

# Preview

120 slides (and one movie)

Philosophy. Pitfalls. Solutions

Examples outside finance. Examples inside finance

Ask questions along the way. I will.

# Co-opetition Mindset

BUSINESS IS WAR



*"It's not enough that we succeed. Cats must also fail."*

# Business as a Game

“If business can be looked on as a game, it is generally agreed that the idea is to outwit and outperform your competitors. ...

**--- Prof. Walter Barndt., Jr.**

# 1982



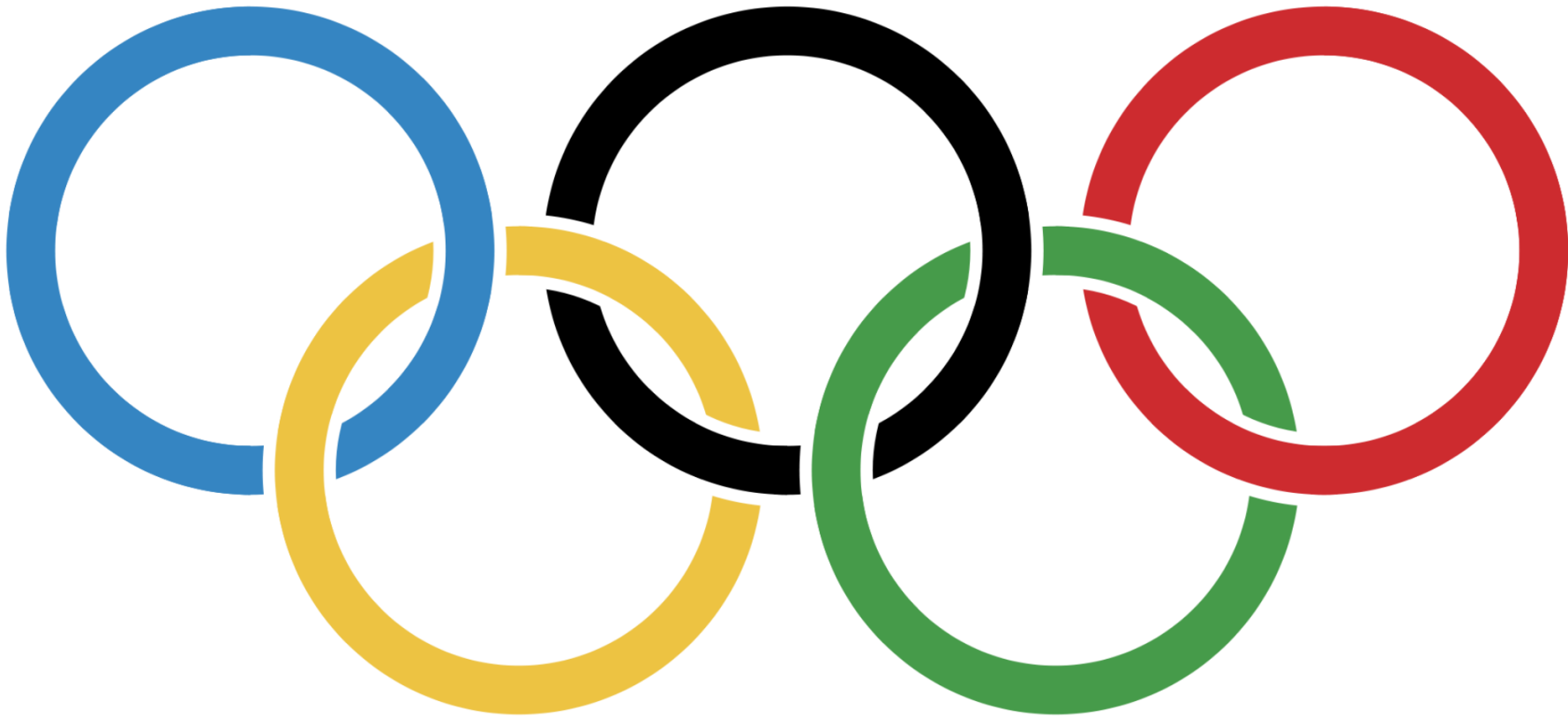






**You don't win silver**

**You lose gold**



# Thumb Wrestling

**No Speaking**

**Each pin is  
worth \$1**

**20 seconds**

# High or Low?

## Profits

	Low	High
You	\$40 m	\$80 m
Rival	\$20 m	\$160 m

**A) Price Low**

**B) Price High**

# Business as Politics

- ◉ Negative campaigning
- ◉ Election day
- ◉ One size fits all
- ◉ Price competition
- ◉ Zero-sum; positive-sum, negative-sum

# Beat the Competition?

“Do well for self”

» DuPont, GE, Union Carbide, Alcoa

“Beat the competition”

» Goodyear, Gulf, American Can, Swift,  
Great Atlantic & Pacific, National Steel

Difference in ROI (after tax)

1938--46	1947--55	1956--64	1965--73	1974--82
8.9%	10.9%	9.6%	6.5%	6.7%
5.6%	7.8%	6.2%	5.0%	2.3%



BUSINESS IS PEACE?

**Cooperation Needed  
Now More than Ever!**

# Why Now?

World is changing

# Why Now?

World is changing

World is changing at faster rate

# Why Now?

World is changing

World is changing at faster rate

World is changing at ever more faster rate

First derivative is positive, second derivative is positive, perhaps even third derivative is positive

# Disruptions

Big Data, Blockchain, some other B

# Cold Peace

Don't need to tell you about value or necessity of cooperation

Why it's hard and how to get it right

Issue for 100 years. Isn't easy. Was never easy

Biggest unmined opportunities! Many are obvious

*To find several hundred different  
[automobile] manufacturers . . .  
benevolently engaged in co-operative  
competition, justifies . . . the optimism  
which sees the world as growing better.*

---H.L. Barber, *Story of the Automobile*, 1917



