PASTBEHAVIOR RESEARCH

When the Side Business Becomes the Better Business

What happens when the thing a company built to support its business turns out to be the better business?

Eleven cases spanning 1931 to 2026, across airlines, retail, banking, credit, payments, cloud, commerce, and real estate. In each, an operating company built or acquired something adjacent to its core business that became economically important enough to force a comparison. Some became better businesses. Some only looked like they might. This artifact maps what happened next: when companies recognized the difference, what signaled it first, how ownership was resolved, and what history says to examine before the answer becomes obvious to everyone else.

FACT | COMPANY CLAIM | REPORTED | ESTIMATE | INFERENCE | UNRESOLVED

Every material claim carries one of these labels, defined in the methodology.

CONTENTS

01 / THE PATTERN

The same sequence, across ninety-five years.

01 **A company builds something to solve its own problem.**
Not to sell anything. To fill seats, settle trades, move money, coordinate a team.

02 **The tool becomes useful to people outside the company.**
Travel agents. Other merchants. Other banks. Other airlines.

03 **Outsiders begin using it.**
Customers with no relationship to the core business pay for the adjacent product on its own merits.

04 **Competitors begin paying for it.**
The product now stands alone, and the parent's ownership becomes a question for the customer.

05 **The economics start diverging from the core business.**
Recurrence, margin, seasonality, and marginal cost separate long before revenue does.

06 **Ownership becomes a strategic question.**
Who owns the layer that is compounding, and under what terms written before scale.

07 **The company has to decide what business it is actually in.**
Usually years late, and usually because someone outside forced the comparison.

> **The pattern that emerges is not the one most strategy writing suggests. The recognition is late, the first signal is behavioral, and the ownership question is**

usually settled by whoever asks it first.

02 / THE HISTORICAL COHORT

Eleven cases, 1931 to 2026.

Nine cases where the comparison between core and adjacent business resolved visibly, plus two counter-cases chosen to discipline the signals: one where the adjacent business became much larger while integration remained economically important, and one where the signals looked right and the business was wrong.

01 Sabre / American Airlines 1961 TO 2000

BUILT

A reservation system for American's own agents, announced with IBM on November 5, 1961 and fully operational in 1964. Before automation, a booking took roughly 90 minutes and could not scale past the eight operators who physically fit around a rotating card file. FACT

SIGNAL

Extended to external travel agents in 1976, the first moment outsiders could use it. By 1987 it was the largest private real-time data-processing system in the world, serving more than 10,000 agents, and competitors' flights were bookable through it for a fee. FACT

RESULT

Twenty years of doing nothing structural, then a staged separation: roughly 18% floated in 1996 under analyst pressure, the remainder distributed to shareholders in March 2000. 2000 revenue was $2.6 billion per the Department of Justice. Silver Lake and TPG took it private in 2006 for over $4 billion. In January 2011, long after separation, Sabre removed American's flights from its system entirely during a distribution dispute. FACT

One claim circulates in the secondary literature: that Sabre's revenue consistently accounted for more than half of American's total revenues, and that American made more money from Sabre than from flying passengers. It traces to a third-party academic compilation citing Hopper (1990) and Sabre (2002), and the primary accounting is not visible. Treat with caution. REPORTED

Sabre displayed American's flights preferentially, which produced the screen-bias controversies and regulation of computer reservation systems. The parent's ownership was the reason the conflict existed. FACT

As an independent company, Sabre has had a difficult run: taken private in 2006, re-listed, and traded poorly since. Separation was not a guarantee of durability. FACT

02 AWS / Amazon 2006 TO PRESENT

BUILT

Not an accident that got externalized. Amazon built service-oriented internal infrastructure, and in the early 2000s a team wrote a plan to sell infrastructure as a business. AWS launched publicly in 2006, a designed business informed by internal practice. FACT

