15.912 Technology Strategy
Fall 2008

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Value Capture: What should Ember do?

- How will we Create value?
- How will we Deliver value?
- How will we Capture value?
Ember & Zigbee:

• OEMs and customers will not commit to proprietary standards from a venture capital-backed startup...

• ...so Ember does join Zigbee standard
  – Had to give away a lot of IP to the Zigbee standard...lot of debates about this!
  – TI & Freescale joined, but really were dragging their feet
    • Always late to pay the budget, so Ember is paying most of it.
    • Missed meetings; made Ember do advertising campaign
  – But Ember would develop one of the best Zigbee implementations! How?
Ember partners with Chipcon for Chip Design

- **Chipcon**: Biggest chip designer in Norway
  - They split design costs, which are large
  - But Chipcon want rights to use chips and IP as they see fit...
  - ..a big debate about this inside Ember!
  - But they ultimately agree to a deal to share costs in developing the first robust integrated chip.
  - Few years later, Chipcon is bought by TI, who becomes a major competitor!
  - ...but the joint venture did get costs down to ~$1 node.
Ember’s Competition

• Zensys fades away...
• TI and Freescale (who acquired Motorola’s assets in this area) become the major competitors
  – But Ember is winning 75% of competitive sales...because the product works well
    • Freescale: seems to be not paying attention to the business
      – Software won’t compile...big company problems
    • TI:
      – Ember better at bug fixing, and may have more software features
Which markets? ...sales may be beginning to take off!

• Markets:
  – Many of the niche markets in the case fail to grow dramatically...
  – Utility Home Market takes off!
    • Eaton’s market!
      – But Eaton couldn’t seem to release a low cost (integrated) solution...they may have lacked effective organization
  – Ember moved into the void: branded themselves as the ultimate Green Energy Solution!
    • Reading energy meters
    • In commercial apps: are the lights on?
    • Basically, can monitor everything, and save energy.
Looking Forward:

• Competition in Standards-based Industries:
  – Network Externalities and Increasing Returns:
    • Small vs. Large company strategies
    • Open or closed?
    • Public or Private?

• Bring your reflections to class.