BUSINESS IS PEACE?

Naïve, Too Simplistic

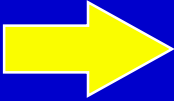
**WAR**  
&  
**PEACE**

# War and Peace

Cooperation in creating value

Competition in dividing it up

Simultaneously War and Peace

New mindset  Co-opetition

# Two parts to Business Strategy

Create Value

Capture Value

**Cooperate to  
create pie**

**Compete to  
divide it up**

# Negotiation

Same Problem. Simultaneously:

- ♥ Cooperate and problem solve to create a bigger pie
- ◉ Compete to capture the biggest slice divide it up



How can we  
**compete** better?



How can we  
**cooperate** better?

# Sharing in Chicago

New York Times

May 11, 2009

Starting Monday in Chicago, four stations' news departments are combining their camera crews.

**USA Today**

**vs.**

**Chicago Tribune**

- ♥ “*Boston Herald* announced an agreement with the *Boston Globe* for its competitor to print and deliver the *Herald*. The Boston agreement comes on the heels of numerous printing agreements, including the *Chicago Tribune* and *Chicago Sun-Times*, that have been made among publishers.”
- ♥ “59 newspaper and information companies—including New York Times Co., McClatchy Co., Washington Post Co., E.W. Scripps Co., A.H. Belo, and Associated Press—have banded together to create NewsRight to track use of digital content and ease its licensing. By cooperating, the companies have brought more than 800 content sites into the operation and created a significant player in the digital industry.”

7 Day Home Delivery | The X

Joshua

← → ↻ join.dallasnews.com/subscribe/7-day-home-delivery?utm\_expid=898958... ☆ f? I

The Dallas Morning News

# Get The Dallas Morning News

delivered right to your home

## 7 Day Home Delivery

DELIVERY DAYS: **MTWTFSS**

- Daily delivery of *The Dallas Morning News* print edition
- Award-winning local coverage of every topic, from sports to breaking events
- The latest in news from across the globe
- Friday's *Guide* section points you to DFW's hottest weekend events and restaurants
- Save big with coupon-packed editions on Wednesday & Sunday
- Plus, it's 50% off the newsstand price!

