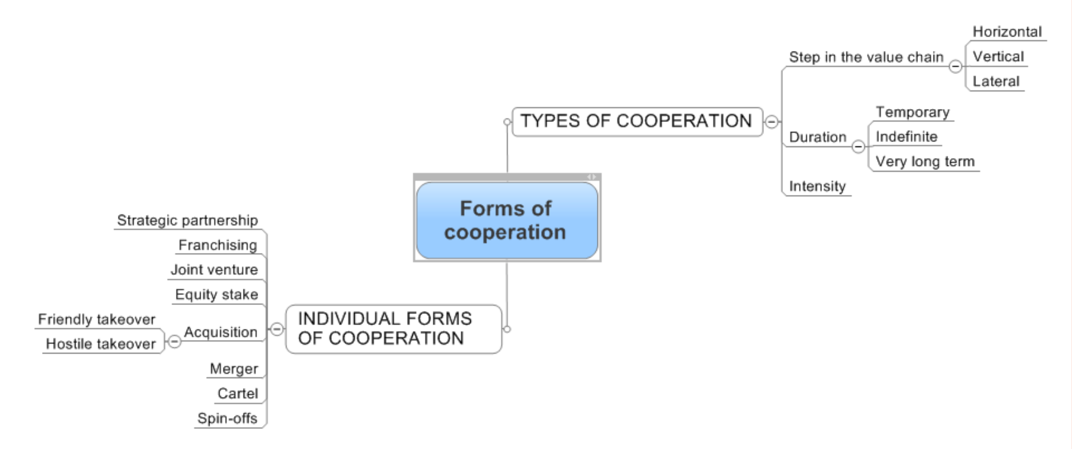
C5 Forms of cooperation - Solutions

1



2

- In general: greater competitive pressures
- The need to focus on core competencies, but customers expect comprehensive solutions (vertical cooperation)
- Cost pressure, so economies of scale must be sought (horizontal cooperation)
- Creation of complex new products / services that requite a lot of know-how and technology

3

In nature, the strong eats the weak; this is also the case in the business world. The weaker is the one that is small and unsuccessful. Unsuccessful are companies that have no clear strategy and low stock prices because of low profit expectations. Small businesses have very little share capital. The combination of small and unsuccessful results in a takeover threat by the strong as the low market value leads to a low purchase price. A company is thus under constant pressure to succeed and grow.

ISBN 978-3-06-450883-5

4

General advantages of a strategic partnership	General disadvantages of a strategic partnership
- Concentration on own strengths - Increased distribution know-how (development of a regional/ national/ international distribution network) - Consolidation and strengthening of market position - Broader product portfolio / expansion of service offerings - Entry into new geographic markets (springboard to launch in foreign markets) - Larger number of customers (additional customers of the partner) - Improved customer service - Preservation of the independence of both partners as legal entities - Image transfer (known business name brings benefits to the partner)	- Time-consuming and expensive process of searching for a suitable partner - Difference in size of the two partners can lead to different power relations - General imbalance between the partners (for example, in terms of income and expenses) - No complete autonomy and thereby loss of control - No success without mutual trust and loyalty - Benefits for the partner can lead, over the longer term, disadvantages for own company

5

Advantages for the franchisor	Disadvantages for the franchisor
- Advantages for the franchisor - Revenue from fees and royalties - Dense distribution network with low fixed costs - Qualified partners - Rapid expansion possibilities - Low business risk - Continuous strengthening of the brand - Low capital investment - Rationalization	- A portion of the proceeds must be given up - Partners could potentially desire to set up own operations - High control costs - Risk of injury to image - No customer proximity, in contrast to the franchisee

Advantages for the franchisee	Disadvantages for the franchisee
- Gets franchisor know-how, experience - Strong negotiating position (e.g. banks) - Reduced business risk - Functioning marketing and distribution - No product development - Faster market access - Close to the customer - Good image - Independent contractor	- No individual responsibility - No independence - Minor influence in business policies - Restricted business activities - Limited opportunities for creativity - Long-term commitment - Full business risk - Part of the proceeds must be given away

ISBN 978-3-06-450883-5

6

a This is a vertical cooperation.

b Advantages:

- Shared storage
- Café customers buy make purchases at the bakery and vice versa
- During off-peak times, café staff can operate the bakery and vice versa
- Joint procurement of products
- Joint advertising possibilities
- Bakery products no longer need to be delivered to the café
-

7

- Loss of jobs: The merging of two companies can lead to duplication – including in terms of workers – which would likely be addressed through layoffs.
- Pressure on wages: Workers lose the opportunity to have their wage demands heard through the threat that they can go to work for the competition.
- Change in location: The merging of two companies can lead to duplication – including in terms of infrastructure – that might need to be addressed, for example, by closing a factory. In the best case, the employees will be offered a similar job in a different factory; however, it might be geographically remote and possibly require the worker to move.

8

a

OPEC is an international organization with 12 member states and its headquarters in Vienna. The cartel has the stated goal of representing a monopolistic position in the oil market in order to control prices; therefore, it represents a price cartel.

b

OPEC is a legal cartel.

c

It involves an association of nations that certainly have their own political backgrounds.

d

- The purpose of the association (price, territorial or quantity agreements)
- Parties involved (people, organizations, countries)
- Legal status (legal vs. illegal association)
- Political cartels

ISBN 978-3-06-450883-5