs. Once standards are established followers (free riders) may easily imitate the investment. Hence, innovators may not be able to build up sustaining competitive advantages that make their investments worthwhile. As a result, available technology may not be used in an efficient way. A typical prisoner's dilemma scenario prevails. Pre-competitive collaboration may be a possible solution to this problem. The term „pre-competitive" refers to the possibility of joint application development and/or sharing of information, knowledge and ability. It should not be confused with collusion which may be legally restricted or even forbidden. The goal of the paper is to analyse whether there are economic incentives for pre-competitive collaboration as sketched above. The analysis is carried out with the help of a microeconomic model and techniques from game theory.



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