**Special Offers**

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MTWTFSS

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MTWTFSS

SUNDAY HOME DELIVERY  
MTWTFSS

EPAPER  
MTWTFSS

### What's Included

Award-Winning Local Coverage


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### Award-Winning Local Coverage

No one covers D-FW like we do, with the best beat-writers in the metroplex. When big events break, we provide special in-depth coverage of stories like the West explosion and JFK50. Plus, enjoy 24/7 digital access on dallasnews.com and all of our mobile apps.



### Washington Post Digital Access

**FREE** with your *Dallas Morning News* subscription, get 52 weeks of unlimited digital access to The Washington Post. Every story, every feature, every insight on the web and on your smartphone.

# When to Cooperate Private Label?

Rival will be in market in any case

Your cooperation won't change its price /  
quality

You can help lower costs or increase  
demand

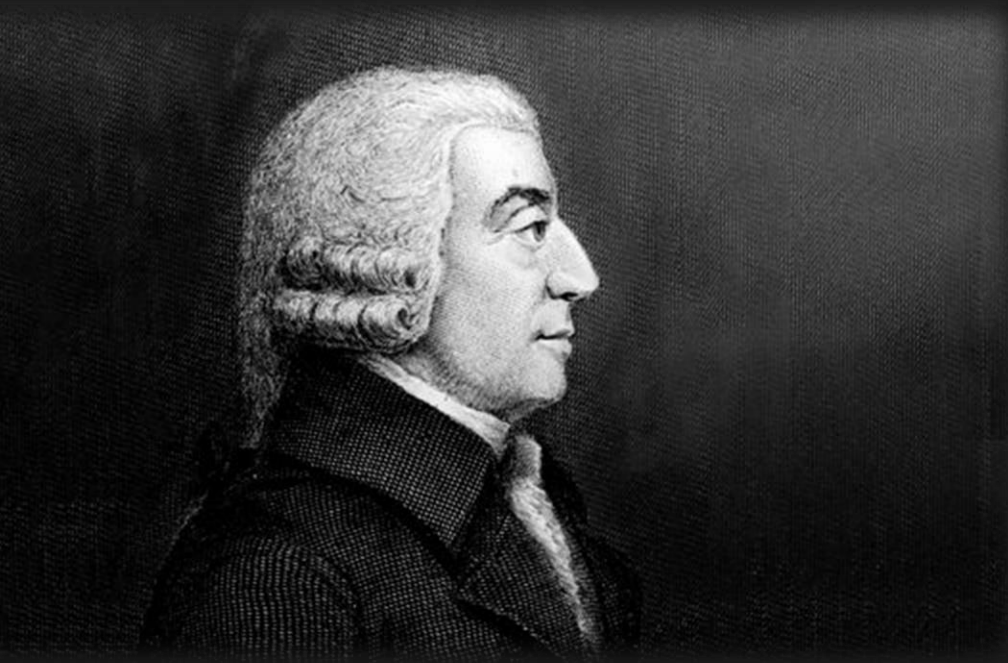
# **Argue Other Side**

**Isn't this just collusion under another name?**

**The government won't let me!**

**Won't I be giving up a competitive advantage?**

“People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.”





