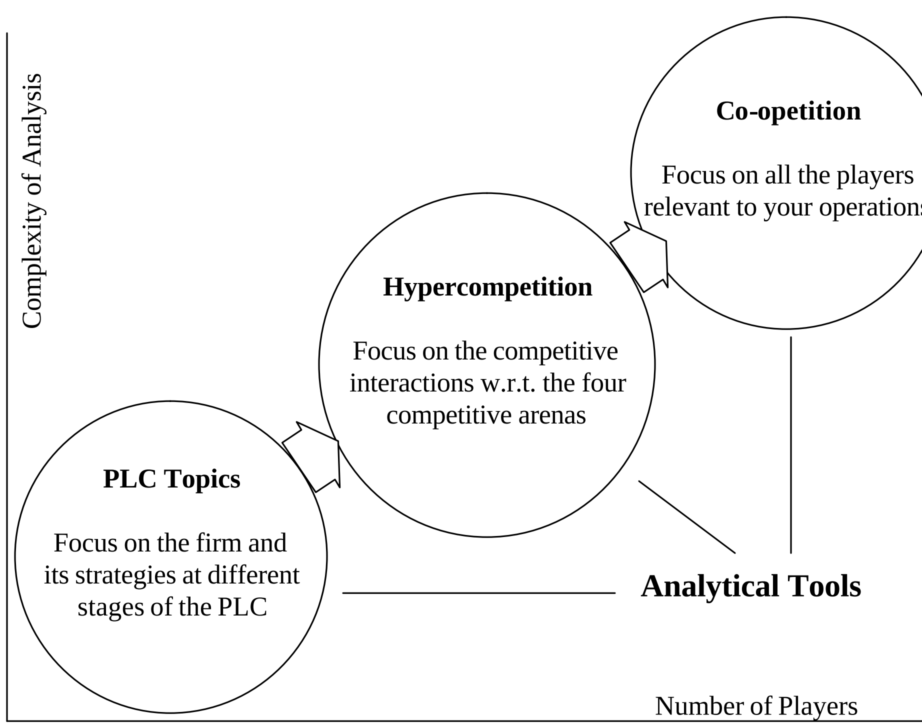
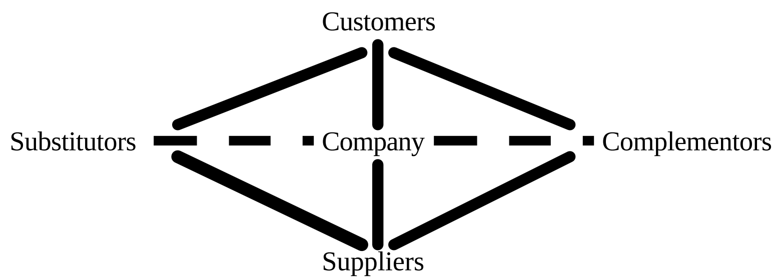
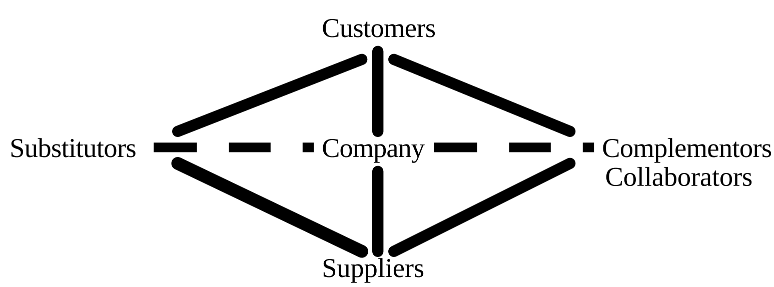
Co-opetition



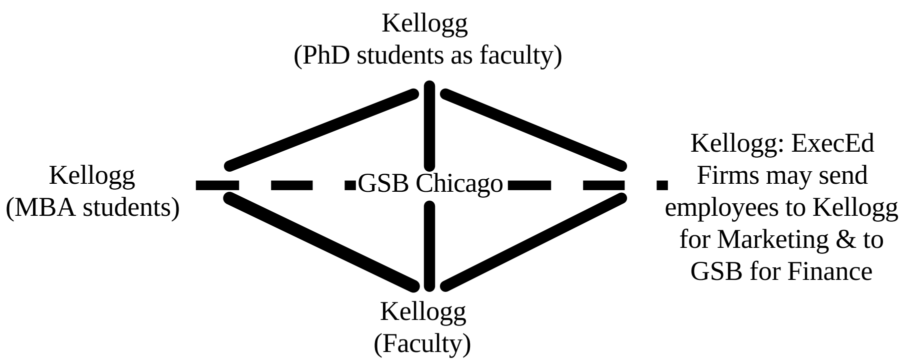
The ValueNet



Value Net



GSB-Chicago / Kellogg Relationship



How can the game be changed?

The game can be changed by changing

- **P**layers
- **A**dded value
- **R**ules of the game
- **T**actics employed
- **S**cope of the game

Changing the players

- ***Bring in customers* -** Increase industry demand. This helps competitors, but may be worthwhile for you. To do this…
  - Educate consumers about your product (Diapers in Japan)
  - Pay customers (esp. early adopters) to play (Samples, Netscape)
  - Subsidize some customers, other full paying customers will follow (Initial discount to lower risk)
  - Become your own customer (P&G Soaps and cottonseed oil / Cyrix PC)
  - Gratistelefon Svenska AB, Freeway (Broadpoint) - Sponsored Communicate
  - Michael Jordan persuades Nike and McDonalds's to switch to WorldCom

Changing the players

- ***Bring in suppliers***
  - American Express and health care. To get more suppliers interested, banded together a bunch of companies. The joint contract was valuable to several health care providers, so the companies & AmEx got a deal
  - CitiGroup & Visa vs. MasterCard
- ***Bring in complementors***
  - Do it yourself. Nintendo - both h/w & s/w. Intel motherboards, PCs
  - Intel & H-P with the Merced chip
- ***Bring in competitors***
  - License technology to make money, avoid complacency
  - Create a second source to encourage buyers to adopt technology
  - H-P & Canon
  - Chrysler & Mitsubishi

Changing the added value

Your value added = Size of the pie when you are in the game - Size of the pie when you are not in the game. How to increase added value?

