



**SCHOOL OF  
ECONOMICS AND  
MANAGEMENT**

## **How are Complementors Swimming with the Shark?**

**Exploring the Co-opetition Relationship Between Amazon.com  
and Third-Party Sellers**

**by**

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# Abstract

Following a brief introduction on the platform ecosystems, the impacts of the complementors to the platforms are introduced. This study examines the dynamics of collaboration and competition between digital platforms and their complementors; mainly, it focuses on complementors' defence strategies for competing against the platform. A review of the literature about the collaboration and competition between platform owners and their complementors is discussed with the literature about their interdependency and the defence strategies. To answer the research questions arising from these aspects, an empirical research design of multiple case study was conducted on five Amazon.com sellers. Evidence that both sides are adding value to each other in different ways. Complementors add value by improving product diversity and decreasing the price levels while the platform owner gives access to its loyal buyers. However, collaboration while competing is likely to harm complementors due to the power advantage of the platform. Therefore, they implement several strategies to compete against Amazon, such as becoming less dependent and avoiding competition with the platform owner. Finally, the findings of this paper are discussed with the theoretical framework, and practical implications are suggested for the managers in the industry.

**Keywords:** Co-opetition, Dependency, Collaboration, Competition, Defence Strategies, Amazon, Complementors

**Word Count:** 23,574

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# 1. Introduction

The introductory chapter presents a comprehensive overview of the thesis' main topics: cooperation, competition, and defence strategies. Firstly, background information is given related to the thesis' subject, and the case of Amazon.com presented. Secondly, the problem related to the case is discussed, and the research gap is identified. Later, the research purpose is explained; then, two research questions are formed based on the problem discussion and the research gap. Lastly, the thesis outline presents the outline of the study.

## 1.1. Background

Digitalisation has revolutionised the world in the last decades, and it is having a tremendous impact on businesses and especially on the e-commerce industry (Hein, Schreieck, Riasanow, Setzke, Wiesche, Böhm & Krcmar, 2019). The prevalence of online marketplaces has become more visible. Consequently, the online platforms started to allow other sellers to use their resources and capabilities, predominantly those related to warehousing, handling, and distribution. Thus, third-party sellers gradually reached remarkable importance on the marketplaces (Zhu & Iansiti, 2012).

The percentage of third-party sellers on Amazon has been increasing steadily over the past five years, rising from 40% in 2013 to 53% at the end of 2018 (Statista, 2021). For this reason, Zhu and Liu (2018) gave a new name that illustrates their importance to a great extent; they called them complementors that could be understood as those who bring extra value, a combination from which both parties win. Based on the way they named the third parties, during this paper, the terms 'third-party sellers' and 'complementors' will be used inter-changeably to avoid repetitions and to better illustrate their dual role on the platforms.

Since the complementors play a significant role in the development of a digital platform; A platform's success is closely related to its ability to bring the elements of these complementors to its platform (Parker & Van Alstyne, 2005). The examples for platform-based markets involve media, retail, video games, mobile apps, photo-sharing, and credit cards, among others. Millions of entrepreneurs developed their businesses to sell products and services on these platforms. Even



though many companies are selling their products or services on such platforms, the platform owners have excessive influence over their complementors.

Many third-party sellers have been affected negatively when the platform owners directly competed with them (Zhu & Liu, 2018). This negative influence is because the platform owners usually have superior size and can outcompete their partners to increase profits in the short term (Parker & Van Alstyne, 2014). However, Iansiti and Levien (2004) argue that the platforms should be discouraged to compete directly against their complementors for the health of platform ecosystems since the complementors are adding significant value. Additionally, according to Brandenburger and Nalebuff (1996), firms progressively cooperate with their competitors to improve their resources and capabilities, which could be challenging to accumulate alone. Therefore, third-party sellers of digital platforms are also collaborating with the platform owners to benefit from the platform's resources and capabilities even though they might compete at some point.

To provide evidence in this setting, the case of Amazon.com is examined to analyse the cooperation and competition dynamics between the platform and its complementors. Since Amazon is an online marketplace that offers the possibility to third-party sellers to market their products on its platform while, on certain occasions, directly competing with them, represents a setting that might provide a useful explanation for the cooperation and competition dynamics.

## 1.2. Problem Discussion

Platform-based markets have become more and more common today; they are also described as multi-sided since they provide strong interactions between consumers and their complementors (Parker & Van Alstyne, 2005). Bringing these consumers and complementors together has become the critical success factor for platform-based markets (Rochet & Tirole, 2003; Zhu & Liu, 2018). Therefore, collaboration with complementors could enhance platforms' capabilities through innovation (Parker & Van Alstyne, 2018). From these collaborations, both platforms and their complementors could win and develop.

However, platform owners have significant influence over complementors. This power of the platforms sometimes pushes them to compete against their complementors. Many successful complementors have been pinned away from their markets due to competition against the platform

owners, not by the other firms (Zhu & Liu, 2018). Parker and Van Alstyne (2018) further argue that platform owners imitate and enter markets for profit maximisation where complementors are already successful.

Furthermore, fierce competition could harm platform owners too, and Iansiti and Levien (2004) observe that common advice for them is to not compete directly with their complementors for the sake of sustainability. Entering the product space of complementors is encouraged only when the platforms are not satisfied with complementors' products and want to improve products' quality to enhance the platform consumer satisfaction. Contrarily, this competition could motivate underperforming complementors to innovate more to compete against platform owners.

After discussing the cooperation and competition between platforms and third-party sellers, this research focuses on the case of Amazon.com. Particularly on complementors' perspective, experiences and understanding related to this popular business model. The competition within Amazon.com has been discussed academically and legally. The European Commission has opened a formal antitrust investigation against Amazon because it is suspected of breaching EU antitrust rules by distorting competition on its platform. One of the main concerns of the investigation is that Amazon gathers data from its independent sellers to benefit its own retail business, where the independent sellers are the main competitors of Amazon (European Commission, 2020).

The competition within Amazon.com differs from other e-commerce platforms to some extent. The reason is that Amazon has two roles as a platform. First, it enables independent sellers to use its digital ecosystem to sell their products directly to customers; second, it sells products on its platform as a retailer while competing with other sellers. The dual role of Amazon.com creates competition which could be further analysed.

Zhu and Liu (2018) define Amazon product entry patterns as “several indications suggest that the entry pattern is beyond coincidence” (p.2636). Complementors could predict Amazon's entry patterns with the help of product characteristics meaning that they can implement strategic responses against this entry.

Although the sales of third parties on Amazon covers more than half of the sales (Statista, 2021), little attention has been paid to the strategies of third parties on this platform. Therefore, this

research aims to enrich the literature of competition in digital platforms by focusing on complementors' perspective, which is an arguably neglected viewpoint.

### 1.3. Research Purpose

Although it is commonly agreed that Amazon.com is using in several ways their information advantage to compete with its complementors in certain markets (European Commission, 2020; Wen & Zhu, 2019; Zhu & Iansiti, 2012; Zhu & Liu, 2018), little attention has been paid to the perspective of the actual third parties which are involved in this business phenomenon. The purpose of this research is to explore, understand and describe the experiences of complementors on the biggest e-commerce platform in the world, giving the fact that they are constantly under the risk of misappropriation of value from the actual platform owner. In particular, the aim is to understand the strategic implications for complementors, their understanding and experiences. Moreover, the aim is to create empirical evidence using the lenses of Co-opetition theory, Resource Dependence theory and its derivation Swimming with Sharks Dilemma, all within the International Business spectrum and specifically the Digital Platform Ecosystems environment. Based on the purpose of this study, the research questions are as follows:

*RQ1 How do complementors cooperate and compete with platform owners while platforms expand their ecosystems?*

*RQ2 What are the experiences and potential defence strategies of complementors when the platform could at any time become a competitor?*

### 1.4. Research Outline

This research paper consists of five chapters, starting with the introduction, where the topic of the study and the research questions are presented. In Chapter 2, literature and theoretical review related to the concepts of cooperation and competition will be presented. Three broad sets of literature concerning the chosen theories will be explored: Co-opetition Theory, Resource Dependence Theory and Swimming with Sharks Dilemma. This chapter will also introduce a theoretical framework that contains the theories used in this study as well as central concepts, which are relevant for data analysis. Next, Chapter 3 will outline the methodology for the research approach, data collection and analysis. In Chapter 4, the findings from the interviews will be

analysed guided by the theoretical framework and by using within-case and cross-case analysis. Lastly, in Chapter 5, the conclusion from the analysis will be presented; it is followed by research implications and recommendations for future studies.

## 2. Literature Review

In the last decade, several new ways of doing business emerged mainly since the internet created a new space for doing business with fast and efficient tools continuously developing. One of these new digital environments is the e-commerce platforms, and the biggest one, which also attracts the most criticism, is Amazon.com. In this chapter, we present a theoretical framework that is intended to help the reader understand the connections between theories, key concepts, actors involved and the setting of the paper.

A vital distinction to mention is that this chapter is a literature review and not a summary of the literature. Kumar (2014) underlines this distinction and emphasises that while the latter is merely a descriptive summary that presents a list of the noteworthy findings related to the topic, the former is an organisation of findings based on central themes. Therefore, we are constructing a literature review organised on main themes emphasised in the theoretical framework. The sources that we found relevant for the themes are discussed and compared critically in a logical progression (Kumar, 2014).

Paul and Criado (2020) emphasise the importance of this part in a thesis, considered by some the basis of the research argumentation and design. Here we decide what to include from the vast literature related to our topic. Moreover, we present our understanding in order to provide context and position the study within some clear theoretical boundaries (Paul & Criado, 2020). Therefore, the papers selected encompass relevant theories and concepts related to business strategy, competition theory, interdependencies, and digital platforms. Lastly, Kumar (2014) describes this chapter as the place where clarity and focus for the research problem are achieved and where the scholars shape the research methodology.

Moreover, the following literature review is in line with the guidelines provided by Easterby-Smith, Thorpe and Jackson (2015) regarding the flow of ideas in a funnel, meaning that we start with a general topic and gradually reach the main subject that is going to be analysed and discussed extensively. Therefore, our literature review does not start as the theoretical framework (figure 1) shows with Co-opetition theory, but with the International Business environment in an attempt to present the literature as a progressive representative synthesis (Easterby-Smith, Thorpe & Jackson, 2015).

## 2.1. Theoretical Framework

With the purpose of illustrating the connections between the theories and the concepts that are vital for the research development, but also with the role of guiding the empirical work, the following theoretical framework was constructed.

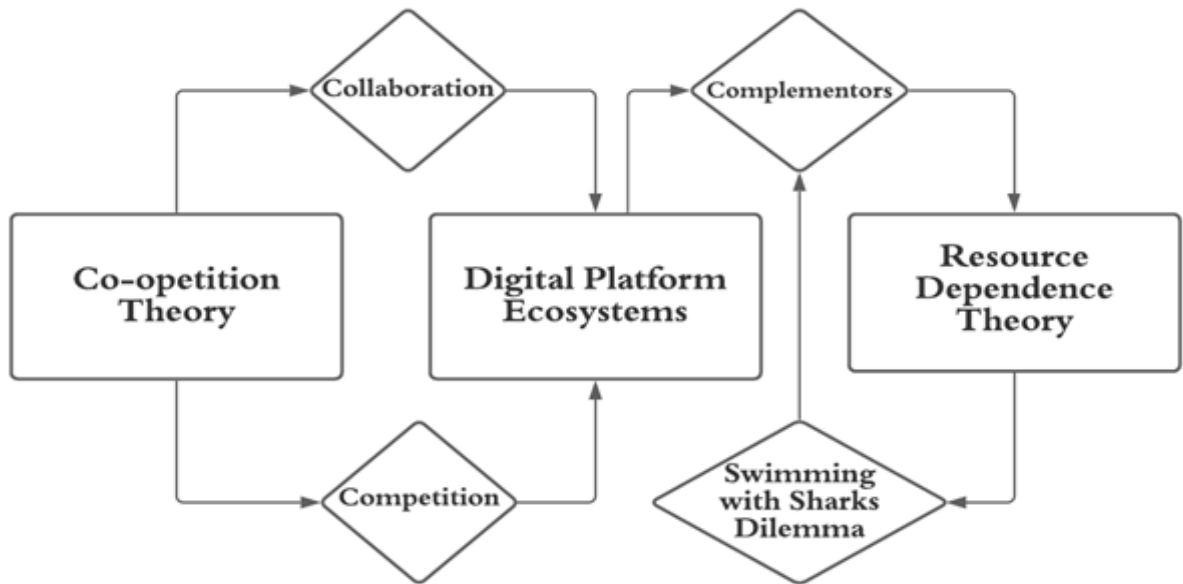


Figure 1: Theoretical Framework

By looking at this diagram, the reader is able to recognise the boundaries within which our study is placed and the theoretical lenses used for generating, collecting, analysing and interpreting data. The overall environment of this theoretical framework is the International Business one, in which most of these theories and concepts have their roots. It is worth mentioning that the diagram in figure 1 does not follow precisely the order in which the theories and concepts are presented in this chapter but rather the order they emerged in our research journey and the connections which guided the process.

The starting point of the theoretical framework is the Co-opetition theory because this considerably represents the primary concern of the study; the purpose is to explore, understand and describe the relationship between Amazon and third-party sellers. This theory indicates two relevant concepts, namely collaboration and competition between firms, and defines the study's central phenomenon. The arrows follow an arguably logical direction towards the main business environment discussed,

which creates the purpose of this study and the entire phenomenon, generally named Digital Platform Ecosystems. As we mentioned before, this digital marketplace is formed from the platform owner and the third-party sellers, also called complementors. This paper focuses on the perspective of the complementors. Therefore, the arrow continues towards this concept which, as a result of interactions in the marketplace, leads to situations and concepts solidly related to the Resource Dependence Theory. Finally, the Resource Dependence Theory leads to an emergent dilemma that scholars interestingly name Swimming with Sharks Dilemma, an idea that portrays similar features to the phenomena studied and that naturally ends the network illustrated, pointing at the ones which are mainly studied i.e., the complementors.

## 2.2. The International Business Environment

Considering that this thesis is intended to be developed within the boundaries of the international business field, it seems appropriate to start the literature review with a discussion about the environment that hosts the main themes. One of the books that is a reference for us regarding the topic of international business is 'International business: competing in the global marketplace' written by Hill and Hult (2018). This volume signifies the beginning of our academic journey, used in the first course of the degree that concludes with this thesis. The worldwide most used text in the International Business field emphasizes the importance of the industrial revolutions and globalization as main drivers of development. These important historical events represent the human evolution, advancements that inevitably led to a better life for individuals who gradually engaged in collaboration and innovative activities to simplify their existence and make it better.

Although Hill and Hult (2018) acknowledge the importance of these advancements that created the suitable means for a world market environment, they also underline the specific differences between nations regarding political, economic, and legal systems. Additionally, they emphasize the importance of norms and values that create the multitude of cultures. Besides all the similarities and differences, Micklethwait and Wooldridge (2003) underlined the idea that people engaged in more or less organized economic activities from the beginning of existence. These led to the creation of companies, and they extensively discussed their history. A central part of this history was represented by the interactions which made the firms and the business environment more complex in an unceasing process to create value, grow, satisfy more needs and earn higher profits as a result.

As the field developed and helped a significant part of the world population live a better life, an event as important as the industrial revolution was the emergence of the internet. This technological innovation for the international business field represented the opportunity to create new business models, to create value in countless different ways and at an incessantly higher pace. While Micklethwait and Wooldridge (2003) focused on the reality and the context of the international firms before the internet appeared in the picture, Hill and Hult (2018) dedicated multiple parts of their book to emphasize the internet's impact on the business world. Furthermore, they argue that every business domain was affected by the new digital means to some extent. Business activities such as communicating, coordinating, controlling, buying and selling, outsourcing, recruiting, expanding, and many others became possible beyond borders, with no physical limitations. From the list mentioned, we are particularly interested in the online buying and selling of products activity that led to the development of digital platforms.