**Cooperation**  
**≠**  
**Collusion**

**Cooperate to  
create pie**

~~**Cooperate to  
divide it up**~~

**UPS/DHL**

**Google/Yahoo**

**What are the  
two ways to  
grow the pie?**

# **Increase demand**

**(raise willingness to pay)**

# **Lower costs**

# Cooperate to Create Value

## ♥ Create new markets

- create standards
- build complements (Lincoln Highway)

## ♥ Share risk

## ♥ Share information

- benchmarking

## Grow the Pie

- » Cut costs and expand demand
- » Always easier to divide up non-existent pie

# Multiple Roles

- ♥ *USA Today* and *Chicago Tribune*
- ♥ B' Nai Jeshurun and Church of St. Paul and St. Andrew
- ♥ The Met, Museum of Nat. History, Guggenheim
- ♥ Lincoln Highway
- ♥ Shell and Exxon
- ♥ Merck and Lilly
- ♥ MasterCard and Visa
- ♥ Citibank and Chase
- ♥ Antique stores in Brussels; Brick Lane in London
- ♥ Electronics stores in Akihabara



citibank

The Citibank logo, featuring the word "citibank" in a dark blue, serif font. A red arc is positioned above the "iti" portion of the word.



# Withdrawals

**Withdrawals**

**Deposits**

**Merck (Fosomax)**

**&**

**Eli Lilly (Evista)**

# Competition

- ◉ Which drug is more effective
- ◉ Which drug has fewer side effects
- ◉ Which drug is cheaper

# Cooperation

- ♥ How many people are undiagnosed
- ♥ Bring cost of BMD test from \$200 to \$20  
Change medical recommendation
- ♥ Increases compliance

# Fake Co-opetition



## Find the best savings easily

Compare car insurance rates side by side with our competitors so it's easy to find the lowest option.



[Get a Quote](#)

Total: \$1493.00\*

**\$168<sup>89</sup>**  
Today

then \$264.83 per month

**Continue to Buy**

Paid-In-Full: \$1253.00

-or-

**SAVE \$240<sup>00</sup>**

**Continue to Buy**

\*Total premium of \$1493.00 includes [future payments](#), plus applicable fees, automatically withdrawn from your account.  
(Keep routing & account numbers handy.)

[View All Payment Options](#)

**... or use our shopping tools!**

### Use Name Your Price<sup>®</sup>

Tell us what you want to pay and we'll build you a custom package:

\$

per month



**Create Package**

### Or See How We Compare

Compare your rates against competitors. We give you the opportunity to compare rates in one place.

**> Get Comparison Rates**



## Here are your Auto Comparison Rates

Esurance	\$1,195	6 month
ForeMost Bristol Auto	\$3,322	12 month
Titan	\$1,674	6 month

Progressive Direct

-Progressive Comparison Rate

\$480\*

6 month

*Progressive Direct quote is provided by Progressive Direct Insurance Co*

\*Both your original Progressive Direct Quote and Progressive Direct comparison rate include a Pay-in-Full discount.

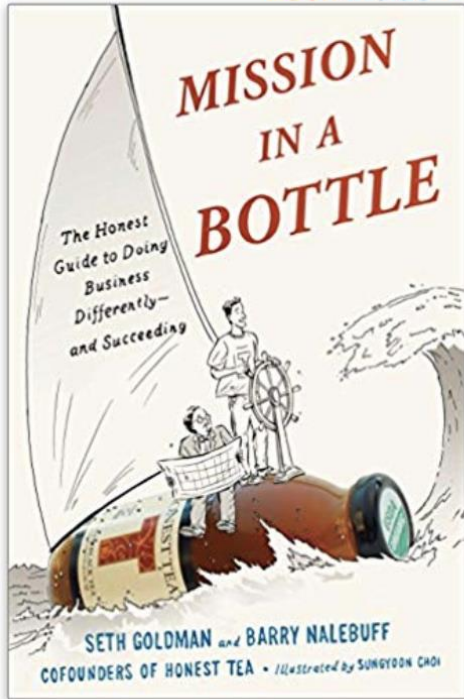
# Real Co-opetition

**UPS and DHL**

**Google and Yahoo**

**Amazon**

Look inside ↴



Hardcover – September 3, 2013

by [Seth Goldman](#) ▾ (Author), [Barry Nalebuff](#) (Author), [Sungyoon Choi](#) ▾ (Illustrator)

★★★★★ ▾ 86 customer reviews

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In an incredibly fun and accessible two-color graphic-book format, the cofounders of Honest Tea tell the engaging story of how they created and built a mission-driven business, offering a wealth of insights and advice to entrepreneurs, would-be entrepreneurs, and millions of Honest Tea drinkers about the challenges and hurdles of creating a successful business--and the importance of perseverance and creative problem-solving.

