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VIEWS FROM THE TOP

'Coopetition'

Cooperating with competitors can boost revenues and cut costs

"Ever considered partnering with one of your competitors? You could win business you might otherwise lose, and in some cases, lower your service costs and protect or expand your customer base. The ultimate benefit, though, is that cooperating with competitors shows your customers you care enough to make sure they receive the products and services they need — regardless of the source.

Examples of successful partnerships with competitors — sometimes referred to as "coopetition" — are plentiful. A local transportation company faced the threat of a much larger competitor planning to expand operations into their market. The owner of the local firm realized the larger competitor could easily undercut pricing and eventually put his firm out of business. So the local owner welcomed the out-of-state owner to the state and started to get to know him at a luncheon meeting. Over several interactions, the two owners developed trust between them and crafted a creative deal. The larger company decided not to expand into the local market, and instead opted to use the local company as its expansion channel. This allowed them to expand their geographic coverage without significant additional investment or risk. For its part, the local company used its affiliation with the out-of-state company to expand its coverage.

Examples of "coopetition" also exist in other industries. An owner of a local construction firm realized a project required more resources than he could allocate. But instead of walking away from the opportunity, the owner contacted one of his competitors. They combined efforts for the project and won the bid, keeping the work in Maine rather than losing it to an out-of-state firm.

In another case, two information technology businesses with varying concentrations of installations in different sections of Maine agreed to support each other's customers when service was needed on equipment and software. This allowed both businesses to reduce service costs such as travel time, elimi-

nated the need to hire additional resources and provided customers with more timely support.

Businesses should consider partnering up when a competitor can better serve the customer, whether because of functional expertise, industry expertise, geographical presence or when a project requires more resources than the firm can handle.

Selecting a partner competitor

When evaluating competitors you might want to team up with, consider these key factors:

- Do you match up in terms of business values and personality?
- Is it a business with proven staying power?
- What is its industry reputation?
- What is its reputation in the specific market?

Proactively think of who you want to partner with ahead of time so when situations arise, you'll be ready. Schedule discussions with competitors that appear to be a good match, and agree on policies for working together and servicing each other's customers.

For the first joint project, start small so neither company is too exposed. Also, develop a joint code of ethics as well as shared processes so both parties can measure how well the other performs. Be sure to schedule reviews after each project to see what worked well and what should be improved. And over time, try to identify new ways to work together.

Ways to partner up

The extent to which you partner with a competitor can take many forms. You may decide to rely on a range of partnerships, depending on the competitor and the type of customer engagement, such as:

- Referral system: Both businesses inform

each other of opportunities that the other can handle more efficiently in return for an agreed-upon referral fee. To work well, both firms must refer business to each other on a regular basis.

- Sub-contractor relationship: Depending on the situation, the sub-contractor can represent the originating firm or themselves. The originating company invoices the customer and handles project management while the sub-contractor takes on particular tasks or skill requirements.
- Joint project partnership: Both firms work directly with the customer, and each invoices the customer for work performed. But the two firms also work closely in supporting the customer and collaborating on the project.

Overcoming resistance

Many business leaders may not be ready to take the coopetition step. But those who are successful over the long run usually earn a reputation for thinking of customers' interests first, and coopetition is one of the best ways to demonstrate that. There are few secrets you need to worry about protecting from competitors, because business success usually comes down to relationships and execution. If you do both well and take care of customers, you will succeed. Try developing a matrix of your products and services by industry and geography to see if there aren't some opportunities to accelerate success with a coopetition strategy.

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