

15.040, Spring 2004
Summary of Online Game 6
Courtesy of Mike Shor, Vanderbilt University

Game 6: Demonstrates option value and commitment under uncertainty

In this timed game, you are a company at the forefront of a new digital television technology. You and one competitor (another student in class) have an innovator's advantage as you are the main developers of the new technology. Your advantage makes it possible for you and your one leading competitor to build production plants right away, committing to market entry. A number of other firms will be ready to enter soon if you do not take advantage of your lead. Your problem is that you cannot guess the likelihood of the commercial appeal and popular adoption of the technology. Do you enter now or wait to see if the technology gains popular acceptance?