Title:
First-Mover Advantages Versus First-Mover Benefits in Network-Based Industries

Abstract:
We present a theoretical framework to address the inherent endogeneity problem in entry-timing research by distinguishing the concept of first-mover benefits (FMB) from first-mover advantages (FMA), the former being counterfactual and (usually) unobserved pure treatment effects and the latter being actual observed combination of treatment and selection effects. Our formal economic model analyzes this distinction, making predictions about empirical identification biases arising from using FMA as a proxy to estimate FMB in the context of an industry with network externalities, and also about how various contingency factors (complementary assets, demand uncertainty, market growth, and rivalry intensity) influence the effect of network externalities on both FMA and FMB.