SIGNAL

Netflix, a direct competitor to Prime Video, became a foundational customer. So did many retailers. Amazon began reporting AWS as a segment in 2015, the single act that made the better business legible. FACT

RESULT

FY2025, from Amazon's own shareholder letter: total revenue $717 billion, up 12%. AWS revenue $129 billion, up 20%, or 18% of the total. Total operating income $80 billion, of which AWS produced between $45.6 and $47.5 billion depending on source: well over half of the company's operating income on under a fifth of its revenue. Q4 2025 AWS operating margin, 35%. FACT

Amazon never separated AWS, and there is no public evidence that competitor discomfort has materially capped its growth, though some large retailers have publicly moved workloads elsewhere. FACT

The case demonstrates that an adjacent business with better economics can be retained indefinitely when three conditions hold: the parent can fund it, the parent's identity does not constrain it in its own market, and the parent reports it separately so the market can price it. INFERENCE

03 PayPal / eBay 2002 TO 2018

BUILT

A payments layer adjacent to the marketplace, built to make marketplace transactions work. PayPal went public in 2002 and eBay acquired it later that year. FACT

SIGNAL

Off-eBay volume grew faster than eBay's marketplace. By 2015, eBay's transaction revenue was declining roughly 2% year over year while PayPal was growing. REPORTED

RESULT

Carl Icahn pushed for separation in 2013. The board rejected it publicly, stating the two businesses benefited from being together, then announced the spin-off on September 30, 2014. It completed July 18, 2015. On day one as a separate company, PayPal's market capitalization exceeded eBay's. FACT

The part usually left out: on January 31, 2018, eBay announced Adyen would become its primary payments processor. The captive volume that had made PayPal attractive inside eBay was removed by eBay itself, three years after separation. FACT

The parent's volume was the adjacent business's scaffolding and also its limit. Independence forced PayPal to replace captive volume with outside merchants, which it did. It might not have. INFERENCE

04 Alipay / Alibaba 2004 TO 2011

BUILT	An escrow service built to make Taobao, Alibaba's marketplace, work. As pure an adjacent-support product as exists. FACT
SIGNAL	A regulatory deadline, not internal recognition. New People's Bank of China licensing rules for online payment platforms required domestic ownership. FACT
RESULT	In August 2010, ownership of Alipay was transferred to a domestic company in which Jack Ma held a majority interest, reportedly around 80%, for roughly $50 million against contemporaneous valuations of at least $1 billion. Yahoo, holding roughly 40 to 43% of Alibaba, and SoftBank say they were informed on March 31, 2011. It became public in May 2011 and Yahoo's shares fell 22%. FACT

A compensation agreement in late July 2011 gave Alibaba licensing revenue from Alipay and guaranteed proceeds from any future IPO or sale. Ant was reportedly raising at a $60 billion valuation by 2018. Alibaba's compensation was a negotiated cap agreed at 2011 prices. FACT

Yahoo and SoftBank were shareholders in Alibaba. They were not shareholders in the entity that came to hold Alipay. That distinction is invisible while interests align and becomes the entire question the moment they diverge. FACT

The lesson is about timing, not villainy: ownership resolved under deadline is resolved at the other party's price. INFERENCE

05 MS-DOS / IBM and Microsoft 1980 TO PRESENT

BUILT	An operating system IBM contracted from Microsoft in 1980 for its forthcoming personal computer. IBM took a license rather than ownership, and the license was not exclusive. Microsoft retained the right to sell MS-DOS to other manufacturers. FACT
SIGNAL	Compaq and others produced compatible machines, and Microsoft sold to all of them. IBM's contribution stopped being essential almost immediately. FACT
RESULT	IBM supplied the demand, the distribution, the credibility that made the platform a standard, and the specification. It captured hardware margin in a category that commoditized within a decade, and eventually sold the PC business. Microsoft captured a per-unit license on every machine in the category IBM created. FACT

IBM did not lose because it failed to recognize software mattered. It lost because at the moment of contracting, exclusivity looked like a detail and the hardware looked like the business. INFERENCE

