

Strategic Alliance

GROUP 10

Introduction

WHAT IS STRATEGIC ALLIANCE?

A strategic alliance is an arrangement between two or more companies to undertake a mutually beneficial project while each retains its independence.

A company may enter a strategic alliance to:

- Expand into a new market
- Enlarge its product line
- Develop competitive edge



TYPES OF STRATEGIC ALLIANCES



1. JOINT VENTURE

- A joint venture occurs when two companies come together to create an entirely new, separate company that each of the existing companies becomes a parent to.
- Reasons why companies form joint ventures:
 - a. To leverage resources
 - b. Reduce costs
 - c. To combine expertise
 - d. To enter foreign markets
- Example: Microsoft and General Electric Healthcare signed a joint agreement to create a new, third company called Caradigm



2. EQUITY STRATEGIC ALLIANCE

- Similar outcome goals as a joint venture
- Difference is that one company makes an equity investment into another.
- Reasons for equity alliance:
 - a.Create competitive advantage
 - b.Opportunity non profitable or risky for single firm
 - c.Challenging to pursue other type of alliances
- Example: Alliance between Tesla and Panasonic



3. NON-EQUITY STRATEGIC ALLIANCE

- This is a type of strategic alliance where two entities come together without an exchange of equity.
- Contractual basis
- Each company simply brings its resources to the alliance for the mutual benefit of both.
- Example: The strategic alliance between Starbucks and Barnes & Noble



JOINT VENTURE

SONY ERICSSON JOINT VENTURE

- Formed in 2001 as a partnership between Sony (consumer electronics) and Ericsson (telecom equipment).
- Aimed to compete in the global mobile phone market by leveraging multimedia and telecom expertise.

Key Products

- Walkman Series (2005)
- Cybershot Series (2006)
- Xperia Series (2008)

Initial Success

- Rapid Market Penetration
- Top 5 Mobile Brand by 2007



Sony Ericsson

CHALLENGES, END OF JOINT VENTURE & LEGACY

Challenges

- Intense competition from Apple (iPhone) and Samsung starting in 2007.
- Struggled to adapt to the rise of smartphones and the decline of feature phones.
- Financial struggles from 2008-2011 with declining market share.



End of Joint Venture

- In 2012, Sony acquired Ericsson's stake, dissolving the joint venture.
- Rebranded as Sony Mobile Communications.

Legacy

- Played a significant role in shaping the mobile phone industry's focus on media capabilities.
- Paved the way for Sony Xperia phones.
- Demonstrated the challenges of sustaining joint ventures in a rapidly evolving industry.

Equity Strategic Alliance

Panasonic and Tesla

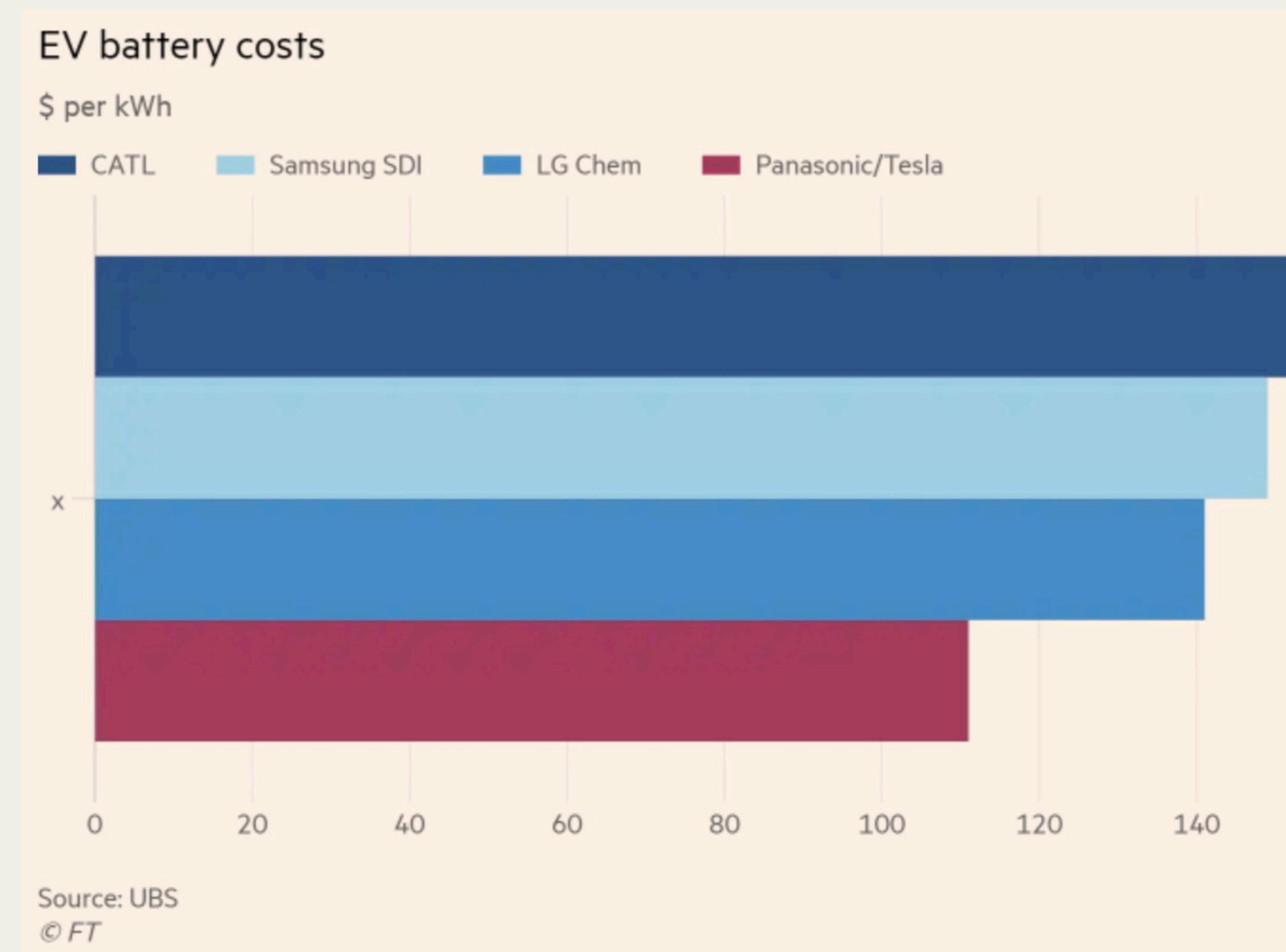
- OCTOBER 30, 2013, PANASONIC CORPORATION AND TESLA MOTORS TODAY ANNOUNCED THAT THE TWO COMPANIES HAVE REACHED AN AGREEMENT IN WHICH PANASONIC WILL EXPAND ITS SUPPLY OF AUTOMOTIVE-GRADE LITHIUM-ION BATTERY CELLS TO TESLA.



