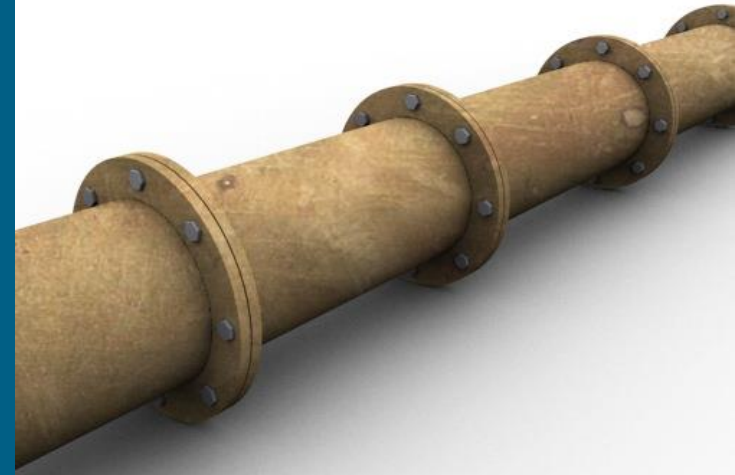


Collaborating and Competing with Strategic Partners

Duncan Simester





Two Problems

Collaborate

**Work together to
create value**

Capture Value

**Fight over who keeps
the value**

Downstream Distributor



Upstream Supplier



Who Captures the Value?

Downstream

Will customers go looking for your product?

Upstream

Will customers buy your product if you don't use this supplier?

How do you Capture More Value?

**Increase
your
differentiation**

Make customers look for you

**Undermine
differentiation
elsewhere**

**Require
open
standards**

**Enter the
market**

**Encourage
others to
enter**

Two Problems

Collaborate

**Work together to
create value**

Capture Value

**Fight over who keeps
the value**

A Fundamental Tension

Collaborate



Capture Value

Capturing more of the value reduces your partners' incentives to create value.

Key Question

What do you need from this partner in order to create value?



Break Reading

November 17, 2014, 1:39 AM ET

Q&A: Alibaba Senior Executive On Apple, M&A and U.S. Plans

By Juro Osawa



Alibaba's logo at its headquarters in Hangzhou, China. The e-commerce company's Singles Day discount event set a record Tuesday.

Reuters

After going public in September in a [\\$25 billion initial public offering](#), Chinese e-commerce giant [Alibaba Group](#) is gearing up for the next stage of its growth. As the company continues to expand, it is pursuing alliances with other major technology companies such as [Apple](#) as well as operators of smartphone messaging applications. Through its affiliate called Ant Financial – the parent company of the Alipay electronic payment unit — Alibaba is also expanding into financial services.

The Wall Street Journal spoke with [Alibaba Executive Vice Chairman Joseph Tsai](#) at the company's headquarters in Hangzhou last week. Tsai, one of the company's co-founders, talked about Alibaba's discussions with Apple, its strategy for alliances and acquisitions as well as its plans for the U.S. market.

Apple and Alibaba



Apple and Alibaba

How can they create value?

What are the obstacles?

Who else should be worried about Apple Pay?



Reassuring Partners



Reassuring Partners

Contract	Never complete
Co-ownership	Joint venture Purchase option
Commit to Parity	License Open standards

Delegating to Partners

Tasks or Decisions



Delegating to Partners

Tasks or Decisions

Does the partner have?

- Better capabilities
- Better information
- The same objectives as you

Exclusivity

1 Partner or Many



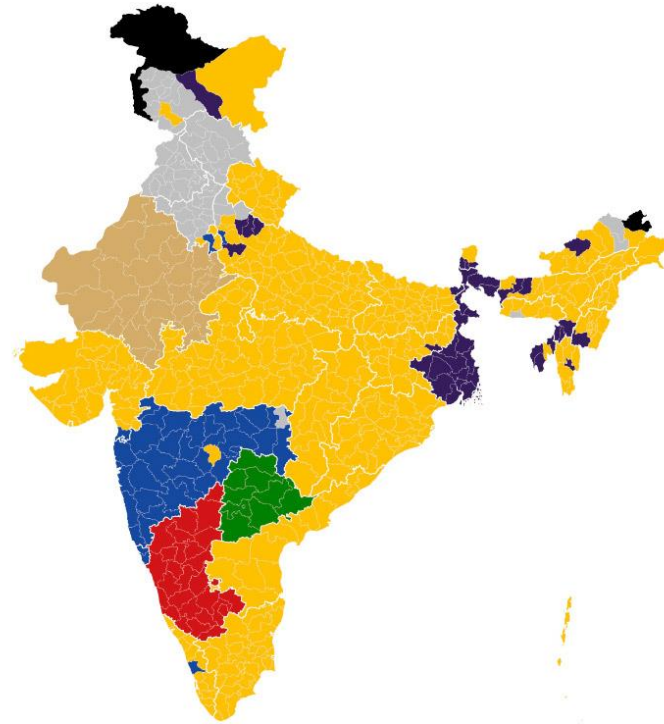
Advantages of exclusivity

Partner is more willing to collaborate
Fewer firms to coordinate

Disadvantages of exclusivity

Partner will capture more value
May lead to more competition
Your risk is less diversified
Multiple partners bring more resources
Harder to evaluate partner's performance

Creating the Right Objectives



Creating the Right Objectives

Exclusive territories

Indefinite contracts

Fixed licensing fee

Keep all of local revenue

Share in central revenue



Key Question

What do you need from this partner in order to create value?

