

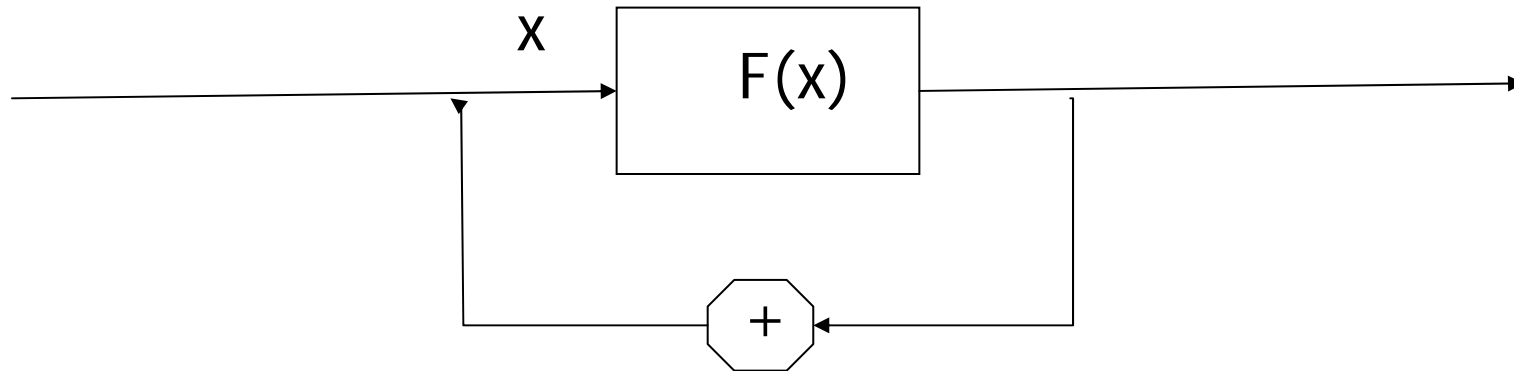
The Formation of Paths

Systems

Positive Feedback (Arthur, 1988)

Entrenchment

Positive Feedback



The Formation of Paths

e.g. Video Recorder

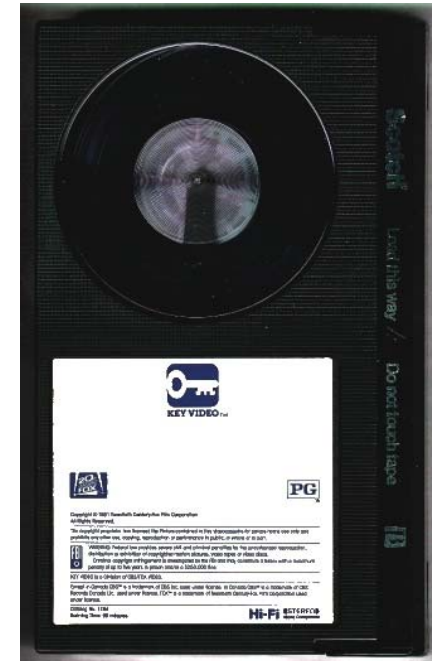
3 systems:

VHS (JVC/Matsushita),

Betamax (Sony)

Video2000 (Philips-Grundig)

Until 1974 no recording for ordinary consumers



Sony Beta Max Tape
http://en.wikipedia.org/wiki/Image:Beta_Max_Tape.jpg

The Formation of Paths

e.g. Video Recorder

1974 Sony offers JVC licence for Betamax

1975 Sony has monopoly: 30.000 video recorders sold in USA

1976 VHS (JVC) en V2000 (Philips) introduced on market

1977 Sony - Zenith, JVC - RCA

RCA pushes more recording length

VHS reaches 3 hrs

Betamax-Philips only 1 hr

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e.g. Video Recorder

Market experts expect 3 standards like record player (33, 45, 78)

Disney and Universal lose legal battle against video recording and start selling/renting movies on video

1978 Betamax market share only 19 %, VHS 36 %

Price war, video recorders become 3-4 times cheaper

Lots of pornography

10-1-1988 Sony starts production of VHS

Philips had done so before

VHS is standard,

betamax only 1 % market share in USA, V2000 0%

The Formation of Paths

Mechanisms behind positive feed back

expectations (based on reputation)

economies of scale

hardware software connections

marketing & logistics

learning curve

Examples

- Factors?

The Formation of Paths

Regime Shifts Possible?

Factors

belief in progress of current regime is low (Tenax)

availability of accumulated knowledge and experience for a new alternative

presence of niche markets

scope for considerable 'learning effects'

network creation