### 2.2.1. Digital platform ecosystems

The digital platform ecosystems represent, as Hein, Schrieck, Riasanow, Setzke, Wiesche, Böhm and Krcmar (2019) mention, the change in the way we consume, produce and distribute products and services. They are defined as a digital network in which the owner is trying to attract as many third parties as possible that provide complementary products and services, consequently creating interdependencies and accumulating valuable information. Moreover, diverse categories of platforms emerged, and Cozzolino, Corbo and Aversa (2021) and Zhu (2019) discuss, among others, the media, retail, video games, mobile apps, photo-sharing, and credit cards. What might seem facile and straightforward to achieve is actually a complex development process because the platform owners constantly face the trade-off between customers and complementors, meaning that one attracts the other (Wei, Geiger & Vize, 2019). Diversity on the platform resulted from a multitude of third-party sellers that provide innovative products can be achieved only if the platform can provide a sufficient number of potential customers (Hein et al. 2019).

Zhu (2019) is one of the scholars who acknowledged the multitude of studies on digital platform ecosystems and organized several relevant ones on this topic. Moreover, Zhu and Iansiti (2019) explain using literature and theories related to networks why some platforms succeed while others are just temporary trends that do not manage to take advantage of their growth. The easiness of new user additions and the network effects are the main factors that help many platforms grow



exponentially, at a high pace, in the pursuit to capture a significant share of the market (Zhu & Iansiti, 2019). The scholars particularly discuss the network effects concept since this is a rather peculiar phenomenon for platform ecosystems. This concept implies that the size of the people concentrated on a platform influences more users to join. They present the advantages of these rapid developments and the respective challenges that differentiate between sustainable platforms and short-term trends. Some of the main challenges presented by Zhu and Iansiti (2019) are related to the platforms' abilities to remain relevant in terms of functions, consolidate the customer base, innovate, and monetize on the data collected.

Furthermore, Cozzolino, Corbo, and Aversa (2021) critically discuss what implications this kind of business model has for the typical third-party seller, in most cases facing a competitive size and power disadvantage relative to the platform owner. This disadvantage is created in some cases by the moral hazard problem resulting from information asymmetry; the platform owners might identify the attractive categories and subtract value by entering the market or by restricting the complementors. Specifically, in the case of Amazon, several scandals emerged precisely from the issue described previously, and Zhu and Liu (2018) conducted quantitative research that proves the entry of Amazon in attractive markets on its platform is not a coincidence.

Another important aspect related to the digital platform ecosystems literature is that these platforms entail significant differences in strategy and business model. Cennamo and Santalo (2013) developed on this topic, and their study challenged the strategy that most of the platforms considered successful at that time, namely the winner-take-all (WTA) approach. They focused the study on the video-game industry. Their findings revealed that the WTA approach that forces platforms to do everything to have the largest network is detrimental to a balanced approach. The balanced approach implies that the management of the platform has a clear vision that is communicated to both the complementors and the consumers. Moreover, it implies that they make informed decisions regarding the level of competitiveness and distinctiveness concerning the rivals (Cennamo & Santalo, 2013).

Nonetheless, Wegmann, Ritala, Tapandjieva and Golnam (2018) provide in figure 2 a diagram that illustrates the overall configuration of these ecosystems and the connections between the different actors involved. They arrange the actors by their respective size and emphasize the central role of the platform, in this specific case Amazon.com, that creates the environment where sellers

are both substituting and complementing each other and the platform itself. Moreover, the authors underline the importance of interactions in these ecosystems and the feedback effects represented by reviews that play a vital role in the differentiation between successful and unsuccessful sellers.

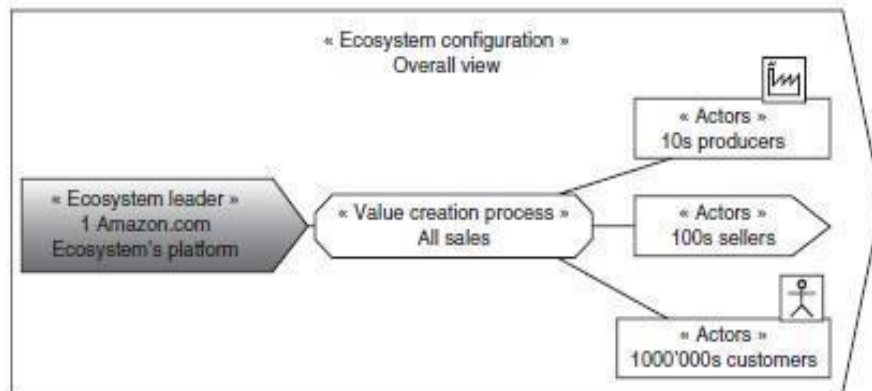


Figure 2: Ecosystem configuration – all actors represented (Wegmann et al. 2018, p.5)

### 2.2.2. The complementors of digital platforms

In his study focused on several platforms and complementors, Zhu (2019) provides a table that organises the different articles that focused on the entry patterns of the platform owners. This paper emphasises the different situations and environments that have in common this specific issue, the platform owner's information advantage, and the power associated with it. While these studies focus mainly on the actions of the platforms, the paper written by Zhu and Liu (2018) placed under the spotlight of the business research field a different perspective. Precisely, the perspective of the complementors which other scholars afterwards adopted (e.g., Cenamor, 2021; Cozzolino, Corbo & Aversa, 2021; Miric, Boudreau & Jeppesen, 2019; Tavalaei & Cennamo, 2020).

One of the studies that is inspiring for the development of this paper is the one of Zhu and Liu (2018), “Competing with complementors: An empirical look at Amazon.com”, which, to the best of our knowledge, is one of the major studies regarding the relationship between platforms and complementors. However, this study is also mainly focused on the actions of the platform, showing once more that additional research related to the perspective and experiences of the complementors is needed because they represent a significant part of the business models (Cenamor, 2021).

Nevertheless, Zhu and Liu (2018) emphasise an aspect that creates the opportunity for future research; they prove with statistical analysis that Amazon’s entry into markets dominated by complementors is not a coincidence. Furthermore, this is also related to what Katila, Rosenberger

and Eisenhardt (2008) accentuated one decade before, precisely that not enough attention was paid to the negative situations that sometimes emerge from the collaboration between minor and large companies predominantly misappropriation of value done by the large firms.

Alternatively, Zhu and Liu (2018) identified some gaps in the academic literature regarding studies that focus on the potential risks for complementors associated with the platform owners' information advantages. Likewise, they argued as Katila, Rosenberger and Eisenhardt (2008), that most of the research in this field illustrates the positive outcomes of the collaboration (e.g., Baum, Calabrese, and Silverman, 2000; Gulati and Higgins, 2003; Stuart, Hoang, and Hybels, 1999), disregarding the multiple negative sides of the phenomenon. Moreover, they provide different examples of platforms and their interactions with complementors supporting the idea that the approach depends significantly on platforms' level of development. Another essential aspect mentioned by Zhu and Liu (2018) is that, at certain stages, some platforms depend extensively on complementors' investments and accordingly are taking measures to encourage them to remain on the platform, to invest and to be part of the growth, an example being Intel Corporation.

In addition, some of the possible disadvantages for complementors are mentioned by Song, Chen and Li (2021) in their research regarding spillover effects on consumer awareness from selling on digital platforms. In this article, they develop a game-theoretic model aiming to help the actors involved identify the stages in which it is advantageous for the third parties to sell on platforms and when it is advantageous for the platforms to give them access to sell. The study implies that the spillover effect plays a significant role in the strategy choice for complementors. However, for widely recognised platforms, the effect is not significant, which might make platforms impose large commissions also based on this fact (Song, Chen & Li, 2021).

Besides discussing the disadvantages that complementors usually encounter, some authors focused on the possible solutions that they might adopt. Wang and Miller (2020) provide a short study focused on the case of Amazon.com and the unique business situation caused by the COVID-19 pandemic. Initially, they acknowledge the fact that Amazon leverages their power to their own advantage, sometimes at the expense of the complementors. At the same time, they also underline the fact that the offerings are actually the key success factor. Therefore, one of the first possible solutions that Wang and Miller (2020) mention is not providing the entire variety of products on one platform. The example they give is the book publishers who sell on Amazon only a fraction of

their entire collection while carefully selecting those that potentially make the customers search for the publisher. Moreover, Wang and Miller (2020) support the idea that complementors should anticipate the platform's actions that might affect them and keep viable outside options to secure a certain level of bargaining power.

Lastly, figure 3, created by Wegmann et al. (2018), illustrates a third-party seller's perspective in an applied way that emphasizes the complexity of the business model and the major managerial decisions involved in these digital platform ecosystems. Moreover, it explains the dual role that some platforms adopt when they are both sellers and ecosystem managers and what potential conflict of interests this situation creates. Moreover, Wegmann et al. (2018) argue that mainly because of this dual role, consumers become confused and do not distinguish between independent sellers and the platforms, which might represent an internal sales advantage for the latter since the sales contribute to their brand image rather than the one of the specific seller.

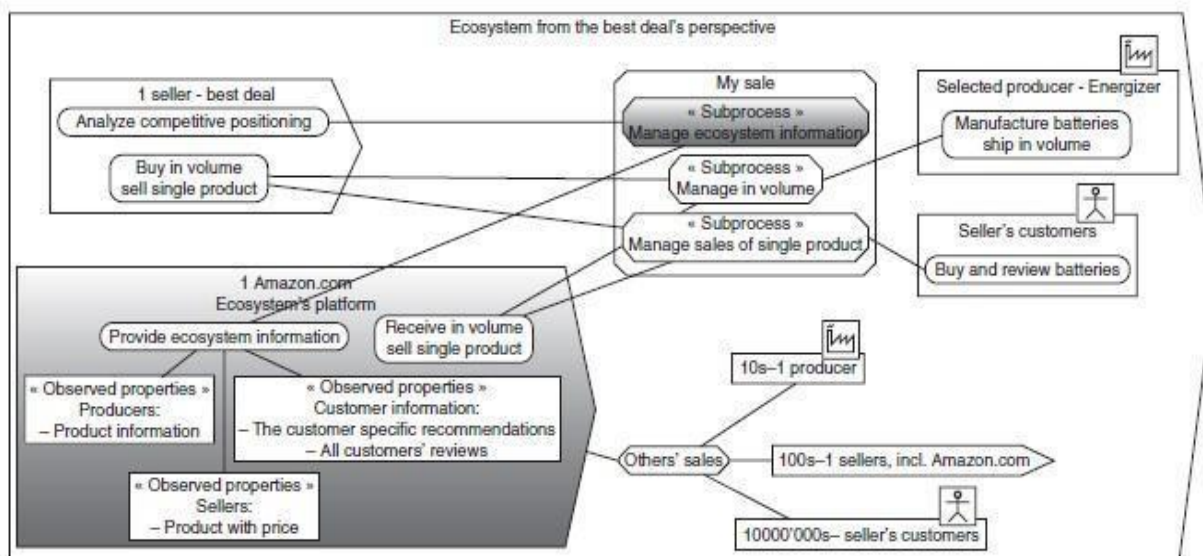


Figure 3: Ecosystem from the seller's perspective (Wegmann et al. 2018, p.5)

### 2.3. Resource Dependence Theory

More than four decades ago, in 1978, the Stanford University scholars Pfeffer and Salancik provided to the academic world a new perspective that influenced the overall focus of the field (Pfeffer & Salancik, 2003). Hillman, Withers and Collins (2009) regard this theory as one of the most influential in organisational studies and strategic management which firstly viewed the

organisation as an open system. In other words, this book made the individuals involved in organisations and organisational studies focus on the bigger picture; it helped them understand the context wherein the organisations are embedded, the environment, rather than merely focusing on the leadership's actions. The interactions between organisations, environments and the actors involved led to what Pfeffer and Salancik (2003) named interdependencies, and as a result, the Resource Dependence Theory (RDT) emerged. Therefore, the different actors employed a multitude of strategies to achieve specific goals. The focus was extended from products and customers to include suppliers and other entities that directly or indirectly affect the flow of resources (Pfeffer & Salancik, 2003).

Nienhüser (2008) created an adapted diagram (figure 4) from the one of Pfeffer and Salancik (2003) that intended to provide a full image of the argumentation of the RDT and the connections involved.

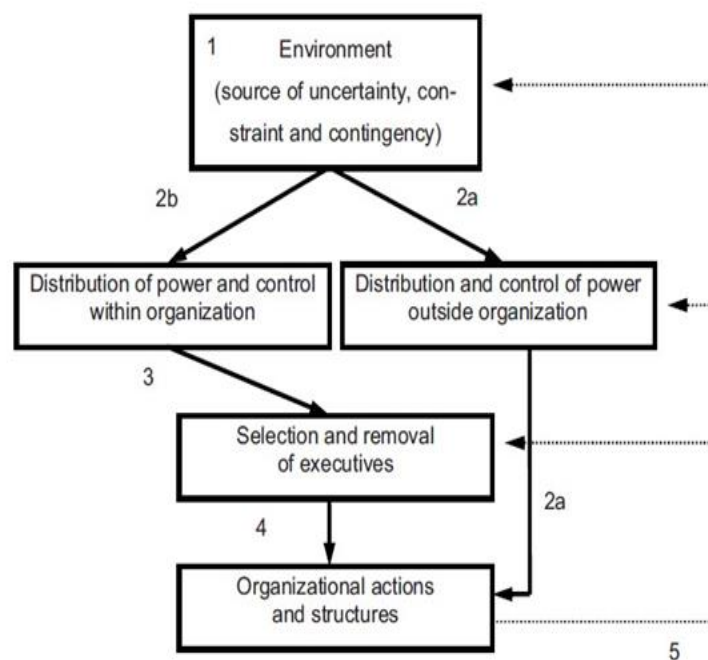


Figure 4: The connection between environment, organization and organizational decisions or actions (Nienhüser, 2008, p.11)

What Nienhüser (2008) observes and illustrates with this model (figure 4) is that the business strategy discussions usually begin with the environment, which is unpredictable, difficult to understand and reliant on circumstances. From the central concept of environment in figure four, a pair of arrows emphasises that power and control distribution occur both within and outside the organisation. The concept from linkage 2b, developed originally by Pfeffer and Salancik (2003), is

based on Emerson's (1962) power dependency theory, which states that a party's bargaining power increases proportionally to the degree of dependency of the other party on that resource or capability. Moreover, the theory implies that all parties involved want to decrease their dependence or increase their relative power. Therefore, Jongruck (2012) argues that even within organisations, stakeholders, who theoretically have the same goals, possess more or less bargaining power that can be used strategically in different ways.

While Pfeffer and Salancik (2003), in the original model, designed only the linkage between the environment and the internal distribution of power and control, Nienhüser (2008) added another relationship which is represented by arrow 2a in figure 2. By introducing this arrow, Nienhüser (2008) emphasised the role that external actors such as competitors, institutions, external providers of key resources play in the management's strategy choice. An important decision that he mentions is between vertical and horizontal integration strategies where vertical offers more control over the resources. In contrast, the horizontal is interpreted as extended dominance of the resource holders. These strategies further have effects on the selection and dismissal of executives. Consequently, they have effects on the structure of the organisation, impacting the overall action plan due to differences in vision between new and old executives, as Nienhüser (2008) displayed.

Taking the discussion further, the third arrow comes from the internal distribution of power and control and points at one of the crucial responsibilities of the owners of any organisation, explicitly selecting and removing executives (Nienhüser, 2008). Regarding this connection, Pfeffer and Salancik (2003) argue that a decisive factor is played by the subunits' power and the performance criteria that those impose. Moreover, they mention that the departments considered the core of the organisation have more complex problems to solve, more responsibilities and consequently a superior influence over the choice of executives. As such, the decision-makers selected from the departments considered vital for an organisation tend to favour executives with similar backgrounds to theirs in the attempt to maintain power (Nienhüser, 2008).

