Software Economics

Partnership
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Describes the network of suppliers and partners that make the business model work.
Why Partnership?

**Optimization and Economies of Scale**
- Buyer-Supplier Relationship
- Division of labor – not efficient for one to do all things
- Example of trade off between fully own and fully marketplace
  - Reduce Costs
  - Outsourcing
  - Sharing Infrastructure
Why Partnership?

Reduction of Risk and Uncertainty

- Collaboration on certain aspects such as standards, will reduce risk of “product failure”

- Beta, VHS, DVD, Blu-Ray – partnership reduced risk in the competitive market but each player sells their own Blu-Ray products.
Why Partnership?

Partnership up for Resources and Activities

- Extending what you need to other “performers” or relying on others to “help” you.
  - Insurance company relies/uses independent insurance brokers to sell its policies as opposed to developing their own sales force.

- Rely on others “to give” the resources they need.
  - Mobile phone manufacturer relies on another company (license) for the operative system for the smart phones.
Types of Partnerships

- Strategic Alliances – use a partner to provide the customer with the “complete package”
  Example of iPod/iTunes

- Joint Business Development – jointly promoting or developing a product

- Coopetition – Competitors collaborating to grow awareness or create standards
  Tradeshows, Industry Associations such as standards

- Key Suppliers – outsourcing or direct suppliers (from buyer to relationships)
Exercise

Who are the key partners of your selected company?

Who are the key suppliers?

Which key resources are they “getting” from partners?

What key activities of your company are the partners performing?

About 15 min.