

【長崎大学経済学部ディスカッション・ペーパー・シリーズ】

DISCUSSION PAPER SERIES

Faculty of Economics, Nagasaki University

No.2010-01 (Jan. 2010)

An Economic Analysis of Coopetitive Strategies in the Game Software Market

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Abstract:

This article analyzes the cooperative and competitive strategies pursued by game software firms facing the problem of intellectual property rights violation. The main result is that although legal game software firms have an incentive to invest to protect their intellectual property rights, the actual level of investment is lower than the socially optimal level of investment. In other words, the situation where firms cooperate to choose their investment level and compete with quantities is desirable (known as “coopetition”), but this is unrealized if legal game software firms voluntarily choose their level of investment. On this basis, associations that legal game software firms join in exchange for a membership fee can be a useful mechanism to coordinate investment levels among legal game software firms and cooperatively fight illegal game software firms.

Keywords: Coopetition, Game software market, Intellectual property rights, Economic model