The diagram ends with the connections between the previously mentioned sections and the "Organisational actions and structures". Nienhüser (2008) presents this part as a double connecting point for the management structure, which is internal and the influential external stakeholders that possess vital resources for the organisation. Both of these sections illustrate the interdependencies that Pfeffer and Salancik (2003) focus on, which have final effects on the important decisions for

organisations and the way they are structured. Furthermore, Hillman, Withers and Collins (2009) underline the fact that these interdependencies create some patterns and, in the attempt to become less dependent, more inter and intra organisational dependencies are created due to the unpredictability of the environment. Subsequently, they influence, to some extent, the behaviour of the organisation. Nevertheless, an inferential addition was made by Nienhüser (2008) based on the central assumptions of the RDT and represented by arrow five in the diagram, which he termed the feedback effects. These effects emerge from the actions of the organisation and directly or indirectly affect all the other sections formerly mentioned.

Lastly, RDT, like any other theory commonly used in business research, has limitations and received some criticism. Hillman, Withers and Collins (2009) emphasise that the theory was vastly used within the United States context while lacking applications in cross-national contexts. Moreover, Casciaro and Piskorski (2005) argue that the theory is limited to certain defining preconditions such as constraint, restructure of dependencies, operations that involve the use of power, size differences, to name a few. Without these conditions, the theory might not explain the empirical data correctly when applied and could be misleading. Some industries are more suitable for RDT than others, according to Finkelstein (1997), and this applies especially to inter-industry cases where the explanations provided by the theory are considered weak.

However, Hillman, Withers and Collins (2009) emphasise that the theory proved its benefits and provided coherent explanations in several instances, especially in the studies related to firms and environments that shape them. Moreover, Jongruck (2012) extensively discussed the various applications of the RDT in his thesis. He argues that, especially when it comes to explaining the patterns of inter-organisational collaboration, the theory proves to be vastly efficient. He is even providing several examples when the theory is used with this purpose (e.g., Gray & Wood, 1991; Grønbjerg, 1993; Guo & Acar 2005; Harlan & Saidel, 1994) but also studies focused on the dependence that small and medium enterprises (SME's) have on different large entities (e.g., Seppälä-Esser, Airey & Szivas, 2009).

## 2.4. Swimming with Sharks Dilemma

In the Strategic Management and Organizational Studies fields, scholars explored the different interactions between organisations and the challenges that come together with the potential benefits

in numerous ways. Hardy, Lawrence and Phillips (2006) developed a case study focused on the challenges that emerged with the collaboration between multi-sector organisations in the domain of HIV/AIDS treatment in Canada. In this case study, a particularly compelling point was the statement, “It is like swimming with sharks: they do not always want to feed, but you need to know they’re there” (Hardy, Lawrence & Phillips, 2006, p. 97) that was made by a member of the Canadian Treatment Advocacy Council referring to pharmaceutical companies. It is an important statement because it gave the name of the study, and it generated what was lately named “The Swimming with Sharks Dilemma” by Katila, Rosenberger and Eisenhardt (2008). This dilemma applies to most of the small ventures that need resources from the big established counterparts.

Katila, Rosenberger and Eisenhardt (2008) emphasise the close connection between the dilemma and the Resource Dependence Theory in their comprehensive multiple case study focused on five technology-based American industries. The particular factor that makes firms from these technology-intensive industries encounter the dilemma is the effervescence of the market and the significant need for resources in order to develop at a competitive pace (Katila, Rosenberger & Eisenhardt, 2008). However, they also mention that the timing of tie formation represents an essential factor that separates the successful partnerships from those resulting in adverse effects for one or both parties.

Inspired by the studies which focused on the dilemma and specifically the discussion regarding venture capital investments and dependency, Park and Bae (2018) developed a study that emphasises the essential role of timing in this business practice. One of the first arguments they provide is that, particularly for startups, the collaboration with larger firms is more beneficial at a later stage when the former already exhausted most of the initial resources, developed and identified the primary resources required for future growth. Additionally, Katila, Rosenberger and Eisenhardt (2008) underline that the timing is critical because the parties that require external resources might have to elaborate several defensive mechanisms that could protect them from misappropriation of value and other potential business threats. Nevertheless, they emphasise that industries differ. Each particular case must be analysed carefully by the management of the resource needing companies to adopt the most suitable strategy at the right time.

Moreover, Katila, Rosenberger and Eisenhardt (2008) underline the lack of studies related to misappropriation of value by the established enterprises that are resource holders, but mention that



firms frequently form ties with the ones they know about and that confirmed reliability. On the same line, the dilemma, according to Katila, Rosenberger and Eisenhardt (2008), emerges when reliable, local partners are not available or when they do not possess the resources needed. Moreover, Hardy, Lawrence and Phillips (2006) discuss the situations in which there is an important common goal, such as discovering better methods to treat HIV/AIDS, which indirectly creates the dilemma. In other words, they highlight the fact that even in situations where the goal is noble, the risk of misappropriation of value from the large potential partners is present.

An illustrious book regarding managerial dilemmas was written by Miller (1993) that created a transition between traditional organisational studies that were based in the fields of psychology, sociology and political science and the emergent ones related to business/economics. Even though the book mainly discusses within organisation cooperation, the arguments have similar features to the ones provided by Katila, Rosenberger and Eisenhardt (2008). Moreover, by applying game theory at a micro-level on workgroups, he provided applicable conditions for companies aiming at successful cooperation with other entities. He argues that collaboration is likely to occur when long-run targets are involved because then they counterbalance the short-term benefits of cheating.

Additionally, a second implication of the prisoner's dilemma that Miller (1993) applied to explain organisational behaviour is that all parties need to have confidence in each other. To achieve that, each of them must undoubtedly show the cooperation intentions to the others. The last idea he provided regarding this topic is that collaborations typically function in small groups, especially when each of the entities involved has something significant to lose if the other does not collaborate.

On a different line, but once more focused on the technology-based ventures domain, Diestre and Rajagopalan (2012) studied the situations in which the "sharks" are not as dangerous as one might expect. The fact that this study focuses on the same industry, namely the pharmaceutical industry, as the study that indirectly created the topic and the title of the dilemma helps the understanding of context. Diestre and Rajagopalan (2012), unlike Katila, Rosenberger and Eisenhardt (2008), try to find the exceptions when the large ventures do not opportunistically take advantage of the situation, the moments in which the small and large ventures both provide knowledge, resources, experience for a common goal.

However, Diestre and Rajagopalan (2012) acknowledge the risk-reward ratio that occurs in these contexts and the fact that mainly the cautiousness arguments arise from the resource-based view. At the same time, they argue if the partner actually has the ability to appropriate value. Moreover, they invoke the argument that studies such as those of Hardy, Lawrence and Phillips (2006) and Katila, Rosenberger and Eisenhardt (2008) explore the industry overall. However, these studies neglect the fact that entities from the industry that are potential partners might not even have the incentive to misappropriate value for various reasons. Based on the arguments provided by Diestre and Rajagopalan (2012), it could be argued that the dilemma is not appropriate in all contexts and that it has its limitations. This is the case especially when it comes to predicting and explaining particular behaviours and outcomes, underlining once more the importance of environment and context (Pfeffer and Salancik, 2003).

## 2.5. Co-opetition

It has been almost twenty-five years since Brandenburger and Nalebuff (1997) defined co-opetition as an interesting aspect from the Strategic Management and Organizational Studies fields. Since then, researchers expanded the literature significantly to understand this important and arguably unique term (Bengtsson & Kock, 2000; Fernandez, Chiambaretto, Le Roy & Czakon, 2018; Gnyawali, Madhavan, He & Bengtsson, 2016). However, Bouncken, Gast, Kraus and Bogers (2015) argue that even though the importance and popularity of these concepts increased in the academic world, the theory is still used in a divergent manner, without context and with a lack of generalizability.

Nonetheless, Fernandez et al. (2018) developed a comprehensive thematic book that approaches the topic of co-opetition with different lenses from a variety of business-related disciplines. Within this book, among other relevant studies, there is a part that focuses on the reasons Co-opetition is adopted by ventures and a diagram (figure 5) illustrating the factors that influence the business models. In this section, additional research will be reviewed and synthesised into a harmonic whole to emphasise the main features of the Co-opetition theory.

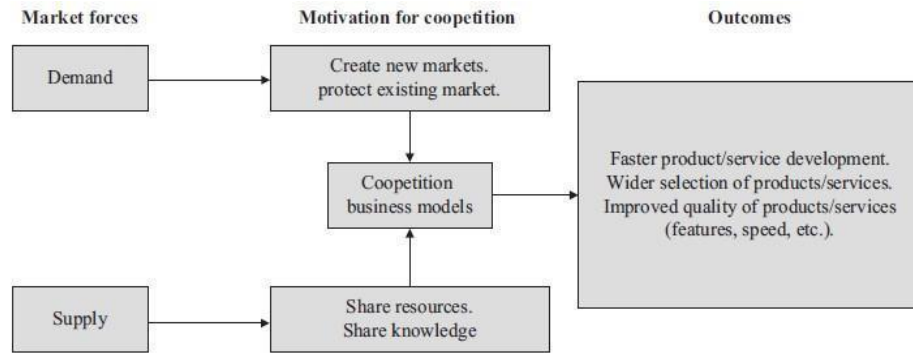


Figure 5: Co-opetition and business models (Fernandez et al. 2018, p.343)

Co-opetition is a cooperation between competing companies, i.e., the companies who are in cooperation and competition at the same time can be considered in a co-opetition (Fernandez et al. 2018). The theory, similarly to RDT, is based on game theory and the value-net model, and it implies that in order to increase the size of the 'pie' and create benefits, companies cooperate. At the same time, they consequently divide the "pie" by competing (Bouncken et al. 2015). Firms can benefit from cooperating with suppliers, customers, and firms that produce similar, related or complementary products (Brandenburger & Nalebuff, 1997). It is one kind of strategic alliance that is especially common, explicitly between hardware and software firms due to the features of their business models that create a kind of a natural interdependence (Zhu & Liu, 2018).

Bengtsson and Raza-Ullah (2016); Bouncken et al. (2015); Fernandez et al. (2018); Mathias, Huyghe, Frid and Galloway (2018) present several drivers that make ventures engage in both cooperation and competition at the same time, and they may be organised into three main categories: external, relation-specific, and internal drivers. Since the drivers of co-opetition are examined extensively by the previously mentioned authors, several features from each category are partially overlapping. The following paragraphs will show the main features of each driver and the respective implications.

The first driver of co-opetition is external drivers, which consist of environmental conditions such as technological demand, industrial characteristics, and stakeholders' stimuli that force firms to implement a co-opetition strategy (Bengtsson & Raza-Ullah, 2016). For instance, firms from different industries share and integrate their technical knowledge in order to establish or develop a

technological platform; therefore, the need for technological demand drives different firms to co-opetition (Bengtsson & Johansson, 2014; Feldmann, 2002). Furthermore, co-opetition between competing firms helps each of them deal with rising R&D costs and risks, technological complexity, short product life cycles (Gnyawali & Park, 2009; Quintana-Garcia & Benavides-Velasco, 2004). It is difficult for a single firm to meet the technological demands, and as a result, they look for other firms to cooperate with.

The second driver of co-opetition is the relation-specific driver, related to the partner's characteristics that stimulate a facile tie formation (Fernandez et al. 2018). Firms choose to have partners who have superior and beneficial resources and capabilities that can help them achieve their goals (Gnyawali & Park, 2011). Thus, firms are more likely to collaborate with companies that have different and complementary resources (Luo, Shenkar & Gurnani, 2008; Mascia, Di Vincenzo & Cicchetti, 2012). Additionally, shared goals and technological asymmetry are the other factors that enhance co-opetition (Luo, Shenkar & Gurnani, 2008).

The last driver of co-opetition is internal drivers and is related to factors that exist within the venture, such as internal resources and capabilities. Companies that lack some resources or capabilities might develop co-opetitive relations to enhance their performance and utilise the partners' resources (Chin, Chan & Lam, 2008). These firms develop a co-opetition strategy to increase their competitive position in the market by integrating their resources and capabilities with the ones of others (Gnyawali & Park, 2009).

The literature on co-opetition implies similar outcomes from which four of them are particularly discussed: innovation, knowledge-related, firm performance, and relational outcomes (Bengtsson & Raza-Ullah, 2016). One of the most studied outcomes is innovation in co-opetition (e.g., Fernandez et al. 2018; Huang & Yu, 2011; Mathias et al. 2018). Enterprises are more likely to improve their innovation performance via co-opetitive relations when the co-opetitive firms intensely demand innovation and share knowledge (Park, Srivastava & Gnyawali, 2014). Moreover, Fernandez et al. (2018) argue that they occur mainly within the same industry between competitors because they share similar environments, challenges, and opportunities while possibly possessing complementary resources.

Several studies argue that knowledge-related outcomes can be considered prerequisites for innovation. Furthermore, knowledge sharing is commonly asserted as an outcome of co-opetitive

relations (Fernandez et al. 2018; Ho & Ganesan, 2013; Ritala & Hurmelinna-Laukkanen, 2009). Therefore, co-opetition often causes knowledge acquisition that can be used when competing. Nevertheless, Fernandez et al. (2018) emphasise an important function related to these outcomes, and that is the intellectual property (IP) management which includes several categories of IP. The four categories that they mention are background, foreground, sideground, and postground. These require specific agreements between the parties on the rights that each of them has on the IPs involved or resulted from the partnership.

Co-opetition can have a positive impact on the performance related to firm's economy, productivity, profitability and quality of service support (Mantena & Saha, 2012; Sepehri & Fayazbakhsh, 2011). Market performance is another essential co-opetition outcome that involves both positive or negative effects depending on the context (Fernandez et al. 2018). The main benefits are divided by Fernandez et al. (2018) into four categories related to efficient use of resources, market development, creation of new markets and dynamics of competition. All of the mentioned categories can provide advantages or disadvantages for the firms who engage in co-opetition.

Furthermore, according to Bengtsson and Raza-Ullah (2016) relational outcomes were extensively studied. They involve trust and successful relationship maintenance and are considered vital for co-opetition. Notably, small ventures are willing to collaborate with competitors that are considered honest and reliable (Bengtsson & Raza-Ullah, 2016), where information sharing is one of the leading indicators of trust (Fernandez et al. 2018). In addition, Tidström and Rajala (2016) emphasise that these relational outcomes are characterised by the different conflict management styles that play a significant role and occur on different levels. The main styles discussed in studies related to co-opetition are collaboration, competition, compromise, accommodation, and avoidance (Tidström and Rajala, 2016). Depending on the background, culture, and firms' level of commitment, the conflict management styles can positively or negatively influence the cooperative relations' success.

The co-opetition between small and large firms is another important phenomenon discussed and analysed by scholars. However, the dynamics and the relationships between small and large firms might differ from the ones between equal size companies (Fernandez et al. 2018). Large firms take advantage of their network centrality and bargaining power to organise a network and, particularly,

develop networks for smaller firms to create new opportunities (Vapola, Tossavainen & Gabrielsson, 2008). Lechner and Dowling (2003) argue that large firms use their egocentric networks to acquire knowledge from other firms and to become more competitive, but on the other hand, it is difficult for small firms to obtain a central position in these networks.

The battleship strategy involves the eradication of the competitors (Vapola, Tossavainen & Gabrielsson, 2008) and emerges when the firms do not share a common vision (Fernandez et al. 2018). This strategy is avoided by both large and small firms when they believe that competition is beneficial. It is helpful for large firms to create cooperative relationships with small firms with specific innovative capabilities, such as born global firms, to maintain their long-term position in the market (Vapola, Tossavainen & Gabrielsson, 2008). However, small firms are generally influenced to a great extent by large and dominant actors in the network, and they are usually encouraged to compete with their existing industry partners (Raza-Ullah, Bengtsson & Kock, 2014).