# Cooperation

- Reduce costs
  - Share risk
  - Share information
  - Benchmarking
  - USA Today
  - Mastercard and Visa
  - UPS/DHL
  - Ford/GM
  
- Increase size of market
  - Create new markets
  - Create standards
  - Build complements (Lincoln Highway)
  - Merck/Lilly
  - MOMA
  - Google/Yahoo

# It Can Get Messy

TECH | 11/12/2012 @ 9:33AM | 4,562 views

## Samsung Raises Prices To Apple: I Wonder Why?

# It Can Get Messy

Apple reaches deal with Samsung to buy OLED iPhone displays

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## Apple reaches deal with Samsung to buy OLED iPhone displays

BY [LUKE DORMEHL](#) • 12:13 AM, APRIL 15, 2016

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Technology

## Apple Gets Second Supplier for OLED iPhone Screens

By [Min Jeong Lee](#) and [Sam Kim](#)

June 28, 2018, 1:33 AM EDT *Updated on June 28, 2018, 3:30 AM EDT*



May, 2018

# *Jury Awards Apple \$539 Million in Samsung Patent Case*



# Clearing house

## ATM

## Check21

**Pubs to  
clearing  
house**





Inserting punch card into ATM  
(1968) Westminster Bank  
No magstrip.  
Radioactive carbon14!







## Hello, I'm Buttons™

THE PERSONAL TOUCH TELLER™

Use me 24 hours a day, 365 days a year. Just touch the buttons for 11 different banking services. Use me to get cash, make deposits, transfer funds and pay loans. I'll even give you your balance.

And almost everything I do takes a minute or less, with the use of

# CITIBANK

introduces

## "The Cash Station"

This experimental cash-dispensing machine may be a forerunner of sophisticated electronic devices that will increase our capabilities to provide round-the-clock banking services. The machine dispenses a fixed amount of cash when a customer inserts a special card and keys in his own personal identification number. "The Cash Station" is an electronic substitute for the conventional check-cashing system.





TODAY  
Daily, 25¢  
TONIGHT  
Daily, 40¢  
TOMORROW  
Daily, 40¢  
Sunday, 40¢  
TV: Page 26

# NEW YORK POST

BLIZZARD  
SPECIAL

TUESDAY, FEBRUARY 7, 1978 35 CENTS

© 1978 The New York Post Corporation. Pub. 171, Inc. #1

LAST QUARTER'S  
DAILY AVERAGE  
CIRCULATION 627,478

## CITY PARALYZED

- Long Island hit hardest by storm
- 15-ft. drifts bury cars in suburbs
- Sanitation crews are snowed under
- Floods sweep into shore sections
- Stranded throng Manhattan hotels

02.09.2009 09:01

Storm blacks out Boston











Your Citicard gives you a key to  
the bank. Are we kidding?

We aren't kidding.



**THE  
CITI NEVER  
SLEEPS.**

# Playing NYCE

# Co-opetition Success Story (sort of)

CHECK CLEARING  
FOR THE 21ST  
CENTURY ACT:

"CHECK 21 ACT"

UNITED STATES  
GOVERNMENT

# Divide the Pie

It takes both of us, so we should split the gains equally.

