

Open & Close Strategy

~ To develop and implement your company's own strategy based on advanced case studies ~

1. What is an open & close strategy

An open and close strategy is a strategy to create a favorable business environment for the company by intensively developing technologies in the company's core innovation area while thoroughly excluding third parties, and meanwhile expanding the market for technologies in the company's non-core innovation area by standardizing them or releasing them free of charge.

2. Introduction of foreign cases

Let's look at some of the open and close strategies that have been very successful.

1) Intel MPU

The company secured technical information on MPUs, which are key components of PCs, by means of patents and confidentiality and made them into a black box and closed system.

They granted the PCI bus, which connects the MPU to external devices, to PC and motherboard manufacturers, emerging companies that received policy support for flexible taxation. However, by contractually restricting revisions, they will take the lead in the technological evolution of PCs. They also provided PCI bus and motherboard technology to these manufacturers, who did not have the technical capabilities at the time. This has enabled them to take advantage of network externalities to massively promote its own MPUs, which are optimized for the PCI bus and motherboard, and to achieve high profitability.

2) GSM system for digital cell phone networks in Europe

By standardizing and opening up the internal and external specifications of cell phone handsets, the company has achieved mass adoption at low cost.

They black-boxed and closed the radio base station and control equipment in the cell phone backbone network system and led its evolution and revision while securing intellectual property rights to the communication protocols.

This enabled them to achieve total market dominance.

(In contrast, the U.S.-led standardization and opening of Wi-Fi access points that allow direct Internet access without wireless base stations, as well as Apple's and Google's smartphones with full Internet browser functionality [and open operating systems], have deteriorated this market dominance.)

3) Adobe Systems

The company sold PDF (Portable Document Format) creation and editing software (Adobe Acrobat) for a fee, while releasing and providing PDF reading software (Adobe Reader) for free. By opening PDF reading-related patents and copyrights to other companies free of charge on the condition that they conform to the PDF specification, they restricted independent extensions of the

specification and took the lead in the direction of technology and product development. This has enabled them to achieve high profit margins while expanding the PDF-related market.

3. Introduction of domestic cases

Open and close strategies are not the exclusive domain of IT companies in the U.S. and Europe. There are several successful examples in Japanese companies.

1) Mitsubishi Chemical Corporation

The company established, standardized, and opened up a DVD manufacturing platform and provided it to companies in emerging countries that received policy support from special economic zones and flexible taxation systems, and supplied the optimal recording materials and stampers for the manufacturing platform to those companies in a black box and closed system under its own patented inventions and other technical information to achieve high profitability.

2) Denso Corporation

The company concerned made the basic specifications of QR Code, which was an in-house standard for goods distribution management, into ISO for dissemination, licensed the essential patents free of charge, and expanded the market. At the same time, the company made QR Code recognition and decoding technology a differentiated area and sold readers and software for a fee to gain the top domestic share in readers and secure profits.

4. Conclusion

Implementing an open and close strategy requires careful research, planning, and preparation. It is essential to identify and distinguish between core innovation areas and non-core innovation areas, and to formulate and execute detailed strategies for both areas and the boundary areas that connect them. During execution, flexible modifications are required in response to changes in the market.

We are here to help you develop and execute your strategy. Please do not hesitate to contact us.



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