THE TRAP MUSEUM

Field Guide | Switching costs, lock-in and strategic choice

1. The central problem

A platform can deliver substantial value while increasing the cost of leaving it. The analytical task is to distinguish the benefits of integration from the costs of dependence.

2. Switching costs

Switching costs include migration labour, retraining, downtime, lost compatibility, contractual penalties, and uncertainty. These costs can be financial, technical, organisational or psychological.

3. Vendor lock-in

Vendor lock-in occurs when moving to an alternative becomes difficult or costly. Proprietary interfaces, specialised data formats, integrations and non-portable workflows can contribute to it.

4. Sunk costs

Money and effort already spent cannot be recovered. Rational decisions compare future costs and benefits rather than treating past expenditure as a reason to remain.

5. Network effects

The value of a platform may depend on who else uses it. Social connections, shared workflows, and ecosystem compatibility can make alternatives less attractive.

6. Bargaining power

A supplier and customer may negotiate differently after the customer has made relationship-specific investments. However, higher prices alone do not establish misconduct.

7. A worked comparison

Suppose staying costs INR 8,000 per month and an alternative costs INR 5,000. Migration would cost INR 36,000 once. Monthly savings are INR 3,000, so the simple break-even period is 12 months. This excludes risk, maintenance, learning costs and the time value of money.

8. Portability checklist

Verify that you can export your data in usable formats; recreate infrastructure from documented configuration; migrate DNS; test a second provider; recover secrets safely; and restore from an independent backup.

9. A decision framework

Ask: What value does the incumbent provide? What is the credible alternative? What is the total cost of switching? What would change the decision? Can an exit be rehearsed without committing to it?

10. Sources and further reading

Klemperer, P. (1987), Markets with Consumer Switching Costs, Quarterly Journal of Economics. UK Competition and Markets Authority, Cloud Services Market Investigation (2025). ISO/IEC 19941:2017, Cloud computing interoperability and portability.