Abstract
In many complementary-good industries, it is common practice for a firm to tie its products to a proprietary standard, making them incompatible with those produced by other firms. In this paper, I use rich individual-level data to study the impact of compatibility in the digital camera and lens industry, where products are tied as a design choice. I simulate the impact of compatibility via a structural model where forward-looking consumers make costly investment decisions on camera and lens, and forward-looking firms compete for demand using razor-and-blade pricing. I find the introduction of compatibility decreases the value of the install base and thus firms' incentives to compete for it. As a result, compatibility raises equilibrium lens prices by 31% to 40% and generates large profit gains. Although tying is a common design choice, it is unlikely to be the right move in this case as it intensifies competition. Conversely, because tying can be pro-competitive, the regulator should not always enforce compatible standards in new industries.

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(2) He measures how retail pricing managers learn about a new market and improve pricing policies over time.
(3) He assesses the impact of online shopping technology on the competitive landscape of the retail industry.

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All interested are welcome.