

Chapter 8

Platform as a Strategy: Collective Innovation in Mobile Payment Ecosystem

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ABSTRACT

Mobile payments are a new way to pay in the digital age. The emerging mobile payments enable viable businesses through real-time and context-specific transactions between consumers and collaborating actors. Mobile payment services realize in a multi-actor digital chain. Business interactions between actors take place in a coopetitive way: simultaneous competition and collaboration. However, little knowledge exists about mobile payment innovation strategy in coopetitive markets. This paper introduces the DISCO model (dynamics of innovation strategy in a coopetitive environment). It contributes to the exploration of strategic moves by mobile payment innovators through platform ecosystems. Our results from a case study indicate that firms have the potential to be successful through collective innovation in a coopetitive environment along with the movement of their superior competencies. Moreover, the firms should pursue ways in managing the paradoxical relationships between competition and cooperation, resource allocation and combination, as well as leadership and loss-leader strategy.

INTRODUCTION

Mobile payments have been defined as payments by making use of wireless and other communication technologies (Dahlberg, Guo, & Ondrus, 2015). Over the past two decades, many mobile payment solutions have been launched in emerging and developed markets. However, only few solutions have been successfully introduced to a large scale, especially in developed societies (Gaur, Avison, & Ondrus, 2013; Ondrus, Lyytinen, & Pigneur, 2009). The innovation strategy was recognized as a key for firms survival and success in digital service industries (Rothwell, 1992; Van Riel, Lemmink, & Ouwersloot, 2004). Additionally, some studies proposed the challenges while firms implementing mobile payment

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innovations, such as the growth potential limitation for specific service positioning (Ondrus et al., 2009), the lack of multilevel organizational involvement to develop platforms and shape sustainable ecosystems (Dahlberg, Bouwman, Cerpa, & Guo, 2015; Gaur & Ondrus, 2012), and the conflicts in collaboration between firms (de Reuver, Verschuur, Nikayin, Cerpa, & Bouwman, 2014).

Although academic attention has been paid to the problems encountered by firms innovating mobile payments, little attention has been given to the emergence of the coopetitive structure taking place in mobile payment markets. The market transformation from competitive structure within an industry to coopetitive structure within and across industries has been a difficult challenge for mobile payment providers from both operational and strategic perspectives. The actors' interactions of coopetitive activities are dynamic and evolving with their strategic moves. The strategic challenge for coopetition in business networks has become a major topic of research for scholars (Bouncken, Gast, Kraus, & Bogers, 2015). It has been noted that traditional competitive strategy (Porter, 1980) logic has a significantly weaker ability to explain strategic conduct and moves in a coopetitive environment (Ghazawneh & Henfridsson, 2011; Sambamurthy, Bharadwaj, & Grover, 2003). Hence, an appropriate strategy of innovation is essential for sustainable success of mobile payment service in coopetitive business environments.

The purpose of this study is to explore the strategic moves of mobile payment service innovator for sustainable success in the coopetitive environment. Through the in-depth case study of China Telecom, this paper presents an initiator's strategic moves and performance of self-organizing private innovation and inter-organizational collective innovation on mobile payment in a coopetitive environment. Based on these, our research question is formulated as follows:

- How does a company adjust its strategy for sustainable service innovation in a coopetitive ecosystem?

This article begins with an introduction of mobile payment regarding industrial and academic state-of-the-art. The case analysis section presents the research methodology, the data collection, and the case analysis. The findings illustrate the observations and arguments to innovation strategy and dynamics of coopetition in results section. Following that, we discuss the strategic incentives, the challenges to innovation strategy in coopetitive business environment, as well as the limitations and some strategic implications of the study.

INDUSTRIAL AND ACADEMIC STATE-OF-THE-ART

Current Situation of Mobile Payment in China

According to the latest statistics, China has 469 million users (67.5% of total mobile users) who make mobile payments by the end of 2016 (CNNIC, 2017). Many initiators offer mobile payment solutions, such as the most popular mobile wallets: Alipay Wallet, Bestpay, TenPay, and Lakala (CIW, 2014). They provide the three criteria of mobile payment: proximity payment (e.g., NFC payment by Bestpay), remote payment (e.g., credit card debt repayment by Lakala), and O2O (online-to-offline) payment (e.g., Taxi-hailing applications by WeChat and Alipay).

Emerging payments technologies and innovative services have been thriving on rapid changes and facing legal uncertainties in China. The initiators face intense competition in the national wide industry.

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