The theory of Co-opetition was applied throughout the years, especially in the last decade in various forms and connecting several topics from the International Business domain (Bouncken et al. 2015). Fernandez et al. (2018) argue that this theory is among the few ones in the Strategic Management field that proved to be useful in understanding and explaining diverse aspects of business behaviour and performance. However, they also mention the limitations of the theory when it comes to answering “why” questions such as “Why do competitors cooperate or cooperators compete?” Fernandez et al. (2018, p. 32), cases in which other theories are needed in order to provide a comprehensive explanation. Moreover, Bouncken et al. (2015) underline that this is a rather infant theory mainly used in qualitative studies to explore and describe different aspects while just a limited amount focused on testing and extending it. From that limited amount, they argue that even less research solely used the theory when analysing complex large amounts of data.

## 3. Methodology

This chapter includes a description and motivation of the research methods chosen to collect and analyse the data to answer the research questions. The chapter starts with an explanation of the research approach and separately the connection with the ontological and epistemological assumptions as well as a presentation of the research processes. Following this, the choice of research design is emphasised. The data collection section shows the respective processes and methods used in interviews; then, the data analysis technique is explained. Lastly, the validity of the research and reliability considerations are discussed in the research quality section.

### 3.1. Research Approach

In the research approach section, the connection between theory and empirical data is explained; the research approach is often related to the researchers' philosophical stances (Easterby-Smith, Thorpe & Jackson, 2015). Therefore, it is essential to clarify which philosophical assumptions are chosen for this thesis. The philosophical assumptions utilised to answer our research questions are social constructivism ontology and interpretivism epistemology. The following paragraphs will show the main arguments for these choices and the respective philosophical implications.

Social constructivism is “an ontological position which asserts that social phenomenon and their meanings are continually being accomplished by social actors” (Bryman & Bell, 2011, p. 21). Cunliffe, Grandy and Cassell (2018) provide an extensive analysis of the papers that used this philosophical assumption in business and management research. According to the examples and arguments provided by several scholars in this book, our paper is suited to social constructivism as ontology because it focuses on collective relativism. In other words, our study focuses on the subjective understanding of the participants and the social, cultural and historical factors that influence the unceasingly meaning-making process (Cunliffe, Grandy & Cassell, 2018).

Moreover, Creswell and Poth (2017) argue that social constructivism is the paradigm perspective of an interpretive framework used by qualitative researchers in order to apply the philosophical assumptions, in our case, the ontological ones. The interpretive frameworks include theoretical orientations as well, which could be described as lenses. These lenses serve the purpose of guiding the entire research process from the aim to the analysis. Therefore, our nature of reality

understanding is applied with the social constructivism paradigm and guided by the theoretical framework (figure 1).

According to Bryman and Bell (2011), interpretivism is considered an alternative to positivist epistemology because the focus of social sciences is on people rather than objects, and hence the approach differs. Moreover, with an interpretivist epistemology, the researcher analyses particular phenomena based on the permanent assumption that social actions are subjective. Due to this subjective nature, the understanding rather than the explanation of these actions is the main goal of the researcher. Furthermore, other scholars such as Burrell and Morgan (1979) identified this subjective characteristic as a paradigm and developed its key features.

The characteristics and methods that scholars attribute and use to study organisations were depicted by Burrell and Morgan (1979) and their four paradigms. Subjectivism is the paradigm related to interpretivism, which implies that “an organisation is a socially constructed product [...] it can be understood only from the point of view of individuals who are directly involved in its activities” (Bryman & Bell, 2011, p. 24). Because this thesis aims to understand the cooperation and competition between platforms and third-party sellers from the latter’s perspective as well as the interdependencies involved, this paradigm is in line and guides our research philosophy. Consequently, the subjectivist paradigm also motivated us to enhance academic and managerial knowledge on the defensive strategies of third parties against platform owners.

Research approaches could take several forms, such as deductive, inductive and abductive. The deductive approach examines the connection between gathered theories and empirical findings by testing hypothesis. On the other hand, the inductive approach aims to establish generalisations through observation, which often results in new theories.

In addition, the abductive approach portrays both inductive and deductive features because a theoretical framework inspires it. However, it acknowledges its limitations and possibility for adjustments based on the empirical data and theoretical insights achieved throughout the process (Dubois & Gadde, 2002). Moreover, Dubois and Gadde (2002) argue that this approach's main benefits are that it allows the researcher to take advantage of both the empirical and the theoretical resources to develop them further. As a result of the differences between approaches, researchers must describe and explain the relevant choices (Bryman & Bell, 2011).



An abductive research approach was chosen because this study aims to understand the cooperation and competition between platform owners and complementors and to analyse the latter's experiences with existing theories and models. Moreover, it aims to enrich the theory by understanding the new concepts that emerge from the primary and secondary data, which are not in line with previous studies. Therefore, existing theories and the observed data patterns are used to create certain statements regarding the case study. Because the research approach of this paper comprises features specific to deductive reasoning, a theoretical framework is built from the existing theories and concepts. The purpose of this theoretical framework is to guide the collection and interpretation of data. Additionally, it supports the creation of inferences based on the data analysis and the respective findings.

## 3.2. Research Design

According to Easterby-Smith, Thorpe and Jackson (2015), research needs to be cautiously designed based on the data collection process in order to answer the research question. The research design is a strategy of how to integrate the various components of the study to address the problem described by the researchers (Bryman & Bell, 2011). Lastly, it provides a structure of how the data is collected and analysed (Bryman & Bell, 2011; Kumar, 2014). As this thesis pursues qualitative method and multiple-case study design, the motivation for this design will be further explained below.

### 3.2.1. Qualitative Research

A research design represents how a research paper can answer its research question(s) and can be either with a qualitative or quantitative method (Bryman & Bell, 2011; Kumar, 2014). The main differences between qualitative and quantitative approaches are how the data is collected and analysed while the applied research method is connected with the problem addressed (Creswell & Poth, 2017). Another difference between these two methods is the degree of flexibility and the freedom of how the data is collected. Usually, the qualitative method gives more room for the data collection process, whilst the quantitative method is more restrictive (Kumar, 2014).

Hyde (2000) critically argues that there is a common misapprehension that qualitative research is viewed as an initial examination of actual quantitative research; however, both qualitative and quantitative methods could provide valid findings without being dependent on each other

(Diefenbach, 2009). Moreover, Diefenbach (2009) emphasizes the fact that while the human factor is present in both research designs, the main responsibility of the researcher is to combine the subjective and objective sides of the process. In other words, the subjective side is part of the process in all human work but the main task is to acknowledge the influences and to provide clear boundaries that shape the scope and purpose of the qualitative study.

A qualitative research method was chosen because our aim is to explore, understand and describe the experiences of complementors and potential defence strategies against platform owners. Due to the complexity of the problem, third-party sellers with experience are needed to facilitate comprehensive knowledge, further motivating us to choose the qualitative method. The quantitative method could also be considered for this thesis. However, the lack of data provided by Amazon and the complexity of the data generation process from third parties motivated us not to follow this method. Additionally, since this study has an exploratory aim regarding the cooperation and competition between third-party sellers and platform owners from the formers' perspective, a qualitative method is thought to be more suitable. The main reason is that this method allows semi-structured interviews with the complementors that could provide relevant data to answer the research questions.

### 3.2.2. Multiple Case Study

Different research designs can be followed within qualitative research, including grounded theory, phenomenological and case studies. The applied research design must be in line with the research approach and method (Bryman & Bell, 2011; Creswell & Poth, 2017). A case study is widely used for research that involves how or why questions (Stake, 2006). Furthermore, case studies fit the research, which is aiming to understand why particular decisions are taken.

Generally, case studies are divided into two main categories: single case study and multiple case study. While a single case study focuses on the uniqueness of a single case, a multiple case study seeks a comparative and collective exploration of the studied phenomenon (Bryman & Bell, 2011). Even though case study design is criticised for its inadequacy for generalising its findings for larger populations, it can be used for theory building or development, and it can even be a base for further research on wider populations (Stake, 2006; Yin, 2014).

There are several factors that influenced us to employ a multiple-case design. Firstly, in order to explain the cooperation and competition, a case study design is used by other prominent studies proving the relevance of the method (Bengtsson & Kock 2000; Wang & Krakover, 2008; Wegmann, Ritala, Tapandjieva & Golnam, 2018). Secondly, since one of the aims of this paper is to understand complementors' potential defence strategies, it can be argued that a multiple case study might provide a variety of findings related to this. Mainly through within-case and cross-case analysis if the data is extracted with correctly formulated questions. Since the theoretical framework guides our questions, it is possible to achieve the correct data to analyse further.

The analysis methods mentioned previously allow us to explore the similarities and differences in terms of perception, dependency, strategy between the sellers. Moreover, because we focus on complementors' perspective, multiple case study design increases the reliability of the research since different viewpoints are taken into consideration. In this way, it could be argued that the objectivity and consistency of the results are increasing.

### 3.3. Data Collection Method

Data collection is a continuous process that involves several interconnected activities with the scope of accumulating valuable information that helps the scholar answer the imminent research questions (Creswell & Poth, 2017). However, Bryman and Bell (2011) are arguing that the techniques involved in the process of data collection differ depending on the research approach and design. Additionally, they are also stating that as a norm the research collection comes after the choice of a research area, the research questions, the research method and design.

On the one hand, in the deductive process, the data collection starts, according to Bryman and Bell (2011), after the hypotheses are set. This is sometimes followed by adjustments depending on the amount and type of data collected. Conversely, in the inductive process that has the purpose of creating theory, there are no hypotheses, and the data collection process starts from the beginning based on the research area and the intended purpose (Bryman & Bell, 2011). Because our study conveys an abductive approach, certain features from both previously mentioned methods are present. Nevertheless, it is imperative to mention that there are several types of data and methods to collect it, and they depend primarily on the research approach. Lastly, Bryman and Bell (2011)

specifically emphasise the fact that between data collection and analysis, the researchers are moving back and forward and that in multiple instances, there are several rounds of both.

The data collection method aims to follow a strategy to gather relevant empirical data to answer research questions (Bryman & Bell, 2011). In order to gather relevant empirical data, the data collection method needs to be chosen carefully (Creswell & Poth, 2017). In this study, empirical data is generated by semi-structured interviews with third-party sellers of Amazon; and purposeful sampling was chosen as a sampling strategy. The open-ended interview questions that were created with the help of the theoretical framework can be found in Appendix A. The motivations for these choices will be further explained in detail.

### 3.3.1. Purposeful Sampling

When it comes to qualitative studies Creswell and Poth (2017) mention that a typical data collection strategy is purposeful sampling which implies that the individuals or entities selected are considered knowledgeable in the investigated research problem. Moreover, this is a non-probability selection method with features that Easterby-Smith, Thorpe, and Jackson (2015) categorise as ad-hoc sampling because the selection is also based on availability and ease of access. Likewise, according to the categorisations made by Creswell and Poth (2017), our sampling strategy is named criterion sampling, which is considered helpful for quality assurance. These features are present due to resource and time limitations, as well as the fact that the aim of the study allows for such sampling. Lastly, Creswell and Poth (2017) underline the important decisions that the scholars have to make related to the questions who, what, how many, at what level, and others alike regarding sampling.

In our case, this method is suitable because it offers a certain level of flexibility that also Kennedy (2018) acknowledges, and the qualitative multiple-case study research design is compatible with this strategy and widely used. Moreover, the ten-week time frame for conducting the research and finalising this paper limits us from choosing other more randomised and complex strategies. Nevertheless, Easterby-Smith, Thorpe, and Jackson (2015) emphasise the fact that this method is common in qualitative studies that focus on the representativeness of the ones selected. Therefore, because most of the functions of the business model that complementors adopt on the platform are similar, sampling criteria could focus on specific store features instead.

We decided to interview five third party stores that sell on Amazon, which is the upper limit of the range recommended by Creswell and Poth (2017) for this type of study. The first criterion that we imposed for the participants of the semi-structured interviews was that those who manage the companies do this full time. The reason is that, in our view, only the individuals who dedicate themselves to this business full time can help us answer the research questions which require a certain level of commitment. Additionally, the individual sellers who do not have a company on Amazon are less likely to implement defensive strategies because the Amazon seller's platform is somewhat different, and the sellers require time to learn about it. Therefore, we decided to exclude the sellers who were not doing this business full-time and with a registered store.

The second criterion was to earn above-average incomes compared with the income in the countries they were based. The reason was that we wanted to collect information from entities that achieved a certain level of development on the platform and consequently had something significant to lose if the platform owner decided to enter the markets where they were established and potentially misappropriate value.

A third criterion was to conduct business in one of the top 4 categories identified by Zhu and Liu (2018) because those are the ones in which Amazon enters and competes with its complementors on a relatively high frequency. The categories were Toys and Games; Sports and Outdoor; Home and Kitchen; Electronics, and those, according to Zhu and Liu (2018), accounted for 88% of the total entries of Amazon during the year the data was collected.

The last criterion was that the complementor competes, competed or is at risk to compete with Amazon at some point in time in at least one product offering because one of our main focuses is on the experiences and potential defence strategies of the complementors. Therefore, according to this perspective, only those who might face or faced this situation could give us a complete and rather valid answer to our research questions.

Table 1: Criteria of stores to be chosen for purposeful sampling

| <b>Criteria</b>                        | <b>Details</b>   |
|--|--|
| <b>Working full-time</b>               | The manager(s) of the stores need(s) to do this as a full-time activity.   |
| <b>Earn above-average incomes</b>      | The seller needs to earn above-average income compared with the average income from the country that he\she is based in.   |
| <b>Category</b>                        | The seller needs to sell at least in one of the following categories: Toys and Games; Sports and Outdoor; Home and Kitchen; Electronics.   |
| <b>Risk of competition with Amazon</b> | The seller needs to be placed in a category where Amazon.com is well established so that the risk of direct competition and misappropriation exists. Conversely, the seller might as well already compete or competed with the platform. |

### 3.3.2. Case Company Selection

When it comes to the process of selecting Amazon complementors that fulfil the predetermined criteria, the primary resources were different groups on the social media platform Facebook. Because there are more than 2 million third-party sellers on Amazon (Statista, 2019), there is a large group to select from. The process of finding the ones who were actually willing to take an interview was challenging, especially because it involved data that some would consider sensitive.

Firstly, several posts were created in the groups with extensive details regarding the scope and aims of the study, as well as details related to the researchers' backgrounds. However, with the help of several active members, some of whom we knew from before, that encouraged the members to

participate, as well as the fact that they could, at the end of the study, accumulate some helpful information, the researchers managed to reach several participants who were meeting the predefined criteria.

From the pool of participants identified in the specific social media groups who were willing to provide the necessary data, five of them were selected. Those five were the ones available on relatively short notice and who entirely fulfilled the criteria. In order to acquire the trust of the participants, the researchers stated clearly that the focus of the interview is not on specific products and sensitive information is not required. Conversely, the focus of the interview was on their experiences with and on the platform, as well as their understanding of the business model.

Moreover, the questions were closely related to the literature and theories adopted in order to secure a connection between theoretical and empirical data. All these details were communicated to the participants, who became more eager to participate because they found the theoretical data interesting. Their consent for recording the online Zoom meetings was given, and we agreed to offer them the final paper in order to potentially benefit from the relevant information gathered.

### 3.3.3. Primary and Secondary Data Sources

On the one hand, primary data is defined as data which the researchers collect, and in qualitative research, this can be gathered mainly via interviews and observations (Bryman & Bell, 2011). This paper uses primary data from the semi-structured interviews with the complementors of Amazon.com. The interviews are the central data source for this thesis because the focus is on understanding their experiences and potential business strategies rather than observing certain behaviours.

On the other hand, secondary data is the data that is collected by someone other than the researcher (Bryman & Bell, 2011). The secondary data is collected through other papers, specific statistics websites, and Amazon's website in order to supplement the primary data. Due to the fact that this is a popular topic and Amazon overall benefits of worldwide attention both from media and from the academic world, the amount of secondary data is extensive. Several academic and journalistic articles analysed different aspects related to this business model, i.e., creating a store on the platform, and they represented the inspiration and starting point of the thesis.