06 Moody's / Dun & Bradstreet 1962 TO 2000

BUILT	A bond-rating agency founded in 1909, acquired by Dun & Bradstreet in 1962, and operated largely unchanged for decades. FACT
SIGNAL	Investor pressure over Moody's visible outperformance, not management insight, forced the comparison after thirty-eight years. FACT
RESULT	Separation announced December 1999, completed September 30, 2000, structured so that Old D&B was renamed Moody's Corporation and a new subsidiary comprising the Dun & Bradstreet operating business was distributed to shareholders. In corporate-law terms, D&B spun itself out of Moody's. The better business kept the shell. FACT

Moody's finished 2000 with $602.3 million of revenue and delivered $797 million of revenue and $212 million of net income in 2001, its first full year standalone. As of a September 2025 third-party compilation, Moody's market capitalization stood around $86 billion against Dun & Bradstreet at around $5 billion. FACT REPORTED

Two businesses that both looked like credit information had entirely different economics. Ratings are issuer-paid, embedded in regulation, and scale without proportional cost. Business credit reporting is a subscription data business with real competition. Thirty-eight years of common ownership obscured the difference. INFERENCE

In a spin-off, shares go to existing shareholders, so D&B holders were not deprived. The company as an institution was. INFERENCE

07 MSCI / Morgan Stanley 1969 TO 2009

BUILT

Global equity indexes created by Capital International in 1969, licensed by Morgan Stanley in 1986 and branded MSCI. MSCI acquired Barra in 2004. FACT

SIGNAL

The client base at separation was over 2,900 clients in 63 countries, including Morgan Stanley's direct rivals, underpinned by long-term subscription licensing. 2006 revenue was $310 million, split roughly evenly between indexes and Barra analytics. FACT

RESULT

Minority IPO in November 2007 at $18 per share, 14 million shares, $252 million raised, listed as MXB. First-day valuation $1.86 billion, closing the day up 45% at $2.7 billion. Fully independent by 2009. Since the IPO, revenue and earnings have compounded at roughly 15% and 22% annually, and MSCI indexes now underpin around $18.3 trillion in assets. FACT REPORTED

The stated mechanism is the most useful sentence in this study: as a subsidiary of an investment bank, MSCI faced limitations when competing for clients that were also Morgan Stanley's rivals, and when pursuing partnerships or acquisitions that raised conflict questions. REPORTED

The parent's identity was the cap. Not capital, not talent, not product. The adjacent business could not fully address its market while owned by a participant in that market. INFERENCE

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08 Slack / Tiny Speck 2009 TO 2021

BUILT

An internal communication tool built to coordinate a distributed team while Tiny Speck made an online game called Glitch. FACT

SIGNAL

The core died. Glitch shut down in November 2012, and the tool became the entire company. Slack launched in August 2013. FACT

RESULT

Salesforce acquired Slack in a transaction that closed in July 2021, valued at approximately $27.7 billion. FACT

This is the boundary condition: the only case where the core was fully shut down, showing what the pattern looks like with no ambiguity at all. INFERENCE

It does not show that internal tools generally become better businesses. Thousands of companies built the same thing and shipped nothing. The selection bias here is total and should be treated as such. INFERENCE

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09 Allstate and Discover / Sears 1931 TO 2018

BUILT

An insurance company founded inside a retailer in 1931, and a credit card launched in 1985 through Dean Witter, which Sears had acquired. FACT

SIGNAL

Sixty years of holding two financial businesses whose economics were categorically better than retail, while treating retail as the identity of the company. FACT

RESULT

Allstate went public in 1993 and was fully separated in 1995. Dean Witter Discover was spun off in 1993. The proceeds were deployed into the retail business. Sears Holdings filed for Chapter 11 in October 2018. FACT