Abe and Bea

Plane route

Coke and HT

Interest rate on a CD

**I do not endorse or sell this site. I**

It takes a pub

It takes a blizzard

It take a 9/11



# Co-operation as a last resort

# How to Get People to Adopt

Emphasize how it's new

Emphasize how it's similar



# Wite-Out for Teeth



# Two Lessons

**Don't make  
People change  
behavior**

**Co-operation  
as a 1<sup>st</sup> - resort**

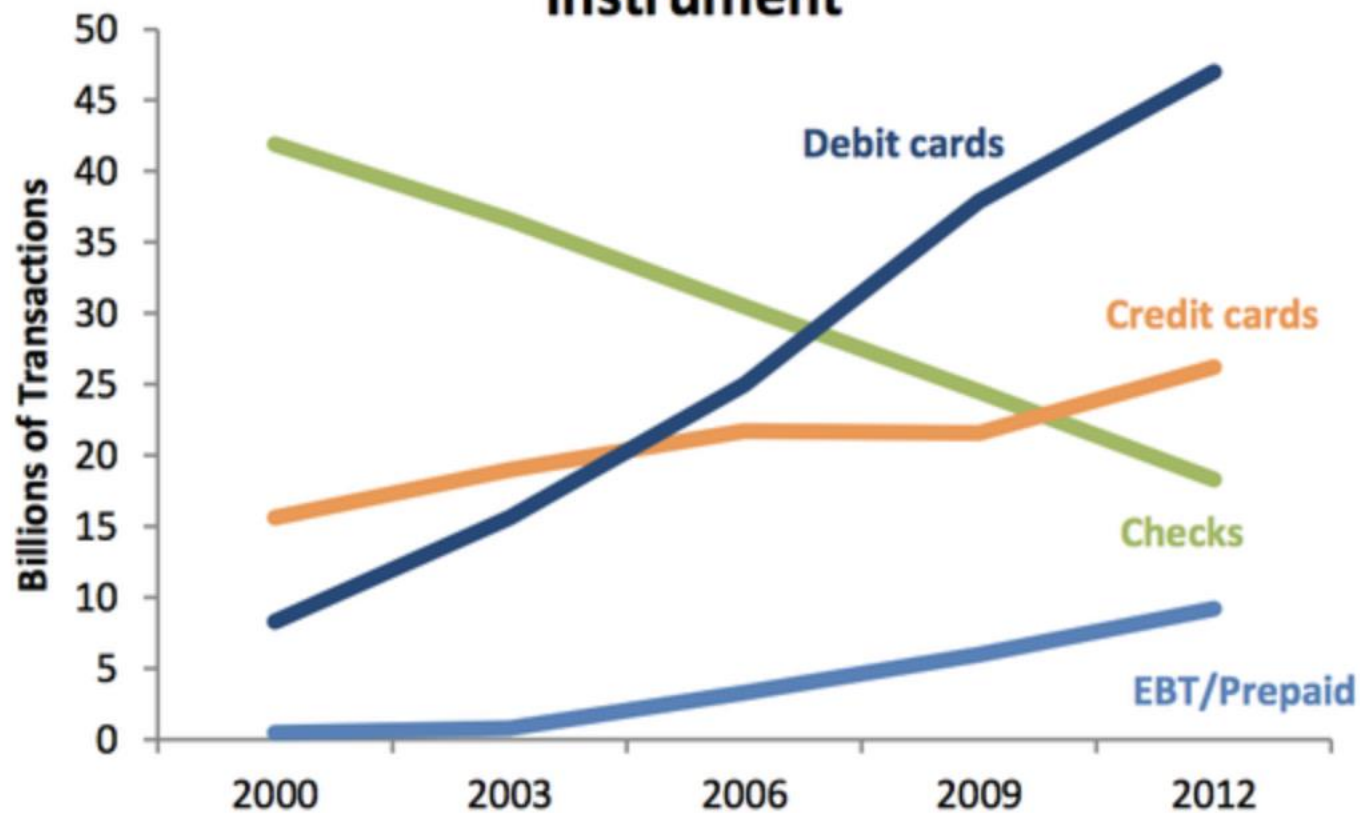
# Views from a Non-Expert in Payments

- ♥ Innovation often comes from the "adjacent"
- ♥ Didn't know anything about tea, either
- ♥ Solutions seem obvious



