



**Illinois Wesleyan University**  
**Digital Commons @ IWU**

---

John Wesley Powell Student Research  
Conference

2000, 11th Annual JWP Conference

---

Apr 15th, 10:00 AM - 11:00 AM

## **Microsoft versus Netscape: A Case Study of Games Businesses Play**

Esteban Lizano  
*Illinois Wesleyan University*

Margaret Chapman, Faculty Advisor  
*Illinois Wesleyan University*

Carolyn Stumph, Faculty Advisor  
*Illinois Wesleyan University*

Follow this and additional works at: <https://digitalcommons.iwu.edu/jwprc>

---

Lizano, Esteban; Chapman, Faculty Advisor, Margaret; and Stumph, Faculty Advisor, Carolyn, "Microsoft versus Netscape: A Case Study of Games Businesses Play" (2000). *John Wesley Powell Student Research Conference*. 15.  
<https://digitalcommons.iwu.edu/jwprc/2000/posters/15>

This Event is protected by copyright and/or related rights. It has been brought to you by Digital Commons @ IWU with permission from the rights-holder(s). You are free to use this material in any way that is permitted by the copyright and related rights legislation that applies to your use. For other uses you need to obtain permission from the rights-holder(s) directly, unless additional rights are indicated by a Creative Commons license in the record and/ or on the work itself. This material has been accepted for inclusion by faculty at Illinois Wesleyan University. For more information, please contact [digitalcommons@iwu.edu](mailto:digitalcommons@iwu.edu).

©Copyright is owned by the author of this document.

Poster Presentation 31

**MICROSOFT VERSUS NETSCAPE: A CASE STUDY OF  
GAMES BUSINESSES PLAY**

Esteban Lizano and Margaret Chapman\* and Carolyn Stumph\*  
Department of Economics, Illinois Wesleyan University

Game theory is a formalized way of analyzing interactions between rational players in hopes of "solving" the game, or finding a solution that optimizes outcomes for both players given each others strategies. This framework is used to analyze the interactions and strategies of the two main providers of Internet Browsing Software, i.e. Microsoft (Internet Explorer) and Netscape (Netscape Navigator.) Since both of these firms price their product close to zero, and given that marginal costs approach zero, they are using competitive short run pricing. Focusing on pricing to study strategic behavior ignores that both firms must price to cover sunk costs over the long run and that revenue proceeding from sale of the product is not the main source to cover this cost. Therefore, pricing of the software itself is not the essential element in the players' strategies. This game will therefore be constructed and solved as a dynamic repeated game, using market share and research and development expenditure as the principal strategic variables to study the behavior of both firms from 1993 to the present.