

## Competition and Strategy of BIT Bilateral Market

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**Abstract:** With the development of information technology, especially the development of the Internet, information products based on bits are entering our lives in an amazing situation and speed of development, the major changes in society, politics, economy, organization, life and technology have become the main issue of attention and discussion. In the bit economy, bit products and platforms widely exist and infiltrate into various industries under the bit economy, which promotes the birth of innovative formats and major changes in business modes, making the bit economy show a clear platform trend, which is from the unilateral market to the bilateral market. This paper aims to analyze the bit bilateral market and combine the nature of the bit economy to analyze the structural characteristics of the bit bilateral market.

### 1. Introduction of Bit Bilateral Market

Defined in a narrow sense as: a bit product refers to an information product in the form of a bit or bit stream, which is stored and distributed in the form of bits and transmitted in the form of a bit stream on a hardware medium such as an information network. Besides the narrow bit products, the generalized bit products also include bit services that are transmitted and stored in the form of bits or bit streams. This concept breaks through the traditional service meaning, such as Google, Baidu and other search platforms, e-mail, e-commerce, communication platform and other services that people often use.

Why propose the concept of bit products? The reason is no matter it is information product, knowledge product or digital product, its definition includes both hardware product in physical form and products with non-physical information as the main content. The definition of "bit products" can avoid the definitions in the above studies, and the bilateral market that provides bit product transactions is the bit bilateral market.

### 2. Competitiveness in the Bit Bilateral Market

In the bit economy society, due to changes in the economic operating environment and operating rules and changes in dominant production factors, the market structure has changed greatly from the traditional industrial society. The market structure of bit products has new features which are different from atomic products. Throughout the various bit bilateral markets, we can find that the monopoly or oligopoly in the bit bilateral market is very common, but the competition is not weakened. The monopoly and competition have been transformed from the relationship of exclusion and confrontation into a compatible and mutually reinforcing relationship.

Although the bit bilateral market structure tends to monopolize, it does not mean that there is no competition or weakened competition. On the contrary, competition in the bit-bilateral market is more intense than any previous atomic product competition. The specific performance has the following aspects:

- 1) Speed of product replacement is accelerating
- 2) The threat of alternative products exacerbates competition
- 3) Innovation maintains market competitiveness

The formation of its competitiveness is mainly due to the following points:

## **2.1 Driving of Potential Monopoly Profit**

In the era of bit economy, the monopoly market structure is already an inevitable result. But monopoly does not eliminate competition because the monopoly does not eliminate the motivation and basis of competition. The huge monopoly profits have stimulated the motivation and enthusiasm of potential competitors for continuous technological innovation.

## **2.2 Life Cycle of Bit Product is Short**

Compared with traditional atomic product, the life cycle of bit product is very short, and the variability of consumers' requirement leads to its continuous upgrading. The reason why new products are put on the market is not because the previous generation of products has reached saturation and recession, but the customer's evaluation of the product value has changed, which means that there are potential competitors to invade the threat.

If the life cycle of a product is very short, it will be more difficult for the forerunners to maintain their market position, because consumers' preferences will change and competitive products and services will develop rapidly. The short product life cycle reduces the barriers to entry for new companies and promotes the market competitiveness. Even if the incumbent has a high market share, it can't be taken lightly, because if the new entrants push the product upgrade through technological innovation or introduce some new products that are substitute for the incumbent enterprise products to the market, it is possible for them to break the place to promote the competitiveness of the market.

## **2.3 Differentiation**

No matter in the traditional bilateral market or the bit bilateral market, differentiation is always an effective force to promote competition. And in the bit economy, the role of differentiation in market competition is more significant. Since the bit product is composed of code sequences of 1 and 0, the variability is very strong, so the enterprise can quickly produce a large number of customized and personalized bit products without the need to increase the cost to meet the needs of the barbarian personalized era.

From the aspect of demand. Since the beginning of the 21st century, the development of the Internet and mobile Internet has further enhanced people's individualization. The diversity of users' needs and the desire for diversity are very strong. The key word of this era is user, and innovation based on user's demand has become the driving force for sustainable development.