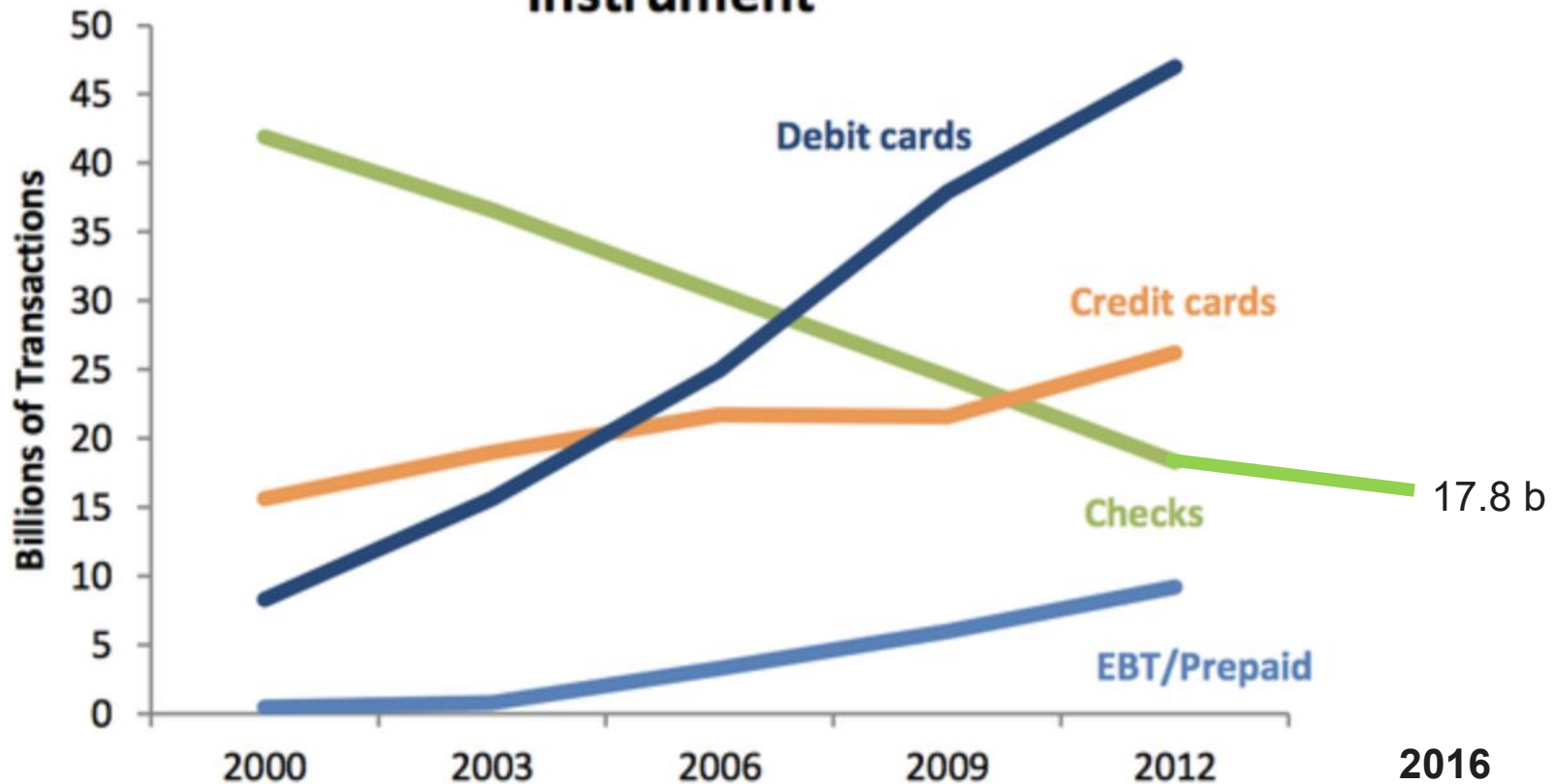
**How to get  
Americans to  
adopt ACH**