Sears did not fail because it spun off Allstate and Discover. It failed for reasons internal to retail. But the proceeds of separating structurally superior businesses were deployed into a structurally inferior one, and the institution that made that choice no longer exists while both separated businesses do. INFERENCE

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10 Shopify merchant solutions COUNTER-CASE

BUILT

Payments and merchant services layered onto a subscription commerce platform. Every surface signal says it is the better business: 3.7 times larger than the subscription business as of Q4 2025, growing 35% against 17%, with Shopify Payments processing 68% of GMV. FACT

SIGNAL

The economics say otherwise on the dimension that usually matters. Subscription gross margin was 81% in Q4 2025 against 36.8% for merchant solutions, and overall gross margin fell to 48.9% in Q3 2025 from 51.7% a year earlier. The company's own 10-Q states the growth of merchant solutions “has caused in the past, and may cause in the future, a decline in our overall gross margin percentage.” FACT COMPANY CLAIM

RESULT

The nuance that saves it: the same filing states Shopify views merchant solutions as beneficial to operating margins, because Shopify Payments requires significantly less sales, marketing, and research and development expense than the subscription business. Free cash flow margin was 17% for 2025. Shopify chose integration deliberately, and the core became distribution for the adjacent business. COMPANY CLAIM

Gross margin is the wrong test. The right test is contribution after the costs the parent does not have to spend to acquire that revenue. An adjacent business riding on the core's customer acquisition can be structurally better at the operating line while looking worse at the gross line, and structurally worse while looking better on growth. Both errors are available from the same income statement. INFERENCE

11 Zillow Offers COUNTER-CASE

BUILT — An iBuying operation entered in 2019, using Zillow's marketplace position and the Zestimate as the claimed advantage. FACT

SIGNAL — Revenue arrived fast. Purchases doubled from Q1 to Q2 2021 and doubled again from Q2 to Q3. In Q3 2021 Zillow bought 9,680 homes and sold 3,032. FACT

RESULT — That quarter produced $1.7 billion of revenue, a net loss of over $328 million, and a $422 million loss in the Homes segment. On November 2, 2021, Zillow announced the wind-down and a 25% workforce reduction, forecasting a further $240 to $265 million of inventory write-downs and up to $230 million of impairment and restructuring costs. FACT

Rich Barton, in his own words: “We've determined the unpredictability in forecasting home prices far exceeds what we anticipated and continuing to scale Zillow Offers would result in too much earnings and balance-sheet volatility.” And on the call: “too risky, too volatile to our earnings and operations, too low of a return on equity opportunity and too narrow in its ability to serve our customers.” FACT

Revenue growth was the loudest signal and the wrong one. The adjacent business converted a capital-light marketplace into a balance sheet, and the core competence, a pricing model, did not transfer into a business where being wrong costs inventory rather than credibility. INFERENCE

03 / THE FIRST BIG FINDING

In this cohort, recognition usually came from outside.

Across the resolved cases, the comparison was usually forced by something outside management's normal operating process: an activist investor, regulator, equity market, analyst, partner, acquirer, or the failure of the original business. INFERENCE

AMERICAN AIRLINES / SABRE

Ran it fifteen years before opening it to travel agents in 1976, and another twenty before floating 18% of it in 1996. Analyst pressure forced the float.

D&B / MOODY'S

Owned it from 1962, separated it in 2000. The trigger was investor pressure over Moody's outperformance, not management insight.

EBAY / PAYPAL

The board publicly defended keeping PayPal in 2014 and reversed within months under Carl Icahn.

ALIBABA / ALIPAY

A regulatory deadline, not a strategy review, forced the ownership question in 2010.

MORGAN STANLEY / MSCI

The parent's own conflicts, stated plainly in the separation rationale.

WHAT MANAGEMENT WATCHED	WHAT APPEARED EARLIER
Absolute revenue. The signal management responds to, and the one that misled most often in this cohort.	Outside customers, recurrence, margin structure, seasonality relief, and the willingness of competitors to pay. The metrics were available years earlier. This is the most uncomfortable finding in the study, and it is well supported.