### 3.3.4. Interview Design

Interviews are a frequently used method for data collection in qualitative research, allowing researchers to learn more about a specific phenomenon that is difficult to observe (Creswell & Poth, 2017; Easterby-Smith, Thorpe & Jackson, 2015). It is also commonly used for case study research design (Yin, 2014). According to Easterby-Smith, Thorpe, and Jackson (2015), interviews are an appropriate data collection method when researchers seek to enhance the knowledge on a given subject. In other words, if the goal of the research is to understand the respondent's perspective about the given subject, interviews are considered a suitable research method.

Interviews can have different structures; they can be in the form of a free conversation between the interviewee and the interviewer, called unstructured interviews. Conversely, they can be in a pre-determined form with fixed questions which are called structured interviews. In unstructured interviews, the conversation is held freely, and it might be challenging to keep the interviewee on a specific subject of the interview purpose. In contrast, in entirely structured interviews, the fixed questions that respondents have to answer involve the risk of missing relevant information during the process. Lastly, semi-structured interviews are the mix of the other two structures mentioned. In this case, some fixed questions are usually open-ended, therefore allowing the interviewers to talk about the general subject freely and provide context when appropriate (Easterby-Smith, Thorpe & Jackson, 2015).

At the initial stage of the data gathering process, the choice of the interview design was between structured interview and semi-structured interview. The questions in Appendix A were created with the help of the theoretical framework and the main concepts related to our topic. We employed a slightly structured form for the first interview where the pre-determined questions were arguably not open-ended. This allowed us to observe that it was difficult for the interviewee to answer, and as a result, we adapted to a semi-structured form instead. We managed to adapt our questions to become open-ended while remaining consistent with the theoretical framework themes. Thus, the information gathered was freely obtained from the participant and relevant for the study. Furthermore, in this way, we were able to visualize the research topic in the context and from the perspective of the participants (Easterby-Smith, Thorpe & Jackson, 2015).

Moreover, the semi-structured interviews allowed us to align with the philosophical stances adopted, namely social constructivism ontology and interpretivism epistemology. This is because



the information gathered with this type of strategy is consistent with the idea that the meanings and beliefs that the participants possess are socially constructed. Additionally, the data provided emphasises the participants' subjective understanding and the influences that specific contexts have on them, as the interpretivism epistemology states.

### 3.4. Data Analysis

It is a complex and challenging process to analyse qualitative data; several scholars proposed a way to codify various processes to generate conclusions from the gathered data (Eisenhardt, 1989; Sinkovics, 2019). Analysing qualitative data can be divided into three activities: first, classifying the data to have an overview; second, categorising the data; lastly, discuss the purpose of these categories. The researchers have to be familiar with the data in order to create a reliable analysis (Easterby- Smith, Thorpe & Jackson, 2015). To be familiar with the data, both researchers attended the interviews and asked questions based on the topics that are tightly related to the theoretical framework. Even though we used a software application called Otter to transcribe the interviews, we also went through the text after utilising the application to correct the errors and develop a comprehensive understanding of the content. By doing so, we were able to immediately identify some patterns and potential codes as well as connections with the literature.

There are several methods to analyse the qualitative data (Bryman & Bell, 2011). We considered utilising some of them, including content analysis, grounded theory and template analysis. However, we decided to apply template analysis, and the reason for this choice is that it allows having a structure while also providing flexibility (Easterby- Smith, Thorpe & Jackson, 2015). Therefore, it is thought to be the most suitable approach to analyse the qualitative data for this type of study, based on predetermined themes, in our cases, the ones provided by the theoretical framework. On the same topic, Sinkovics (2019) argues that having a theoretical framework proved efficient when collecting and analysing data. This study provided a theoretical framework in the literature review portraying the lenses of Co-opetition, Resource Dependence Theory, and the derived Swimming with Sharks Dilemma all within the International Business Platform Ecosystem. Thus, the coding of the collected data is based on this theoretical framework and begins with the Co-opetition elements cooperation and competition, continues with complementors' defence strategies, and ends by discussing the respective interdependencies.

Furthermore, we followed both within-case and cross-case methods suggested by Eisenhardt (1989) regarding the techniques to code our data. In within-case analysis, five case companies are analysed to identify the keywords of each interview to detect the similarities and differences. When multiple case studies are chosen as a research design, the most common format is to provide a detailed description of the interviews (Creswell & Poth, 2017). The theoretical framework was utilised to organise the significant findings of each interview. Applying within-case analysis helps researchers work on a large amount of data by distinguishing specific statements (Eisenhardt, 1989). In addition, it also facilitates the creation of common patterns for researchers since they become familiar with each interview after multiple reviews (Eisenhardt, 1989).

In the second part, the cross-case analysis, similarities and differences of each case are emphasized (Bryman & Bell, 2011). From the findings of the within-case analysis, a comparison between the cases allows the researchers to identify specific patterns. Consequently, they are able to argue for each of them and to develop on the meanings by relating them back to the individual case (Eisenhardt, 1989). According to Creswell and Poth (2017), the similarities and differences are divided into themes that help the researcher understand the particularities and link the findings back to the theoretical data. This facilitates the development of a comprehensive discussion of findings where certain patterns and gaps might be related to the literature and further expanded.

### 3.5. Research Quality

In this research, the main objective is to provide high quality while considering the crucial elements of cooperation, competition, and competition strategies. The collected data and the research analysis need to fulfil reliability and validity to ensure high quality.

Reliability refers to trustworthy procedures of the research; it examines to what extent the result of the research can be replicated when similar research is done under comparable conditions (Kumar, 2014). Therefore, reliable research should ensure consistent results across time and by different researchers. However, it is acknowledged that the collected data from the respondents can differ because of human nature, which may generate different results (Kumar, 2014). Even though interviewees may influence the reliability of the data, our primary objective is to achieve reliability.

Several factors are taken into consideration to strengthen the reliability of the research. First, the interview questions were broad questions, which minimize the risk of the interviewee being

influenced by the researchers. Additionally, we avoided personal interactions during the interview to obtain reliable answers (Yin, 2014). Secondly, the questions asked by the same researchers and in the same order to create consistency in the data collection process. Lastly, the interviewees are selected following several criteria that are thought to ensure knowledge of their experiences. Overall, it could be argued that similar research to this study can provide similar findings.

Research validity refers to how accurately the research methods measure what research questions are seeking to answer. The research validity can be categorized into external validity and internal validity (Bryman & Bell, 2015). The former is about how the variables are used, while the latter relates to the research's generalizability. The data is collected from different sources to improve the research validity (Yin, 2014). On the other hand, since this paper examines complementors defence strategies and analyses the cooperation and the competition between platform owners and its complementors, the results of this study might not be applicable for other platforms because of the different dynamics of the marketplace. However, this research can provide a base for further research, which are intended to answer the same research question for other platforms.

## 4. Data Analysis and Discussion

This chapter presents the findings from the multiple case studies and discusses the relation to the existing theory mentioned in the theoretical framework. The chapter starts with the within-case analysis where the overview of the case companies is explained. The structure of the within-case analysis is based on the suggested theoretical framework. Following this, cross-case analysis is applied to identify the similarities and differences of the case companies emerging from the data. Lastly, the patterns identified in the cross-case analysis are discussed concerning existing literature in order to confirm or refuse the theoretical concepts.

### 4.1. Within-Case Analysis

This section shows the key findings which are relevant to answer the research question. The firm's background and its current presence on Amazon are described at the beginning of each within-case analysis. After that, the findings related to our theoretical framework are highlighted; the theories used to analyse the findings are Resource Dependence Theory, Swimming with Sharks Dilemma and Co-opetition Theory. The information from interviews that are not relevant to answer the research question is not included in the Within-Case Analysis section.

Therefore, each analysis starts with an overview of the case company and respondent; later, the relation of the findings with the theoretical framework is described. The theoretical framework guided us to follow the same order starting with collaboration, competition, defence strategies of complementors and dependency of the firms. It is important to note that only male addressing forms for the owners were used because, in reality, all the interviewees identified themselves as males.

Table 2: third parties categorization overview

| <b>Company</b> | <b>Business model</b>       | <b>Product category</b>  | <b>Participant</b> | <b>Position</b> |
|----------------|-----------------------------|--|--------------------|-----------------|
| Sunair Store   | FBA, retail arbitrage       | Books, Toys & Games, Grocery                                   | Sebastian Adams    | Owner           |
| Aprico Store   | FBA, FBM, private labelling | Sports & Outdoor, Beauty                                       | Trim Balfour       | Owner           |
| Trekords Store | FBA, retail arbitrage       | Books, Grocery, Toys & Games, Home & Kitchen                   | Deep Carraway      | Owner           |
| Cube Arts      | FBA, private labelling      | Sports & Outdoor, Books, Pet supplies, Computers & accessories | Christian Mao      | Co-founder      |
| Alpinebit      | FBA, private labelling      | Home & Kitchen   | Laurin Akritas     | Owner           |

*Note: fictional names for the companies and the owners have been used in order to protect the data of the participants*

#### 4.1.1. Sunair Store

Sebastian Adams started selling on Amazon in 2016 as an individual seller. In 2020, he decided to establish his own company in the United States and fully dedicate himself to the business. The business model Sunair Store follows is retail arbitrage, a product sourcing method through which Amazon sellers buy products from retailers to sell on Amazon for a higher price. In this manner, they are able to take advantage of the price differences without any manufacturing or labelling effort.

The interviewee started to explain the category choice for their products and talked about the main categories they sell, namely Books, Toys and Grocery. However, the company does not have a category criterion; in other words, they sell the product that can be profitable regardless of the category. On the other hand, Amazon imposes some restrictions on selling certain products for some third parties, including Sunair Store.

*"Amazon restricts some of the products for some sellers. They have an algorithm that decides sellers if it's allowed for them to sell on Amazon."* (Sebastian Adams)

When the interviewee explained why he decided to sell on Amazon, the primary motivation was the number of active buyers on Amazon, which is thought to be a significant advantage for the sellers who do retail arbitrage.

*"Amazon gives access to different markets such as the United States, Canada, Mexico. There are more than 300-400 million people in these markets. And no other platform provides this customer base for the sellers. So even if one customer does not buy from you, another one might do."* (Sebastian Adams)

Another motivation was the flexibility of the work; the third-party sellers are able to work whenever it suits them. The interviewee also points out that it does not mean this job can be done without putting effort. However, due to significant differences in business models between retail arbitrage and private labelling, the effort required for private labelling might be higher than the one required for retail arbitrage. This might be the case because for retail arbitrage the sellers constantly need to look for new products. This represents an extra task compared to those who do private labelling and who are less likely to look for new products as often.

*"For retail arbitrage you need to go out and check retailers to see if they have a cheap product. [...] So you need to put so much effort into this job."* (Sebastian Adams)

When it comes to cooperation between third-party sellers and Amazon, the company believes that they are adding value to Amazon by increasing the product diversity and lowering the prices. Furthermore, this helps both the complementors and Amazon to grow their businesses and earn additional income. However, according to Sebastian Adams, Amazon prioritizes customers when they collaborate with external parties rather than making more money.

*"The main motivation [of Amazon for cooperation] is not to earn from the sellers. The main motivation of Amazon is to have reliable sellers." (Sebastian Adams)*

Several factors play a role in the purpose of becoming a reliable seller, such as quality of the products, speed of response to customer, fairness of the prices among others. Amazon provides many services to their sellers. Fulfilled by Amazon (FBA) is the most common service that third-parties adopt when selling on Amazon. The sellers utilizing FBA service have less responsibility than Fulfilled by Merchant (FBM) sellers because Amazon takes care of the shipping, and most of the times delivers the product in one day. For the reason that approximately 90% of the sales on Amazon are from FBA products, the sellers are eager to acquire this service.

On the other side of cooperation, the third-party sellers are significantly and at a high pace developing the platform, which would be rather difficult for Amazon to do on its own. The sellers are increasing the diversity of products significantly.

*"Amazon lets third-party sellers sell on the platform because if you're not there, Amazon is not Amazon. Amazon is nothing without the sellers. [...] Amazon never enters a product, which is not selling actively. So, there are millions of sellers on Amazon. And they always go out and check which products could be sold on Amazon. They are also testing it on Amazon to see if it's selling on the platform or not. So, Amazon by itself cannot decide on the products if it will be profitable or not." (Sebastian Adams)*

The relationship between sellers and the platform owner from the cooperation perspective is considered an unhealthy collaboration due, in part, to the policies determined by Amazon.

*"They are the boss; they decide the rules. Therefore, the sellers, including me, sometimes feel unprotected because of their power [...] If you do not sell a product, some other seller would sell it. So, Amazon is not dependent on you, but you as a seller are dependent on Amazon." (Sebastian Adams)*

Since Amazon enters in specific product categories where complementors are also present, the competition against the platform owner can become fierce. Sebastian Adams was not aware of the intense competition before starting this business. This is because there is no adequate information about the competition, and many of the sellers realize that Amazon enters categories dominated by third-party sellers just to try the market.

*"I did not know before entering Amazon about this [Amazon enters third-party sellers' products] because Amazon is a huge platform [...]. It is tough to compete against Amazon. Since Amazon is a very big company, they usually have lower prices than other sellers when they enter a product because Amazon does not pay the additional costs we pay." (Sebastian Adams)*

The strategies implemented to compete against the platform depend on the product, more specifically, on the cost of the product. If the sellers believe that they can even compete in price they will do it. However, even if sellers offer a lower price than Amazon, the sellers might not sell their products because Amazon can still show its products first. Therefore, the competition against the platform owner is considered an unfair competition.

*"I am trying to avoid competition from Amazon, and if Amazon enters after me, I analyse first if I can compete. And most of the time, I stop selling the products." (Sebastian Adams)*

Since the seller thinks that his business depends on the platform significantly, he is looking for other options to become less dependent. The store plans to establish its website and as a result to avoid unfair competition and the additional costs charged by Amazon.

#### 4.1.2. Aprico Store

Aprico Store was opened in 2017 and is selling Sports & Outdoor accessories and other fashion related products on Amazon. The company is mostly doing private labelling with FBA, but it is also doing FBM. The company is selling generic products that people need for special occasions, parties, weddings, etc. The products can be considered niche products, but they were on the platform for years.

*"We focused on that because we think that the people will never end buying this type of products as long as the weddings and the parties continue." (Trim Balfour)*

The online marketplaces provide many advantages to sellers, such as absence of rent cost and salaries for employees; additionally, the work can be done from home. More importantly, these platforms have loyal customers and the third-party sellers can reach them easier. On the other hand, they are improving the platform by selling different products. With third party sellers' products, the consumers get a larger variety of the products they are interested in.



*"Most of the third-party sellers, like us, the small sellers, we sell the products that Amazon will not ever think to sell them because of the low profitability." (Trim Balfour)*

Even though both sides add value to each other, it is difficult to call this relationship a collaboration. Since the individual seller is not a significant part of the entire, the sellers constantly have to be aware of the updates to platform policies to avoid being banned, a rather possible scenario.

*"We are doing our parts, but the rules are designed by Amazon and we are just trying to go for from those rules." (Trim Balfour)*

The competition against Amazon is tougher than against other third-party sellers because very few sellers are able to lower the prices more than Amazon. This is due in part to the fulfillment capacity and services that represent extra costs that Amazon avoid by owning the digital ecosystem. Apart from the price advantage, Amazon has an information advantage over its complementors. They have the entire data for every product, and they never share their data with any individual, private or public company.

*"Amazon has all the data with them; they definitely know which item is sold from which sellers, where that seller gets those products from, how much they are paying, and what is the demand to those products. If they think that the product is worth supplying, Amazon goes that field and does a similar product, and they sell with a high volume." (Trim Balfour)*

One of the product choice strategies of Aprico Store is avoiding fierce competition. Furthermore, Aprico Store sidesteps from the mainstream products because it is believed that if a product has a high sale volume, Amazon is more likely to start selling that product as well. The reason Aprico Store is avoiding competing against Amazon has several causes. Firstly, when they purchase, they purchase very high volumes, which lowers the average cost of the product. Secondly, fulfillment costs are not imposed.