## **2.4 Spontaneous Exclusion of Monopoly Power, Such As Open Source**

People have more or less rejection of market power. From the common sense, when the market is completely monopolized by a certain enterprise, the interests of consumers will be difficult to guarantee. Even if the barriers to entry in the bit bilateral market are high, it is difficult to prevent new entry into the business (unless administrative intervention and restrictions). Consumers, especially those who are more avant-garde and willing to accept new things on the Internet, are willing to look for alternatives to products that are close to monopoly in the market.

## **2.5 Government Intervention**

Government behavior is mainly divided into government regulation and government procurement.

### **2.5.1 Government regulation**

The effective management of the government will make the profits of monopoly enterprises through standards become increasingly meager. Any country's protection of intellectual property rights is balanced between moderate protection and effective proliferation. Especially in developed capitalist countries, the government's anti-monopoly and micro-regulatory policies have made monopolists enjoy high profits through the standard of high monopoly profits.

### 2.5.2 Government procurement

In government procurement, the government must consider not only the safety and economy of products, but also the "political decision". The "political decision" is to protect the domestic software as government procurement. For bit products, such as operating system software, even the high development costs are high, and most companies are discouraged, but because of its extreme importance to national security, government support makes this product potentially competitive. Government's support has greatly reduced the obstruction effect of sunk costs and barriers to entry, and expanded the range of competition in the bit bilateral market.

## 3. Common Strategies in the Bit Market Competition

### 3.1 Competition Strategy of Market Share

In the traditional economy, the company's goals are two: production and price. And as the network effect breaks the traditional rule of "things are rare," market share has become the most important concern in the bit environment.

In addition to price strategies such as differential pricing and bundle pricing, there are many non-price strategies, such as firstly launch products and be the market leader. Selective opening which means making full use of open network effects to expand user scale. Accelerate the expansion of market share of its own products and reach the critical point as early as possible by increasing the technical content of the products, reducing the user scale required for the critical point, etc.

### 3.2 Stability and Locking Strategy of User base

In the era of bit economy, the global competition and the high intensity of competition make the transposition of dominant products a common occurrence. Since the market competition is dynamic, it is normal to have a temporary market share reduction, but it cannot be reduced to the critical point of the user base. The user base of the critical point is the bottom line of the benign cycle of the positive feedback mechanism. Once the dominant position is occupied, the enterprise must be able to maintain the user base of its products in the subsequent competition to ensure that the market share of this expansion is stable. This is called locking. There are many specific methods, including preempting the market and cultivating user loyalty, etc.

### 3.3 Standardization and Standard Competition Strategy

Standards are the core factor in the competition of bit product manufacturers. Winning the standard means winning the market. In the bit economy, the standard competition case is quite common.

### 3.4 Platform Competition Strategy

In the bit economy, platform-based products are widely spread and play an increasingly important role in the economic and social development. The platform model has penetrated into all walks of life under the bit economy, and promoted the birth of innovative formats and major changes in business models, making the bit economy show a clear platform trend. Specifically as:

(1) Start to the platform(Unilateral market→Bilateral market)

The bit era is the era of user demand explosion. Faced with the diverse needs of the user community, the power of a single enterprise seems to be weak and unable to meet the needs of lots of users unilaterally. Introducing new suppliers and various product developers into the platform to create bilateral markets, giving consumers more choices and meeting the space for demand is the current development trend.

(2) Expand the scale and scope of the platform

(3) Pursuit of platform integration

There are three typical measures in the platform competition strategy:

(1) Differentiation

In general, the reasons for adopting the platform market service differentiation strategy are consistent with the differentiation of products and services in the traditional market. The result of homogenization is likely to be monopolist and weak out. Only differentiation can produce a market equilibrium situation in which multiple platforms of the same type coexist.

#### (2) Exclusive

No matter the user is singular or majority, platform product owners are likely to take exclusive actions. Restrict customers from offering services or products to competitors' platforms by signing exclusive agreements.

The popularity of exclusive strategies is mainly due to the importance of complementary products to the platform. In general, the combination of complementary products determines the core value of a platform and is the basis for platform differentiation. Therefore, those platforms that rely on third-party companies to develop complementary products hope to be able to negotiate and sign exclusive agreements with these third-party companies.

#### (3) Platform Encapsulation

The platform encapsulation refers to the platform provider bundling its existing platform functions and target platforms into the target market, sharing the customer relationships and common components and applications already owned by the platform. The barriers to entry for dominant companies through strong network effects and high switching costs will no longer be indestructible under the combined packaged offensive strategy of the platform provider.

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