> **In this cohort, recognition rarely came from inside the company. The metrics were often available years earlier. The comparison was not, because nobody was made to compute it.**

04 / THE EARLIEST SIGNAL

The first useful signal is not revenue.

In every case where the adjacent business turned out to be structurally better, the tell was that people who had no relationship with the original business started paying for the adjacent one. That signal preceded the financial evidence by years. In Sabre's case, by two decades.

> **Outside customers prove independence before financial statements prove superiority. Independence is not quality: Zillow Offers had genuine outside customers and was still a bad business. The signal tells you the product can stand alone. It does not tell you the product is good.**

Sabre

1964 — Operational inside American
1976 — Opened to outside travel agents
1996 — Partial IPO

Outside customers preceded the financial evidence by two decades.

MSCI

1969 — Indexes created at Capital International
1986 — Licensed by Morgan Stanley
2007 — Minority IPO

At IPO the client base was already 2,900-plus institutions in 63 countries.

PayPal

2002 — Acquired by eBay
2013 — Icahn pushes for separation
2015 — Spin completed

Off-eBay volume was the evidence. The market priced it on day one.

AWS

2006 — Launched as a designed business
2008 — Netflix a foundational customer
2015 — Segment reporting begins

Amazon reported it, kept it, and captured the compounding.

RANKED BY PREDICTIVE VALUE

1	**Outside customers** STRONGEST	Buyers with no relationship to the core business. In every successful case this preceded everything else, often by years. It is also the cheapest signal to observe. Predictive, not hindsight.
2	**Competitor adoption** STRONG	A competitor paying you is a statement that the product's value exceeds the discomfort of funding a rival. The single most informative behavioral fact available. Predictive.
3	**Recurring revenue character** STRONG	MSCI's subscription licensing, Moody's issuer-paid ratings, AWS consumption. Where the adjacent business converted transactional revenue into recurring revenue, the outcome was good in every case. Predictive.
4	**Seasonality and cyclicality relief** MODERATE	Sabre freed from fleet cycles; financial services inside Sears untied from retail seasons. Rarely appears in management commentary at the time, which suggests it is genuinely underweighted.
5	**Segment-level reporting** MODERATE	Reporting does not change economics. It changes whether anyone can see them. Several cases ran for decades without separable accounting, which is probably why recognition took decades.
6	**Acquisition interest and valuation multiple** WEAK	Arrives late and after the fact. Sabre's $4 billion-plus buyout came six years after separation. Useful for confirmation, useless for timing.
7	**Absolute revenue size** WEAKEST, ACTIVELY MISLEADING	Zillow Offers' revenue was enormous and the business was terrible. Shopify's merchant solutions revenue is 3.7 times subscription and carries less than half the gross margin. Visible only in hindsight, and frequently wrong even then.

Then a competitor buys it.

Serving competitors is simultaneously the platform signal and the separation signal. These are not two findings. They are one: once the adjacent business is worth more to outsiders than to the parent, the parent's identity becomes a cost the adjacent business pays.

> **Competitor adoption is a clock starting, not a verdict.**

Competitor adoption is strong evidence of standalone value. It may also signal that ownership or parent identity will eventually constrain the adjacent business. What it does not do, by itself, is tell the company whether to open, integrate, or separate.