*"I am not going for the number one ranked product. I am going away from those products which are selling very fast. I just try to be the middle one. Not very slow, not very fast that Amazon will not be attracted." (Trim Balfour)*

Another strategy implemented by Aprico Store is to focus on wholesales. The business customers can get a better price on the platform, which the other customers cannot even see; these types of sales are not affected by Amazon's policy and represent an advantage for certain sellers. In addition

to wholesale strategy, the company focuses on the products which have high demand. The motivation behind this strategy is that sellers can survive on the platform by finding those products which have very high demand thereby allowing every seller to obtain a small piece of the pie.

*"The items that we are selling, especially the accessories, even there are hundreds of sellers, and still there is a demand. So even if Amazon will be selling the same item, that is fine; we will continue to sell."* (Trim Balfour)

Even though Aprico Store is also present on other e-commerce platforms, the company is still dependent on Amazon because most of the revenues come from there. Thus, the company plans to create their website to sell its products to become less dependent on Amazon.

*"We have to start our online website and e-commerce business. But keep in mind that we will not easily get that many customers attracted to our website. Amazon is a platform where the customers are there, and the demand is there. And you're just serving to those customers who are already present."* (Trim Balfour)

Lastly, the company acknowledges the benefits of selling on Amazon represented by their customer base because Amazon makes small sellers reliable.

#### 4.1.3. Trekords Store

Trekords Store is a company that was established in 2020, but the owner of Trekords Store started selling on Amazon as an individual seller in 2018. Deep Carraway started as an individual seller because he was understanding the mechanisms of the platform and wanted to reduce the risks. The business model followed by Trekords Store is FBA and retail arbitrage. Deep Carraway first began to sell books; then new products were added under Grocery, Toys & Games and Home & Kitchen categories to the company's product portfolio. The interviewee says that he started selling books because it is easy to increase the portfolio and to find books with high rankings on Amazon that have a lower cost.

The interviewee started to explain the company's sale strategy in terms of product selection. Trekords Store does not have a specific criterion for product category, but the company pays attention to the sales volume and competition when choosing a new product.

*"First, I look if the item is selling a lot. And second, if there is fierce competition between the sellers, I usually do not enter, specifically if there are more than 6-7 sellers. Lastly, I do not enter if Amazon is selling the same product. I'm trying to look for products which are in line with these criteria."* (Deep Carraway)

The interviewee acknowledges the cooperation between third party sellers and Amazon, and he argues that Amazon provides access to many buyers. Since Amazon is a reliable platform for many buyers, the sellers become reliable as well in most of the cases. This increases the chance that customers buy from an unknown seller.

*"We do not need to invest to pull buyers to purchase our products; Amazon does do that for us. So, we do not need to invest to be reliable sellers, and it is a very important feature at the beginning of a business."* (Deep Carraway)

On the other hand, sellers also add value to the platform and customers by increasing the product diversity and lowering the prices. Since sellers are the ones who are looking for products in retail stores or directly at manufacturers; they are always listing new products on the platform. In addition, there is usually more than one seller for a product; and this creates competition within the platform. Therefore, sellers often need to lower the price to sell the product.

*"Sometimes competition is very fierce. And in these kinds of competition, sometimes we even sell the product for its cost. So, customers cannot find this price in other e-commerce platforms."* (Deep Carraway)

The competition on the platform has rules and dynamics for the third-party seller. The sellers have ratings such as customer ratings for each product, and these account in the health rating, which is the general rating of the account. These ratings are playing a significant role for the sellers who get the benefits of the buy box. The buy box is a feature that performant sellers can win, and that makes shopping for specific products a one-click effort. Another factor that influences the chances to win the buy box is price.

*"I usually predict if I can win the buy box, and if I think I can win the buy box, I start selling that product."* (Deep Carraway)

On the other hand, when Amazon is also selling under the same listing, it is more difficult for the third-party sellers to achieve the buy box. For this reason, it is a challenging task to predict whether they will win the buy box or not.

*"Amazon entered to my product under my listing. And it gave the buy box to itself. And I could not sell any more at all, even though my price was lower than Amazon." (Deep Carraway)*

The competition between complementors reduces the price, but this is not always the case when sellers compete with Amazon. If the rules for winning the buy box were the same for Amazon, the consumers could have purchased a product for a lower price. Therefore, Amazon is preventing other sellers from adding value to its platform. On the other hand, when Amazon starts selling a new product, the selling price of that product is usually lower than the one provided by other complementors since Amazon does not pay the fulfilment costs that third-party sellers pay.

*"Amazon sometimes gives you the buy box [while competing with Amazon]; there should be a big price difference. For example, I experienced that if you lower the price by only a few dollars, Amazon still gets the buy box." (Deep Carraway)*

Even though Amazon has several advantages over sellers in competition, the sellers sometimes believe they can compete against the platform. However, the most crucial factor for this competition is the selling price. The selling price has to be significantly lower than Amazon's price.

*"We are avoiding competing against Amazon, even if we can compete for some products because we do not know how much more Amazon can lower the price. And our profit margin is so little when we compete against Amazon." (Deep Carraway)*

Due to the fact that in many instances there is direct competition between sellers and Amazon, the relationship and the overall trust between them is affected. Trekords Store is not planning to continue selling on Amazon in the long run. The main reason for this decision is that they do not want to be dependent on the platform. Therefore, the company has two plans for the future. Firstly, to develop their web page and then to focus more on wholesale.

#### 4.1.4. Cube Arts

Christian Mao's Amazon journey started in 2017; among other products he was selling tech accessories and pet products as an individual seller. He defines his products as niche because there are not many other sellers who sell similar products. In 2020, he registered the company with three partners and converted it from an individual account to a business account. Cube Arts sells on platforms such as Kijiji and Shopify as well.

The interview started with a discussion about the first product Cube Arts was selling. After discussing the product portfolio, the interviewee mentioned the problems regarding restrictions imposed by the platform. The sellers are not allowed to sell any product they want on Amazon. The first restriction they faced was a ban from selling different colours of the same product. This made the company focus on the products and categories where they were allowed to sell with less restrictions.

The third-party sellers are adding value to Amazon when they are cooperating with the platform. The first value that they add is improving the product diversity. They are the ones who look for new products; they are the ones who are supplying products according to trends.

*"If we [third-party sellers] don't give our products on their platform, they can't sell products."* (Christian Mao)

The complementors, through intense competition, are significantly contributing to lower prices on the platform, and this helps customers to access a variety of products for the lowest price. Additionally, Amazon's algorithm usually shows the product with the lowest price. Therefore, Amazon also pushes the complementors to lower their prices, and these price drops caused by third-party sellers cannot be considered an advantage for them, but rather for Amazon's customers.

*"Amazon always shows the first the lowest prices, so that's why you had to lower the price."*  
(Christian Mao)

The relationship between sellers and the platform is described poorly. The central of the platform, which is a type of help centre for sellers, is not helpful enough; in many instances sellers find contradicting information, especially when the information is gained through call centres. However, the relationship was tighter and more supportive before.

*"They [Amazon] got so many vendors, including big and small ones. So, they start to look for better sellers [...] I think they are trying to close the small companies like small sellers. Because there are so many sellers on their platform right now, which is not desired by Amazon, so, that is why I think Amazon just tries to find reasons to close their store. "*  
(Christian Mao)

The competition between complementors and Amazon is represented by a conscious collection of information process for the platform. In other words, the platform has third-party sellers' information, and it can enter a category with a similar or the same product just by using the data gained from them. Therefore, Amazon is not taking any risk, knowing which product will be profitable, but third-party sellers are actually the ones who invest without data and take the risk.

*"I had many books that have good rankings [...] Amazon was also selling those good ranking products, but if you go to the books with bad rankings, Amazon is not there."*  
(Christian Mao)

The strategies to compete against third-party sellers are usually different from competing against the platform owner. The main reason is that Amazon in many instances shows first the products with the lowest price but not when it comes to the products offered by them. The lowest price usually receives the buy box which is an advantage for the third-party seller. Therefore, sellers focus on creating their brands, so even if their product is not shown on the top, it could still be visible.

*"But maybe, because I remember Amazon was selling the same book. But I've always tried to go lower than their price was. But there's a big difference because normally it also shows the lowest price. But if I was going to sell lower that shows that I was first. I couldn't get the buy box [for lowest price] even if I had the lowest price."* (Christian Mao)

Another strategy for sellers to compete against Amazon is aiming on the products which are sold in a certain period. Since Amazon uses sellers' information to enter a product, if the third parties sell products only for some time, Amazon's entry can be prevented.

*"Why I chose to sell bandana was because Amazon was not selling it. Also, I started to sell bandana because my criteria were the hot sellers for that time when COVID-19 has*

*occurred. And that is why we start to sell bandana. So, the timing was another strategy."*  
(Christian Mao)

Due to the complexity, unpredictability and difficulty, the sellers are avoiding competing against Amazon. However, there will be room for third-party sellers to provide their products without Amazon's entry, at least for some time. In other words, sellers can make money from trending products until Amazon enters.

*"I don't think that they can enter every bestseller product because it always changes."*  
(Christian Mao)

The company's revenues are mostly coming from the sales on Amazon, which creates dependency for Cube Arts to Amazon. The company tried to be less dependent by developing its online web store. However, pulling buyers to the webpage was the main problem for the company. Since Amazon provides access to a large number of buyers, small firms can benefit from this large customer base. On the other hand, Amazon is also somewhat dependent on the sellers because they are the ones who usually provide new product ideas, they increase the product diversity.

*"We as sellers are providing a different kind of products that Amazon would never think about it. So, Amazon depends on us too, but they do not depend on a single seller. That is why they can unfairly treat sellers."* (Christian Mao)

Lastly, the trust between sellers and Amazon was damaged due to the unfair treatments that the platform imposed. Therefore, the sellers are trying to be less dependent on Amazon.

#### 4.1.5. Alpinebit

Laurin Akritas has started selling on Amazon in 2020 as an individual seller. The products he sells are under Home & Kitchen category because these products are considered versatile. The main goal of Alpinebit is to choose a niche and to make a brand for it. The establishment and recognition of the brand comes after having a wide product portfolio which is one of their goals.

*"So, if you're selling a unique product, that means that the market is not familiarized with it. So, it's more likely not, not to sell so much. [...] So, I'm sticking with something more standard."* (Laurin Akritas)

Because Alpinebit is selling only a small variety of products, Amazon is considered by the owner a suitable marketplace for this type of products. This is mainly because there is no requirement to have an established brand or a wide portfolio of products. More importantly, Amazon makes its customers trust the sellers who do not have brand recognition.

*"No one is going to trust you. Amazon has trust among buyers right now. They are so powerful that the people trust."* (Laurin Akritas)

Even though most of the third-party sellers are not recognised by the customers, they are still improving the platform with the products they sell. Because the competition is fierce in most of the categories on Amazon, the sellers need to differentiate their products. This usually happens by listing a unique product, improving quality, and lowering the price.

*"The diversity and quality of products are improved by us [third-party sellers]. We live in a world where people need options to have products for good quality for a good price."* (Laurin Akritas)

When third-party sellers and Amazon are collaborating, they help each other's business and the ecosystem overall. However, the relationship between them can be problematic. Since Amazon has an electronic system that makes most of the initial decisions when approving third-party sellers, regularly decisions are not correct and fair. Complementors' businesses can be damaged because of these decisions, even though it is lately fixed by the Amazon seller help centre.

*"When I had a problem, they help me to solve my problem, they get me out of trouble [...] but also they are the ones that put me in this position in the first place."* (Laurin Akritas)

The competition is very high on the platform for mainstream products regardless of whether Amazon is competing or not. This is the case mostly when the demand is high. In order to be on the first two pages, the sellers need in the beginning to invest in advertisements. Moreover, they need to reduce the price and hence the profit for those products, especially in the initial phase of the business. However, in Amazon's case the customers can see the products on the first page most of the time.

*" So, if you want reviews, you need to sell a lot. If you want to sell a lot, you need to be visible on their page. So, you need to be on the first page or the second, you have to pay*



*ads. For that you need to pay a lot of money. [...] in the beginning of this business, you're going to lose money... "* (Laurin Akritas)

Therefore, Alpinebit is avoiding selling the products that Amazon sells. However, he also believes that there is enough room for every seller for some products; the only thing the sellers need to do is differentiate their products. Even minor differences in a design can be a way to compete against other sellers. However, competing with Amazon is seen as a very difficult mission by the owner.

*"So, to compete with them? I don't think anyone can. [...] They're too powerful, you need to be powerful as well."* (Laurin Akritas)

The seller also experienced that his listings closed several times without fair reasons. Even though the listings are reopened after explaining what caused the problem, it caused the seller to lose his ranking, and it prevented him from doing the business for weeks.

*"I had my listing closed several times, like I think four times or something like that in almost two months. Yes. That that's bad. Actually, that's really bad. But not because of my product is not about the product itself."* (Laurin Akritas)

Moreover, to a high extent his business is dependent on Amazon. However, since Amazon has a significant share of online sales in the USA, he is still planning to continue selling on Amazon until he has enough products to create his brand.

*"So, as you know, there are problems with these third parties. Yeah. But yeah, I want to keep doing this. That's how I see myself in the future."* (Laurin Akritas)

## 4.2. Cross Case Analysis

After analysing the five case companies guided by the theoretical framework, common patterns were identified, showing the similarities and differences between them. In this section, the common patterns are discussed, and the meaning of each pattern is explained. Thus, the cross-case analysis is beneficial when comparing each case to illustrate the similarities and differences. The findings are collected under four themes as follows: Collaboration is Adding Value, Competition within the Platform, Strategies for Competition and Interdependency between Third-Party Sellers and Amazon.

#### 4.2.1. Adding value to each other

It was observed in all five cases that Amazon is adding value to third-party sellers. The primary value added by the platform is the loyal buyers that Amazon provides, i.e., the opportunity to reach them. Therefore, the complementors are not focusing on attracting customers to the platform since Amazon is already doing it to a great extent for them. Another value added by Amazon is that they are making the sellers reliable because the customers associate them with the image of the platform itself. Since most third-party sellers do not have brand recognition, it is not easy to make the customers trust them. However, Amazon is increasing this trust level by ensuring that the overall platform policies impose specific standards and conduits meant to keep the quality high and the prices reasonable. Despite the fact that Amazon is expanding the reliability of the sellers, they are also rapidly ending collaborations with those who are considered unreliable. Therefore, Amazon is only adding value to the sellers who are respecting their policies.

On the one hand, the data extracted shows that several sellers plan to create their online web store. However, they acknowledge that this requires a well-established brand and a diverse product portfolio. On the other hand, all the companies analysed have started selling with only one product, and two of the sellers have started even without a brand. Nevertheless, since Amazon comprises a large, diverse and reliable customer base, the sellers can market their products without a well-known brand and product diversity.

Conversely, third-party sellers are adding value to Amazon by cooperation. The main improvement that they provide to the platform is product diversity. Even though some sellers sell only one product, the overall product range is increased significantly by third-party sellers. Several companies mention that it is very challenging for Amazon to sell everything by itself. Therefore, third-party sellers are needed to increase product diversity. Complementors' business model involves significant time searching for new products that could be added to the platform.

Another contribution provided by third-party sellers to Amazon is that they are lowering the price through competition. Most of their selection criteria are based on choosing products that are not in highly competitive markets. The sellers are increasing the competition by entering these markets, and usually, the competition lowers the prices. Therefore, as the number of sellers increases, the prices become lower with an extended product variety.

#### 4.2.2. Competition within the platform

Since there are more than two million sellers on Amazon, the competition within the platform can be described as fierce. All five case companies were aware of this before starting their business on Amazon. However, the competition is not the same for sellers when they are competing against the platform owner. Because Amazon is also a seller on the platform, it provides an extra challenge for complementors to sell the same or similar products that they sell. On the other hand, Amazon is not present in every category; therefore, the competition differs depending on the presence of the platform owner.