- ***Limit your supply***
    - DeBeers and diamonds; Nintendo & video games; Beanie babies
    - Downside: Shrinks the pie today; Leaves entry opportunity open
- ***Raise amount consumers are willing to pay***
    - Policies that build loyalty (frequent flier miles) increase willingness to pay - GM / Ford credit cards; Intuit
- ***Lower competitors' value***
    - Softsoap - by cornering the supply of pumps
    - Political battles

Changing the rules

P&G

- Promotions
- Returns policies
- Prescription Drugs - Packaging & Consumer focus

AutoNation

- New car dealerships
- Customers trade in cars - go to AutoNation Used cars
- Enquiries at autobytel, carpoint and autoweb routed to AutoNation dealerships via Compass software
- Customer gets discounts at Alamo & National
- Rental cars feed into AutoNation Used cars
- AutoNation manages car through its life cycle
- Customers gets discounts on gasoline
- Huge customer data - targeted marketing by AutoNation

Airline companies & regional jets

Changing tactics

Questions to ask are:

- How do other players perceive the game? How do these perceptions affect the play of the game? (NY Post vs. Daily News)
- Which perception do you want to keep, which to change?
- Do you want the game to be transparent or opaque? When do you want to send signals that benefit you? When do you want to preserve the fog?
- ***To establish credibility (clear the fog)***
  - Accept a pay-for-performance contract
  - Offer guarantees or advertise
  - Ask others to demonstrate their credibility to you
- ***To preserve the fog***
  - Create complexity (long distance calling rates)
  - Bluff: Ask yourself whether you will be believed and under what circumstances
  - Ask what others stand to gain by preserving the fog, and what they could be bluffing about

Changing tactics

- Competitive stances that can be used to clear / add to the fog

	Appear Tough	Appear Soft
Being Big	***Top Dog***	***Fat Cat***
Being Small	***Lean & Hungry***	***Puppy Dog***

Changing the scope

Questions to ask are:

- What is the current scope of the game? Do you want to change it? Games are linked over time and across markets (geographic and product markets)
- Do you want to link the current game to other games?
    - When multi-market contact could be beneficial
- Do you want to delink the current game from other games?

Traps

- Accepting the game you find yourself in …. “there’s nothing I can do; that’s not how things are done”
- Changing the game comes at the expense of others
- Need to find something others cannot
- Failing to see the whole game
- Failing to be allocentric
    - Need to construct and interpret your value net

Types of Alliances

- *The "common-enemy" alliance.*

  In the world of high technology, this one may be the most pervasive. "Common-enemy" alliances, industry experts say, often result in such backstabbing.One computer-industry executive recalls linking up with a partner that effectively used the alliance as a spying mission. Before long, the partners found themselves competing against each other with products aimed at the same market. "In a true alliance," he says , "you simply can't have built-in conflicts."
- *The "shot-in-the-dark" alliance.*

  Many companies have become so fearful of being overtaken by developing technologies that they scatter investments in every business area that seems even remotely connected to their own. "It's rare," says Jim Bamford, editor of the Alliance Analyst newsletter, "that alliances are being incorporated into overall strategic plans.
- *One in a Million*

  Perhaps rarest of all, the truly worthwhile, long-lasting partnership typically pairs two companies with complementary competencies and well-tempered egos. In 1962, for instance, Xerox and Fuji formed a joint venture to make and sell copiers in Asia. The pairing, Bamford points out, gave Xerox some much-needed schooling in quality workmanship as well as important contacts in far-away markets. Fuji, meanwhile, benefited from Xerox's well-established brand name and strong marketing. The result is a worldwide organization that in some respects rivals Xerox itself, with some $8.5 billion in yearly sales.

Some useful tips

1. Penetrate Your Partner's Organization

- To succeed, alliances must penetrate organizations deeply, so that their goals are agreed upon at all levels. That lesson is especially important when small companies forge alliances with large corporations, where employees change positions often. "You should be dealing with at least two people," says Jana Matthews, coauthor of Winning Combinations.

2. Strengthen Your Partner

- "We sometimes even help partner companies set up quality systems or reach ISO 9000 standards," says Brown, whose company manufactures fasteners and forgings. That takes time and effort, but he knows that if his partners can't meet vendors' expectations, his business will eventually suffer. In return, Brown finds that such intimate contact with his partners yields critical market intelligence. "All these shops are dealing with different customer groups," he says. "So we can find out well ahead of the press about what industries are changing and what's being outsourced."

3. Control the Information Flow

- Sharing information with partners is critical. But if, like Brown, you also compete with them, you'll have to be cautious about how much you divulge.

4. Manage the Human Side

- In any alliance it's all too easy for communication to go awry. Two years ago Hunre-Barth an Ad agency formed an alliance with a market-research firm. When different word-processing platforms proved to be a major obstacle, Hunter Barth's employees became frustrated; some even questioned the alliance's value.