WHEN IT MAKES A PLATFORM	WHEN IT GIVES AWAY THE ADVANTAGE
Sabre carrying competing airlines is what turned a reservation system into a global distribution system. AWS running Netflix and thousands of retailers is what made it a $129 billion business. Every case where the adjacent business became large involved selling to the parent's competitors. FACT American's advantage was never the reservation system in isolation. It was routes, fleet, and network. Sabre's neutrality cost American some display advantage and gained it a business worth more per dollar of revenue than flying. Net positive. INFERENCE	IBM's advantage in personal computers was, in retrospect, the architecture and the operating system standard. Allowing MS-DOS to be licensed non-exclusively gave away precisely the thing that turned out to be the advantage. Net catastrophic. INFERENCE The test that emerges: if the adjacent product is the thing that makes the core business hard to replace, selling it to competitors is the end of the core business. If it is a capability the core happened to build well, selling it to competitors is how it becomes a platform. The cohort contains expensive errors in both directions. INFERENCE

Competitor adoption also reliably creates a governance problem and pressure toward separation. Sabre's preferential display of American's flights produced screen-bias regulation. MSCI separated explicitly because Morgan Stanley's ownership limited who it could sell to. In both cases the openness came first and the ownership change followed. FACT

No case in this cohort shows a company successfully using exclusivity to keep the adjacent business captive and also valuable. This is weak evidence that enforced exclusivity is a stable equilibrium. UNRESOLVED

> **When a competitor adopts the product, the question is not whether the news is good or bad. It is whether the parent's identity has become a ceiling on the product's market. AWS is the limit on the pattern: cloud customers do not compete with Amazon in a way that makes neutrality decisive, so the ceiling never formed.**

06 / OWNERSHIP BECOMES THE QUESTION

Contracts written before scale allocate the outcome.

The recurring asymmetry: the originating company supplies demand, domain expertise, distribution, and credibility. The technical partner supplies software and operating capability. Who captures the layer that compounds is decided at contracting time, when the software looks like a component and the parent's contribution looks irreplaceable. Both assessments invert.

1980	2010	2007 TO 2009
IBM and Microsoft	**Alibaba and Alipay**	**Morgan Stanley and MSCI**
Never resolved, because it was never negotiated. IBM supplied everything except the code and captured the commoditizing half. The partner captured the layer that scaled. FACT	Resolved after the asset had become strategically essential, under time pressure created by an external deadline, when the alternative was the payments infrastructure of its own marketplace sitting outside its control with no license. The terms were set at the other party's price. FACT	Resolved deliberately, at IPO-era prices, because the ownership was constraining the asset. Morgan Stanley captured the pre-compounding value and gave up the rest, and its shareholders kept the compounding only because the separation was a spin rather than a sale. FACT

OWNERSHIP STRUCTURE	CASES	OUTCOME FOR THE ORIGINATOR
Wholly owned, retained, separately reported	AWS	Best outcome in the cohort. The parent captured all of it.
Staged partial IPO, then full spin	Sabre, MSCI	Value realized at separation-era prices. Post-separation compounding accrued elsewhere.
Full spin to shareholders	Moody's, PayPal, Allstate, Discover	Shareholders kept both. The institution lost the better asset.
Non-exclusive license to a technical partner	IBM and Microsoft	Worst outcome for the originator. The partner captured the scaling layer.
Transfer to founder-controlled entity	Alipay	The parent's claim reduced to a negotiated settlement at pre-scale prices.
Retained and shut down	Zillow Offers	Correct decision, executed late and expensively.

> **Ownership resolved late is ownership resolved badly. In this cohort, ownership negotiated before the adjacent business proved it could grow without the parent produced better terms than ownership negotiated after. As the adjacent business develops its own customers, integrations, team, brand, and product surface, the originator's negotiating leverage can decline. This is the strongest pattern in this cohort, not a universal law.**

07 / WHAT NOT TO MEASURE

Bigger and faster growing is not the same as structurally better.

Structural properties like recurrence, margin, seasonality, and marginal cost are visible early and are not salient. Revenue is salient and arrives late. Both errors are available from the same income statement.

GROSS MARGIN ALONE CAN MISLEAD

Shopify

Merchant solutions is 3.7 times the subscription business, growing 35% against 17%, and carries a 36.8% gross margin against 81%. The surface says the adjacent business is better. The filing says the mix shift "has caused in the past, and may cause in the future, a decline in our overall gross margin percentage," and also that merchant solutions benefits operating margins because it needs far less sales, marketing, and R&D. Free cash flow margin held at 17% for 2025.