According to the data, it can be argued that no case company was aware of the difficulty of the competition against Amazon before starting their business. Several sellers complain about the competition from a different perspective. The most common concern is that Amazon has access to sensitive complementors' data and therefore can see which product is profitable as well as other characteristics. According to several sellers, Amazon enters only in markets where they identify high-ranking products, minimising its business risk. However, the complementors enter markets without previous information regarding the performance of those products on the platform, which represents a significant risk. Four of the sellers claim that Amazon's access to sellers' data makes the competition more difficult for them; therefore, the competition against Amazon is unfair.

The buy box represents another concern related to competition. Several factors are considered to win the buy box, including account health rating, store rating, and price. The most influential factor for winning the buy box is the price; often, the seller who provides the lowest price wins the buy box. However, If Amazon is selling under the same listing, Amazon wins the buy box most of the time. All five case companies acknowledged this, and three of them experienced it.

The last concern is related to Amazon's power. The sellers need to pay additional costs to Amazon, such as the platform fee, which is 20% of the price. Therefore, when Amazon competes with any other seller, it does not need to pay this cost, and as a result, it can lower the price more than them. Additionally, because Amazon has precise data regarding the number of units a product is sold, it can order the product in large quantities, lowering the total cost. Therefore, all five companies believe that it is difficult to compete with Amazon by price.

### 4.2.3. Interdependency of Third-Party Sellers and Amazon

The dependency between third-party sellers and Amazon has two sides. It can be argued that both parties are dependent on each other in different manners. It was noted that all five case companies think that their businesses are dependent on Amazon. The main argument for this dependency is related to the fact that Amazon decides the rules by its policies. Amazon decides who can sell on its platform and what can be sold as well as the standards and characteristics required for selling.

Another factor that makes sellers dependent on Amazon is their algorithm, which suspends the accounts relatively quickly. Three case companies claim that Amazon is on purpose looking for reasons to suspend the small sellers on its platform. On the other hand, the other two companies think that the suspension decisions align with Amazon policies. Additionally, all five case companies had an issue with suspension or problems with their listing; in most cases, Amazon solved their issue, but it caused a significant sales and profit loss.

The idea of unfair competition and dependency on the platform creates trust concerns among complementors. These uncertainties related to trust prevent the sellers from considering a long-term collaboration with Amazon. Therefore, the sellers are trying to be less dependent on the platform; all five case companies want to have their own web store in the future.

Nevertheless, Amazon is also dependent on its sellers. The main reason is that they are the ones who are increasing the product diversity on the platform. The diversity increases because a significant number of sellers are constantly looking for products that can be sold on the platform. Moreover, the complementors are increasing the competition, which lowers the prices. The reasonable product prices are partly due to the third-party sellers. However, Amazon dependency on third-party sellers does not give the sellers any bargaining power because Amazon is not dependent on a single seller. If one seller stops selling on Amazon, another one is likely to be attracted by the potential profits and fill the gap.

### 4.2.4. Strategies for competition

Third-party sellers implement several strategies to compete with the platform owner. The most common strategy is to avoid competing against Amazon due to the reasons mentioned in the previous section related to competition. All five case companies avoid competition with Amazon due to the difficulty and unfairness that they perceived. However, the competition is inevitable for

some categories, and Amazon entered with the same product in four out of five cases. Furthermore, one of the case companies sells similar products as Amazon. Consequently, when Amazon enters a product after the complementors, they utilise short term strategies.

The first strategy is to lower the price whenever it is possible. If Amazon is selling under that specific listing, it usually wins the buy box even when the complementor slightly lowers the price. However, there is a chance to win the buy box if the seller decreases the price significantly. In these circumstances, sellers, including Sunair Store and Trekords Store, usually decide to lower the price to win the buy box even though they sell at a loss in most cases. The reason for selling the product at a loss is to clear the stock of products from the market in which Amazon is also competing. If they receive the products back from the warehouse, it would still be challenging to sell them on other platforms. Furthermore, Amazon charges additional costs for returning or disposing of the products; therefore, selling at a loss helps them avoid these costs. In short, the sellers aim to sell all their inventory to stop competing with Amazon as soon as possible.

When the complementors are aware of Amazon's presence in a specific category, they implement mainly two strategies to compete against the platform: product differentiation and timing. The case companies Aprico, Cube Arts and Alpinebit, implemented a product differentiation strategy when the products were highly demanded. The reason for selecting these products was that everyone, including Amazon, could receive a small piece of the 'pie'. In these cases, the complementors are able to make a profit with minor product adjustments that can represent even small changes in the design. The second most common strategy for sellers is timing, predicting the next trend on Amazon and entering with these products. Because Amazon usually enters markets with products that have high volume sales, some sellers are trying to find a temporary popular product. By choosing these products, the third-party sellers will likely avoid competition with Amazon and earn superior profits.

### 4.3. Discussion

In this section the empirical findings are discussed in relation with the literature presented guided by the theoretical framework. The order of the subsections topics is following precisely the order presented in the theoretical framework and it starts with Co-opetition Theory implications for the platform and the complementors. This is after divided into the two main elements competition and

collaboration. The main findings are then discussed in respect to Resource Dependence Theory and the interdependency relations between the main actors of the digital ecosystem. Finally, the last subsection is related to the strategies that complementors are considering or implementing to assure the survival and development of their businesses.

It is important to mention that throughout the section we are adopting a zoom out technique meaning that we are discussing also from a broader perspective with some new theoretical inputs that might explain certain situations. A relevant figure is presented in Appendix B regarding the multitude of Co-opetition theoretical perspectives. This figure illustrates the further connections that could be discussed in relation to the findings and the theoretical framework of this thesis. Moreover, in several parts of this section further applications of the theories will be revealed as well as studies that are related to the topic of the paper.

### 4.3.1. Co-opetition between Amazon and complementors

#### 4.3.1.1 Cooperation

In Co-opetition, both parties acknowledge the possible negative outcomes from the competition part; however, the benefits of cooperation can overcome the negative consequences (Brandenburger & Nalebuff, 1997). Therefore, all five case companies are selling on Amazon to enhance their business, but they are also aware of the possible competition drawbacks. There are several co-opetition factors which are considered advantageous for the complementors.

The firms lacking certain resources and capabilities are more likely to partner with the companies that are superior in these aspects. Therefore, collaboration can improve the performance of these firms to compensate for their insufficiency with complementary resources provided by the other firm (Gnyawali & Park, 2011). This is rather common when the cooperating firms are from different industries since they can provide different capabilities and create innovative synergies (Bengtsson & Johansson, 2014). One reason why the five case companies are selling on Amazon is their technological insufficiency. In other words, Amazon is offering them a digital platform, which can be considered a complex ecosystem, with various functions that help them market their products effectively. Additionally, this partnership can also enhance their competitive position in the market because both firms are improving their resources and capabilities (Gnyawali & Park, 2009).

Apart from technological asymmetry and resource dependency, common goals are another factor that direct firms to collaborate (Luo, Shenkar & Gurnani, 2008). To some extent, this is the case for the analysed complementors and Amazon; they share common goals: to increase their sales on the platform, improve their brand image, and diversify their portfolios. In addition, Miller (1993) argues that common goals need to have long-run targets for collaboration to minimise the short-term benefits of dishonesty. However, the findings in this study suggest that the case companies are not considering their cooperation with Amazon long-running. This could be because the collaboration with large firms is more advantageous when the firms are at a later stage in their business development (Park & Bae, 2018).

Moreover, our empirical data suggest that all case companies have started their business by selling on Amazon. As such, all of them can be considered at the initial stage of their business. Therefore, it could be argued that the reason sellers are not considering a long-run collaboration with Amazon is that they are not experienced enough, and the nature of the business model is unpredictable (Hillman, Withers & Collins, 2009).

On the other side of cooperation, some platforms, at a particular time, need complementors widely to invest in the platform to sustain the growth (Zhu & Iansiti, 2012; Zhu & Liu, 2018). With the investments of complementors, the platforms are able to ease the pressure of the R&D costs and short product life cycles (Gnyawali & Park, 2009). Since more than half of the sales are made by third-party sellers on Amazon (Statista, 2021), a variety of those product offerings require significant investments that are helping the platform ecosystem. Our empirical data suggest that all case companies think that they add value to Amazon by offering products that the platform does not sell. Therefore, they are lowering investment requirements for the platform, which represents a great advantage for Amazon from cooperating with third-party sellers.

As figure 6 in Appendix B shows, the inter-firm network theory could be another theory that corroborated with Co-opetition provides a different perspective on the collaboration part. Gimeno (2004) is one of the pioneer researchers who developed on the topic of alliances formed by competing firms within specific contexts and networks. The results of his study provide an interesting perspective on the context, precisely the concept of competitive embeddedness. This concept is the main driver for inter-network collaboration because competitors attempt, in many instances, to partner with the key resource providers of their rivals. The implied results are that

intra-network competition emerges for exclusive contracts, which distort the collaborations within the networks and diminishes the availability of critical resources. However, this outcome depends on the level of goal alliance between partners and the complementary resources that they provide.

The relation between inter-firm network theory and specifically the study conducted by Gimeno (2004) and our study is that similarly to his findings, our findings and secondary data show that Amazon is distorting the inter-network alliances. Therefore, by attempting to misappropriate value intra-network competition is created and this affects the natural flow of resources which might be misused. This further emphasizes the implication of the Swimming with Sharks Dilemma regarding the idea that in these situations firms are forced to create partnerships outside their network that could compromise their businesses. This could arguably be a reason why the collaboration between the case companies and the platform is not tight and why the former is not considering a long-term partnership with the latter.

#### 4.3.1.2. Competition

The competition is usually different for cooperating firms since they provide resources and capabilities that have the potential to develop both parties involved (Fernandez et al. 2018). This is also the case for the complementors analysed; they claim that the competition with Amazon is different from the one with other sellers. In the following paragraphs, several differences will be discussed.

The competition with cooperating firms can improve their innovation performance since each firm provides resources and capabilities (Park, Srivastava & Gnyawali, 2014). However, a sufficient number of potential buyers are required to incentivize the sellers to innovate for the collaborations in digital platforms (Hein et al. 2019). This is in line with our findings, one of the outcomes of the co-opetition is enhanced innovation. However, these innovations are not necessarily represented by entirely ground-breaking offerings; even minor adjustments in design or some other features can be considered innovations for digital platform ecosystems. In this way, the competition between cooperating firms improves the product diversity within the platform.

In co-opetition between large and small firms, the companies use their bargaining power to improve their competitive position (Wang & Miller, 2020). Large companies utilize their egocentric network to obtain knowledge and data from other firms, but it is challenging for small companies



to avoid this situation (Vapola, Tossavainen & Gabrielsson, 2008; Lechner & Dowling, 2003). This aligns with the empirical data; all case companies complain that Amazon uses their information advantage to provide new products in markets dominated by complementors. Since the platform owner can identify the profitable categories and products, the moral hazard problem is likely to emerge due to information asymmetry (Cozzolino, Corbo & Aversa, 2021). The information asymmetry between Amazon and its sellers makes sellers believe the competition within the platform is not fair and challenging to support in the long run.

On the other hand, Diestre and Rajagopalan (2012) argue that the competition against large companies is not always as risky as some would expect. This is the case in certain circumstances, especially when they share knowledge for a common goal without any incentive to misappropriate value. In Amazon's case, the sellers do not have access to the same data as the platform; therefore, the competition is risky for them because the rewards from misappropriation of value are significant, and they do not always share the same goal. Additionally, co-opetition can enhance a firm's financial performance, such as productivity, profitability, and quality of service support (Mantena & Saha, 2012). However, our empirical data suggest that when the sellers are actively competing with the platform owner, they lose their sales and profit. On the other hand, when the demand is high enough, they all share a smaller part of the 'pie'.

#### 4.3.2. Dependency Relationship between Amazon and its Complementors

According to Pfeffer and Salancik (2003), the collaboration between two firms increases dependency when they share complementary resources and capabilities; this dependency is likely to occur when cooperating firms are also competing. The dependency is closely related to the parties' bargaining power; it increases proportionally to the degree of dependence on the other party's resources and capabilities (Pfeffer & Salancik, 2003). On the Amazon platform ecosystem, both parties are dependent on each other; however, the degree of dependence is tremendously different due to Amazon's bargaining power and information advantage.

Furthermore, the interdependencies generate certain patterns. The most common pattern is the extended dependency on new parties in the attempt to become less dependent due, in part, to the unpredictability of the competition (Hillman, Withers & Collins, 2009). Similarly to this idea, the findings in our study suggest that the complementors are trying to be less dependent on one single platform, specifically Amazon. According to the logic presented by Hillman, Withers and Collins

(2009), this might actually have the opposite effect, making the complementors expand dependency relationships on several new partners, or in this case, platforms.

Conversely, even when large firms have more bargaining power over the respective smaller partners, collaboration might actually help them deal with high critical costs such as R&D. Therefore, another pattern results from co-opetition between competing firms which can improve the firms' performance and make them more dependent on each other (Gnyawali & Park, 2009; Quintana-Garcia & Benavides-Velasco, 2004). The findings from the cases analysed suggest that the platform is dependent on the sellers but this alone might not be sufficient to justify the theory since it is only sellers' perspective.

However, studies such as (e.g., Zhu & Iansiti, 2012; Zhu & Liu, 2018) showed that, in certain instances, the platforms, in order to grow, depend on the quantity and quality of complementors. Therefore, from the mixture of primary and secondary data, it could be argued that the interdependency relationship is dominant on several occasions, especially when the third parties organise and use their collective power. Additionally, since Amazon is dependent on third-party sellers in general, not on a single seller, it makes it difficult for individual complementors to achieve bargaining power.

According to Bengtsson and Raza-Ullah (2016), trust and successful relationships are vital to maintaining collaborations. Trust is essential, particularly for small enterprises; therefore, they are mainly willing to cooperate with honest and reliable competitors. In addition, information sharing is considered a necessary sign of trust (Fernandez et al. 2018). However, the relationship between Amazon and its complementors is hard to be described as based on trust. The sellers think that Amazon is not competing fairly; the primary reason is that it has sellers' vital data; hence it can compete with a significant information advantage. As a result, it could be argued that in our case, the trust is not provided by the platform owner through transparency which makes the case companies less likely to engage in fully committed long term partnerships. The complementors are instead seeing Amazon as a starting point for future independent development.

By looking again at figure 6 in Appendix B, we can identify a different theoretical perspective that might apply in combination with our theoretical framework to provide relevant input related to this topic. In the case of interdependency between Amazon and the complementors, the Resource-Based view theory could be applied to broaden our understanding. According to Fernandez et al.

(2018), this theory supports the idea that differences in resource possession to a large extent explain differences in performance between firms. This is the case for Amazon and its complementors, where the former is superior in resources but depends on the latter's size to grow. Applied in different contexts by Wernerfelt (2016), this theory shows that when parties specialize and cooperate, they are able to use the resources at the maximum capacity. In our case, this could mean that Amazon is allowing the sellers on its platform also because it depends on them to use its resources efficiently.

### 4.3.3. Strategies for Competition

Even though the sellers are collaborating with Amazon, they are also competing with the platform in some instances. Therefore, they need to implement several strategies to secure their value provided on the platform. Wang and Miller (2020) argue that the complementors need to predict the platform's actions that might affect them in order to protect their bargaining power. Additionally, the sellers who are not actively competing with Amazon should also have strategies to prepare for the possible negative competition outcomes.

The most common strategy seen in the empirical data is that complementors are trying to become less dependent on Amazon to strengthen their bargaining power. The reason for this strategy is related to the high degree of dependency on the platform ecosystem, which they are aware of. This strategy aligns with what Hillman, Withers and Collins (2009) assumed in their study, namely that interdependencies drive firms to attempt to become less dependent because of the unpredictability of the environment. However, this action could also be considered an outcome of competition instead of a strategy. It is not clear if this is a purposeful strategy or an action that is driven by other factors. Nevertheless, the main task of the management is to understand their environment and contexts and to choose the partnerships in good timing when the company has some defence mechanisms and exhausted all the internal resources and capabilities.