- TOGETHER, PANASONIC AND TESLA HAVE DEVELOPED A NEXT-GENERATION BATTERY CELL TECHNOLOGY THAT PROVIDES THE HIGHEST ENERGY DENSITY AND BEST PERFORMANCE CELLS IN THE MARKET. PANASONIC'S CYLINDRICAL CELL IS A CUSTOMIZED TECHNOLOGY DESIGNED SPECIFICALLY FOR OPTIMIZING ELECTRIC VEHICLE QUALITY AND LIFE. THESE CELLS ARE INTEGRATED BY TESLA INTO THE BATTERY PACK IN A WAY THAT ENABLES AN INDUSTRY-LEADING RANGE OF APPROXIMATELY 265 MILES FOR THE MODEL S.



Tesla's Gigafactory 1 battery cells have a 20% cost advantage over LG, new report say



Non-Equity Strategic Alliance

STARBUCKS AND BARNES & NOBLE

In the late 1990s, Starbucks and Barnes & Noble, two well-known brands in coffee and books, formed a non-equity strategic alliance. This partnership allowed Starbucks to set up coffee shops inside Barnes & Noble bookstores, which enhanced the customer experience for both companies.

Outcomes:

- Increased Foot Traffic
- Stronger Brand Loyalty



HOW THE ALLIANCE WORKED



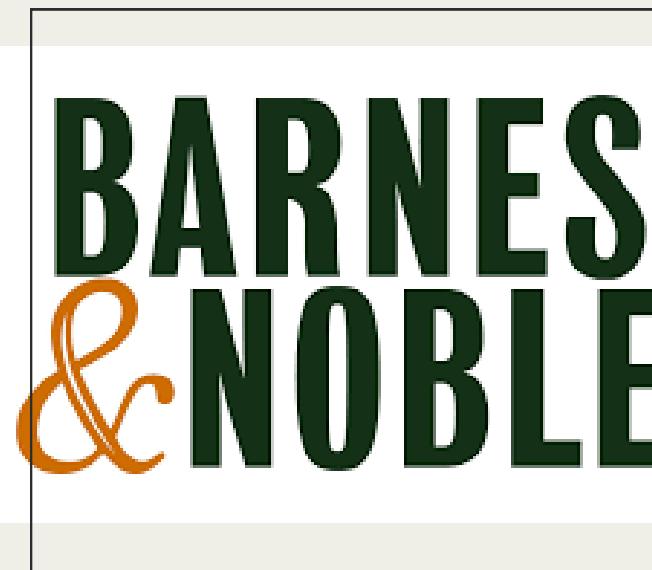
Starbucks

Increased Customer Base
Brand Exposure



Shared Resources

Space and customer base
Brand reputation and expertise



Barnes & Nobel

Enhanced Customer Experience
Differentiation



No Equity

Full ownership
Agreement to collaborate

Why do some alliances fail?



LEGO X SHELL Alliance



BACKGROUND

- Long-standing Partnership
- 2011 Renewal

GREENPEACE CAMPAIGN:

- **Focus:** Criticized Shell's Arctic oil drilling, targeting LEGO's association.
- **Viral Campaign:** "Everything is NOT Awesome" video portrayed LEGO's Arctic world drowning in oil.
- **Impact:** Significant negative publicity for LEGO and Shell.
- **Shift to Sustainability:** Focused on eco-friendly materials and initiatives.



Reputation/Brand Misalignment:

- LEGO's Values
- Shell's Image
- Public Backlash

Outcome:

- LEGO Ends Partnership
- Shift to Sustainability

Things to keep in mind while forming a strategic alliance

1. Poor communication.
2. The brand stories don't align.
3. The partnership doesn't consider the customers.
4. Badly written agreements.
5. Executed poorly.

COLA

QUESTIONS

- 1. What are the factors to consider when two companies decide to form a strategic alliance through the non equity method?**
- 2. How did the equity-based partnership between Tesla and Panasonic create mutual benefits for both companies?**
- 3.What type of strategic alliance did LEGO and Shell have?How do you know so?**
- 4.What are some common reasons companies enter into joint ventures?**
- 5.Differentiate between joint venture and equity strategic alliance.**

THANK YOU!!