FACT COMPANY CLAIM

REVENUE CAN MISLEAD EVEN MORE

Zillow Offers

Revenue arrived fast: $1.7 billion in Q3 2021, with purchases doubling quarter over quarter. The same quarter produced a net loss above $328 million and a $422 million loss in the Homes segment. The adjacent business had converted a capital-light marketplace into a balance sheet. The wind-down was announced November 2, 2021, with 25% of the workforce cut. FACT

WHAT ACTUALLY MATTERS

RECURRENCE
Does revenue repeat without being re-sold?

CONTRIBUTION ECONOMICS
After the customer acquisition cost the adjacent business does not currently pay.

SEASONALITY
Does it smooth the core's cycles or amplify them?

MARGINAL LABOR
Does the next dollar of revenue require the next hour of labor?

BALANCE-SHEET CHARACTER
Does growth consume inventory and capital, or not?

ACQUISITION DEPENDENCE
Do its customers arrive free from the parent? Unknown economics until it has to buy them.

RETENTION
Do customers stay without the core's involvement?

INDEPENDENCE
Would it stand if the parent disappeared?

> **An adjacent business whose customers all arrive free from the parent has unknown economics until it has to buy customers.**

08 / THE DECISION FRAMEWORK

Eight questions, derived from the cases rather than from theory.

This is not a score. It is a sequence of questions derived from the cases, and the order matters: economics before customers, customers before competitors, competitors before ownership, ownership before structure. The framework does not tell you whether to spin out, integrate, acquire, sell, or shut down. It exists to reveal what information is missing before those decisions can be made.

01 Are the adjacent business's economics structurally better, or just newer?

Shopify shows gross margin failing as a test; Zillow shows revenue failing as a test. The metrics that discriminated correctly in this cohort were recurrence, revenue per unit of labor, seasonality, balance-sheet character, and contribution after the acquisition cost the adjacent business does not pay.

02 Does it have customers the core business does not?

Sabre, 1976. A customer with no relationship to the core is a market test the parent's own revenue cannot provide. In every successful case this signal preceded everything else, often by years.

03 Would a competitor pay for it?

Sabre carrying competing airlines; AWS running Netflix; MSCI selling to Morgan Stanley's rivals. Competitor adoption is positive as a signal of standalone value and negative as a signal that the parent's ownership has become a cost. Both readings are correct at the same time. Treat it as a clock starting, not a verdict.

04 Would customers keep it if the original business disappeared?

In Sabre's terms: would travel agents keep the terminal if American stopped flying? PayPal had to replace captive eBay volume after separation. It succeeded. It might not have.

05 Who owns it, and under what terms written before scale?

Alipay. Ownership becomes urgent at the moment the adjacent business could survive without the originator's contribution, and not before. The correct time to negotiate is while your input is still the differentiating one. Every case that waited past that point negotiated from weakness.

06 Is the originator's contribution still the differentiating input?

IBM and Microsoft. Once clone makers appeared, IBM's contribution stopped being essential, and IBM captured nothing. If the adjacent product's distinctiveness is borrowed from the parent, the parent's leverage is already declining.

07 Is the parent's identity capping the adjacent business's market?

MSCI. Morgan Stanley's ownership limited who MSCI could sell to, and the resolution was separation rather than tighter integration. No case in this cohort shows enforced exclusivity producing a durable platform.

08 Can you see the two businesses side by side?

Amazon began segment-reporting AWS in 2015 and captured the entire outcome. Zillow segment-reported Homes and cut a losing business in one quarter rather than one decade. Separate reporting costs nothing, and it is what made the comparison visible in the two cases that acted fastest.

Make the businesses legible before deciding what to do with them.