Since Amazon and its complementors provide resources and capabilities to each other, they are likely to improve their innovation performance, primarily when the competitive firms focus intensively on innovation (Park, Srivastava & Gnyawali, 2014). For the case companies, the competition against Amazon is considered fierce; therefore, the sellers are trying to offer different products than what Amazon is selling. Thus, they are prioritizing innovation as a strategy to compete with Amazon.

Another frequently followed strategy is avoiding competition; the sellers seek products that Amazon does not sell. The main motivation is that the competition against Amazon is considered challenging and unfair by the case companies. Therefore, the complementors are trying not to be part of this type of competition with the platform owner. Additionally, Zhu and Liu (2018) suggest that Amazon is not present in all categories. On the same topic, Diestre and Rajagopalan (2012) argue that large competitors are not always dangerous, especially when sharing a common goal. Therefore, the sellers can find a product that does not require competition against Amazon. In the case of the analysed companies, these categories were the ones in which the demand is very high, and every seller can constantly capture a small piece of the market. Conversely, most of them supported the idea that there are markets in which the volumes are not high enough for Amazon to enter because it was observed that they enter only where the potential profits are high.

However, even though the complementors have the possibility, to some extent, to avoid the competition with the platform owner, it could be argued that it is difficult to justify this strategy by co-opetition theory since the sellers are not part of co-opetition anymore. In other words, if the sellers are not competing against the platform owner, then the relation cannot be considered as co-opetition. Nonetheless, this particular finding could be explained with a mix of theoretical perspectives both from the theoretical framework and external strategy related literature.

When it comes to discussing strategy, Grant (2019) provides a comprehensive book related to several topics from Strategic Management. Figure 6 from Appendix B shows the connection between Co-opetition theory and, more generally, the theoretical framework provided and the Game Theory implications on business strategy. Grant (2019) emphasises the idea that the decisions of one firm highly depend on the anticipated decisions and actions of its rivals. As we mentioned previously, this strategy could apply to the case analysed in this thesis as well. The findings show that complementors anticipate the markets in which Amazon does not enter before launching a new product offering. Moreover, Fernandez et al. (2018) argue that Game Theory is a particularly important tool for managers when outcomes greatly depend on another party. This idea links back to Resources Dependence Theory and arguably explains the behaviour of the case companies analysed, which are implementing what Grant (2019) named a deterrence strategy.

Deterrence strategy means that the complementors attempt to make the platform unwilling to enter the markets in which they are established (Grant, 2019). They are doing so by providing goods in

niche markets, assuming that the volumes are too low to justify Amazon's efforts. Therefore, the mixture between Game Theory and our theoretical framework might explain the competition avoidance strategy observed. According to Fernandez et al. (2018), a possible explanation for this strategy approach related to Game Theory is that such a theory is focused primarily on the short-term. Our findings align with this short-term idea and, therefore, could prove that one major reason complementors avoid competition with Amazon is that both parties mainly focus on the short-term effects of competition.

## 5. Conclusion

The conclusion chapter emphasizes the critical findings of the analysis, and these findings are used for a broader perspective. Firstly, the findings are examined if they align with the research aim by answering the research questions. Secondly, the objective of the research and what it is seeking to achieve is discussed. Then, the study's practical implications were examined, indicating the importance of suggested strategies. Lastly, the limitations of this research are discussed, and recommendations for future research are presented.

### 5.1. Research Aims

This paper has two aims that resulted from reviewing the literature related to authors' areas of interest. The authors wanted to understand how third-party sellers are cooperating and competing with the platform owner at the same time in order to answer the first research question. As shown in sections 4.2.1, both the platform owner and its complementors benefit in different ways from the collaboration. Since this study aims to explore and understand in what ways these firms cooperate and compete, we focused on how each firm is adding value. For the platform owner, the value is added by providing third-party sellers access to sell products to their loyal buyers. The access is difficult to achieve by third-party sellers alone. On the other side of collaboration, the complementors increase product diversity by providing different products that Amazon does not sell. The variety of products cannot be improved just by Amazon either since the amount of work done by third-party sellers is challenging for Amazon to be done by itself.

For answering the second part of the first research question, the competition between Amazon and its complementors is analysed in section 4.2.2. Evidence shows that competition can have different impacts on different firms, either positive or negative. One outcome of the competition is that the sellers are lowering the product prices while competing with other sellers, including Amazon. However, the competition between the platform owner and its complementors is considered unfair by the latter since Amazon has a data advantage over them. This is because third-party sellers and Amazon are often competing for the same product. However, Amazon has access to data to see which products are profitable entering options. Therefore, third-party sellers are usually influenced negatively by competition.

Another aim was to determine whether the third-party sellers are implementing defensive strategies to compete against platform owners by the second research question. In section 4.2.4, the most significant finding is that the complementors avoid competition with the platform owner. They are mostly selling a product that Amazon does not sell. The difficulty of the competition justifies the main reason for this strategy. The second most common strategy for third-party sellers to defend themselves is to become less dependent in order to secure their bargaining power.

## 5.2. Research Objectives

Using Co-opetition and Resource Dependence Theory, the authors believe this study increased the understanding of the dynamics between competing firms while collaborating. This research shows that the complementors benefit from the collaboration by using the platform's resources while taking the risk to compete with the platform owner, which can be challenging to deal with most of the time. On the other hand, utilizing the platform's resources is likely to make third-party sellers more dependent because of the innovative functions and large customer base, which are challenging to replace individually. This dependency diminishes their bargaining power to compete with Amazon.

The second objective of this research was to contribute to the development of the Co-opetition theory by applying it to a different perspective. Wegmann et al. (2018) suggest that less focus was paid to the perspective of complementors in a Co-opetition format. Additionally, the authors further argued that understanding the complementors' defensive strategies is beneficial to examine the dynamics of collaboration and competition. This study delivers the initial step in understanding the importance of studying the complementors strategy. The findings of this research show that one of the third-party sellers' strategies is to become less dependent, which highlights the difficulty of competing while collaborating in this context. Due to the difference in the parties' bargaining power, it could be argued that the Co-opetition between third-party sellers and Amazon is not equally beneficial.

Lastly, this study contributes to research on the Co-opetition strategies by focusing on the complementors' viewpoint. Most of the findings in this paper emphasize the importance of including the complementors' perspective when examining the dynamics of Co-opetition for competing firms. For instance, the findings suggest that the sellers are avoiding competing against

Amazon, and this avoidance can be related to understanding how Co-opetition harms their business. Even though the sellers are influenced negatively, they are still cooperating due to the advantages provided by the platform owner, i.e., services, loyal customers.

### 5.3. Practical Implications

The level of dependency is something that third-party sellers should pay close attention to. Depending on the general strategy of third-party sellers, securing bargaining power by reducing dependence is necessary. Suppose a company aims to maintain its collaboration with the platform in the long run. In that case, the sellers need to strengthen their bargaining power over the platform to minimise the possible risks that might occur from the competition. Therefore, the collaboration with large firms is likely to be more beneficial when the complementors are not at the initial phase of their business, as mentioned in the literature review (2.4). Even though some see the need for platforms' resources as essential at the beginning of the business development, the usually fierce competition involved in these platform ecosystems might be damaging for inexperienced ventures. Consequently, the firms need to become less dependent to prevent the possible influences from the competition against the platform owner.

However, as mentioned in the literature review, large firms are not always dangerous, particularly when the goals are aligned with their complementors. In our case, the competition between Amazon and its complementors is not intense in all categories since they share the same goal: increasing product diversity and maximising profit. Therefore, the sellers can avoid competing with the platform owner in the markets considered unattractive by the latter. On the other hand, sellers can also compete with the platform owner if the demand is high enough for every seller; however, the sellers still need to differentiate their products to obtain a small piece of the 'pie'. Aprico Store understands this, which is why it has been selling products similar to what Amazon sells but only when the demand was high.

While it is argued in this paper that third-party sellers can adopt multiple defence strategies to compete with the platform owner, the difficulty of implementing these strategies while collaborating is acknowledged. Since the complementors benefit from the platform's resources and capabilities, competing against the platform owner is inevitable. Furthermore, Wang and Miller (2020) advise that complementors need to anticipate platform actions that might influence them.



We also agree with this advice as, by predicting Amazon's actions, the complementors are likely to benefit from the platform's resources and minimise the negative impacts of competition.

## 5.4. Limitations and Future Research

The research and its findings are limited in some respects, but they can be considered a paved path for further research. Firstly, even though the data collection strategy was not representative sampling, the study lies in the selected purposeful samples. Since only five firms are interviewed, the findings strongly depend on case companies' experiences and opinions. This is also due to the qualitative nature of the research where the findings rely on the researcher's and interviewees' subjective understanding. Even though we tried to minimise personal biases, it is inevitable due to human factors involved.

Moreover, since the theoretical framework was used to guide us for data collection and analysis, some necessary aspects to answer the research question may have been disregarded. In addition, the theories explain the collaboration and competition from each perspective; however, this paper mainly focuses on third-party sellers' perspective. Gathering primary data only from one side while using secondary data for the other might mislead us in understanding the complete picture.

Furthermore, the selected cases may not be enough to generalise the findings due to several reasons. Firstly, the case companies analysed in this study can be considered in the initial stages, and the findings of this research might differ if the size of the complementors changes. Secondly, the range of the interviews is limited geographically and demographically as these cases are from North America. Therefore, the dynamics of cooperation and competition forces might be different in other regions and markets. Lastly, since this study analyses the case of Amazon, the realities and the respective findings could be different in other digital market ecosystems.

However, some generalizations could be made from the fact that the functions used by all complementors on Amazon.com are alike. The business model is similar around the world and this is one of the reasons why it is such a popular business opportunity nowadays. Moreover, from our findings and from the secondary data it can be concluded that third-party sellers have similar concerns and experiences with the platform. The main differences come from the specifics of the markets which require different capabilities, resources and strategies as it was showed in this thesis as well.

After acknowledging the limitations of this study, future research may investigate how complementors are cooperating and competing with platform owners in several ways. Firstly, as this research only examined five cases, further research can use a broader sample. The broader sample will provide a higher number of participants and a wider scope regarding geography and demography. As a result, a better understanding of the experiences could be achieved. Additionally, to minimise personal biases, another form of data collection other than interviews could be used. Lastly, different digital platforms could be investigated to check if the findings of this research are appropriate in other contexts.

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# Appendix A

## Semi-structured Interview Questions

1. Can you describe your company?
  - Are you the owner of the store? Or what is your position?
  - What products are you selling? Main categories?
  - Are your products usually mainstream selling products or niche products?
  - Do you have a physical store?
  - Are you selling on other e-commerce platforms?
  - Is Amazon the first online marketplace to sell your products?
2. Why did you decide to sell on Amazon?
  - How important is Amazon for your sales in terms of percentage?
3. Do you think that you are adding value to Amazon? If yes, how?
4. How close is your relationship with Amazon in terms of collaboration?
  - Do you feel that Amazon values you and the other third parties? Are they helpful enough in terms of development?
5. Provide context (anti-trust lawsuits and competition law) Were you aware that Amazon is usually entering and competing with third parties based on their information advantage? If yes, when you found out, did this influence your decisions and strategy?
6. Are you selling products that Amazon also sells or at some point were you in this situation?
  - If yes, did you start selling before or after Amazon started to sell that product?
    - i. Was your profit or number of sales affected after Amazon's entry?
  - If you started selling after Amazon, what was your motivation to start selling?

7. What strategies do you adopt to compete with and defend against Amazon?
- How do you compete with your competitors (excluding Amazon)?
  - Does your competition style differ when you are competing with Amazon?
  - Do you think you can compete with Amazon in the long run?
  - Do you think you can defend yourself from Amazon's entry? How?
8. Do you think that your business depends on Amazon? Why?
- Are you trying to be less dependent on Amazon?
  - If yes, how?

# Appendix B

## Co-opetition theoretical perspectives

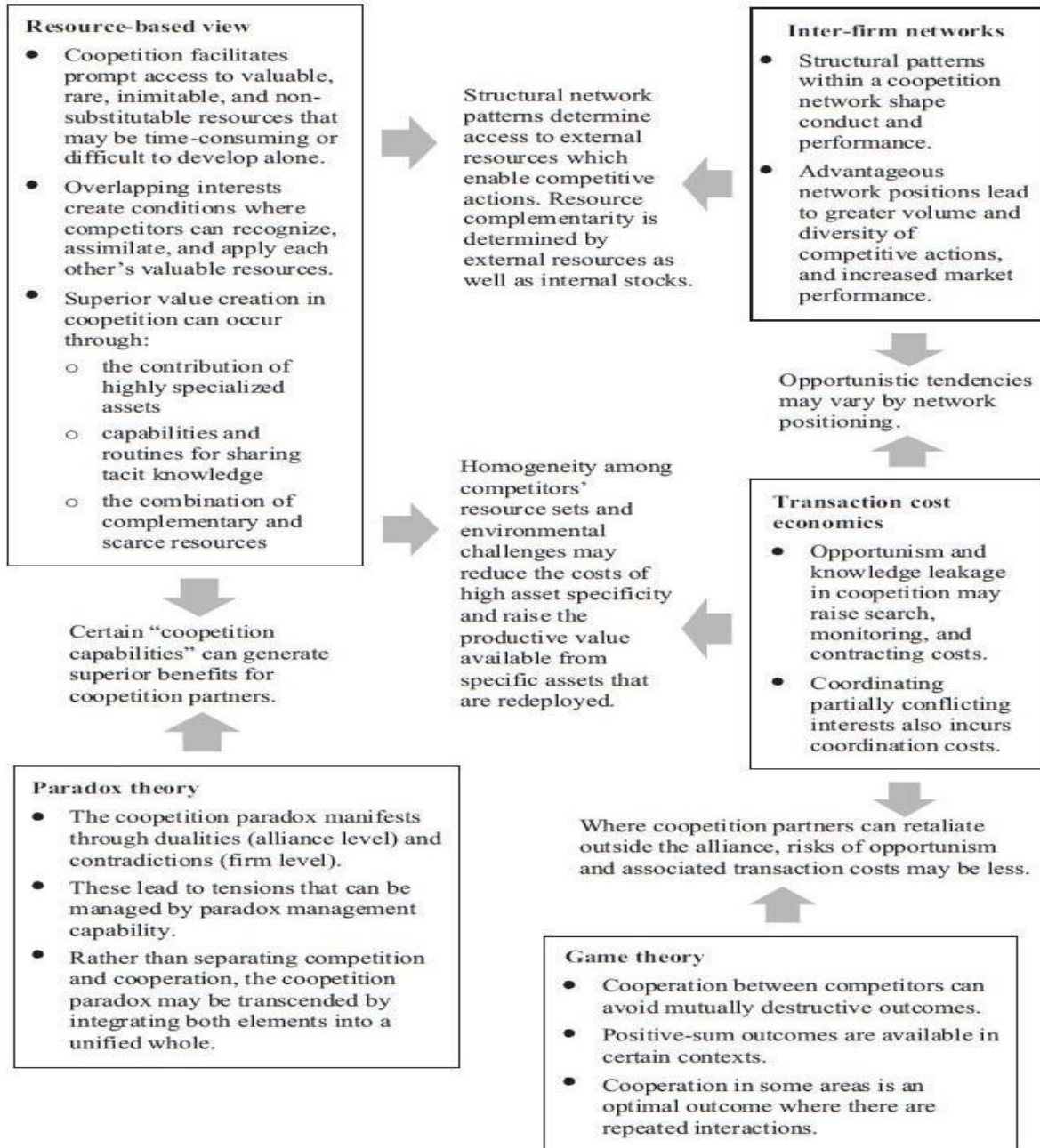


Figure 6: Theoretical perspectives of Co-opetition (Fernandez et al. 2018, p. 25)