The problem in most of these cases was not structural. It was legibility. Nobody could see the comparison because nobody was made to compute it. D&B held Moody's for thirty-eight years without pricing it. American held Sabre for thirty-five. Neither lacked information. Both lacked a page that put the two businesses side by side in comparable units.

The one action that is correct under every branch, and costs nothing, is separate reporting. Amazon produced the comparison in 2015 and captured the entire outcome. Zillow produced it and cut a losing business in a quarter rather than a decade.

	CORE BUSINESS	ADJACENT BUSINESS
Revenue		
Growth		
Retention		
Contribution margin		
Seasonality		
Customer acquisition		
Revenue per employee or per hour		
Outside customer share		
Competitor customer share		
Ownership		
Control		
Dependence on the other business		

One page, in comparable units, produced on a schedule. If this page cannot be produced internally, the company is not yet in a position to decide what the adjacent business is.

> **Can't fill this page out? That's the first problem.**

Separate reporting does not tell management what to do. It makes the decision possible.

THE CLOSING

The side business usually looks obvious after everyone else can see it.

In this cohort, the historical advantage did not come from predicting which adjacent business would become enormous. It came from recognizing when the structural relationship had changed before absolute revenue made the answer easy.

Outside customers proved independence. Competitor adoption started the clock. Ownership determined who captured the compounding. Separate reporting made the comparison visible before an investor, regulator, partner, acquirer, or market made it unavoidable.

> **The first job is not deciding which business wins. It is becoming able to tell.**

RELATED RESEARCH

FIELDWORK / 009

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Why the size of a partner's installed base predicts almost nothing, and which terms turn access into durable distribution.

FIELDWORK / 004

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What separated real budget migration from vocabulary adoption across 13 B2B companies.

Methodology and limitations

CASE SELECTION

Eleven cases from 1931 to 2026, selected because an operating company built or acquired an adjacent product whose economics could be compared against the core from public records. Nine cases where the comparison resolved visibly, plus two counter-cases chosen to discipline the signals: Shopify, where integration was chosen and the economics are subtler than the surface, and Zillow, where the signals looked right and the business was wrong. Xerox PARC, Kodak, VMware, Basecamp, Nvidia, and Google were considered and excluded; the reasons are in the source report.

EVIDENCE LABELS

FACT: documented in filings, disclosures, court or regulatory records, or standard corporate history. COMPANY CLAIM: the company's own claim or framing, including forward-looking statements. REPORTED: third-party reporting or academic compilation, flagged where the underlying source could not be independently verified. INFERENCE: a conclusion drawn across cases, labeled as such. ESTIMATE: analyst estimate rather than disclosure. UNRESOLVED: the public record cannot isolate the cause.

SOURCE HIERARCHY

Company filings, 8-Ks, 10-Ks, 10-Qs, and shareholder letters first; then contemporaneous reporting and on-record statements; then third-party academic compilations, flagged at point of use.

KNOWN WEAKNESSES

> Selection bias. This cohort is weighted toward situations that resolved publicly. Quiet cases where a parent successfully owns and operates an adjacent business without drama are less likely to appear. The pattern that ownership should be resolved early is true of the visible cases and unproven as a general rule.

> Ownership analogue limitation. The cohort contains limited evidence on small private adjacent businesses jointly owned between an operating company and a technical partner. The nearest analogues, Sabre before 1996 and IBM with Microsoft in 1980, are both imperfect.

> The Sabre revenue claim, that it consistently accounted for more than half of American's total revenues, comes from a third-party academic compilation citing Hopper (1990) and Sabre (2002). The primary accounting is not visible, and the claim is labeled accordingly.

> AWS operating income for FY2025 is reported between \$45.6 and \$47.5 billion depending on source. The range is shown rather than a point.

Sitting on a business beside the business?

PastBehavior studies what has already happened in adjacent markets, separates durable patterns from attractive stories, and helps companies see the comparison before someone outside forces it.

DISCUSS AN ADJACENT BUSINESS