## Number of Transactions by Payment Instrument

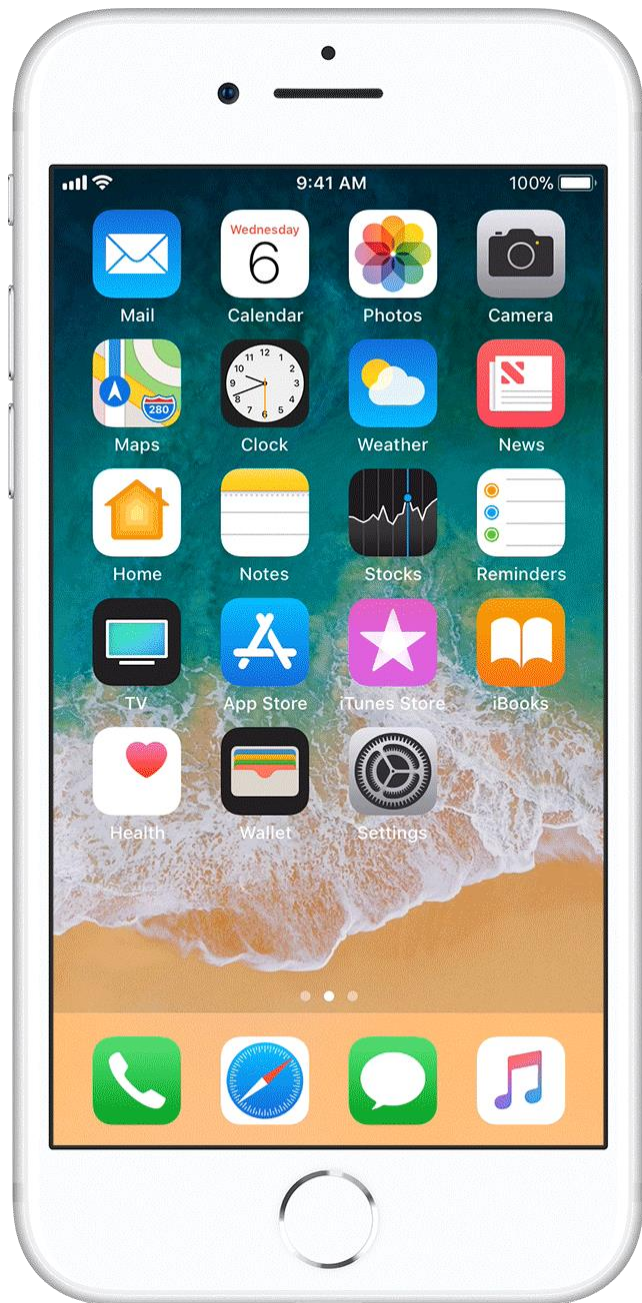


Source: Triennial Federal Reserve Payments Study

## Number of Transactions by Payment Instrument



Source: Triennial Federal Reserve Payments Study



Jonathan E. Dough Jr.  
123 Main St  
Apt 00  
Anywhere, US 00000-0000

1001  
63-8376/2670  
020

Date\_\_\_\_\_

Pay to the  
Order of\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ Dollars

For\_\_\_\_\_

⑆ 111000111 ⑆ 0023415963183 1001

**Send PDF of check**

**Other party can print or edeposit**

**ABA, Acct #, amount all encoded**

# Moving to EFT

**QR code  
on each bill**



Scan

My Code

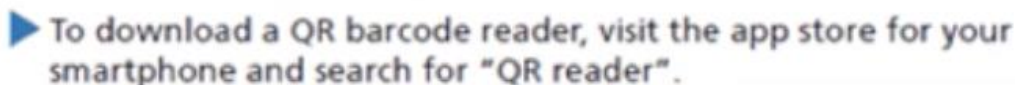


Barry Nalebuff

@barry-nalebuff



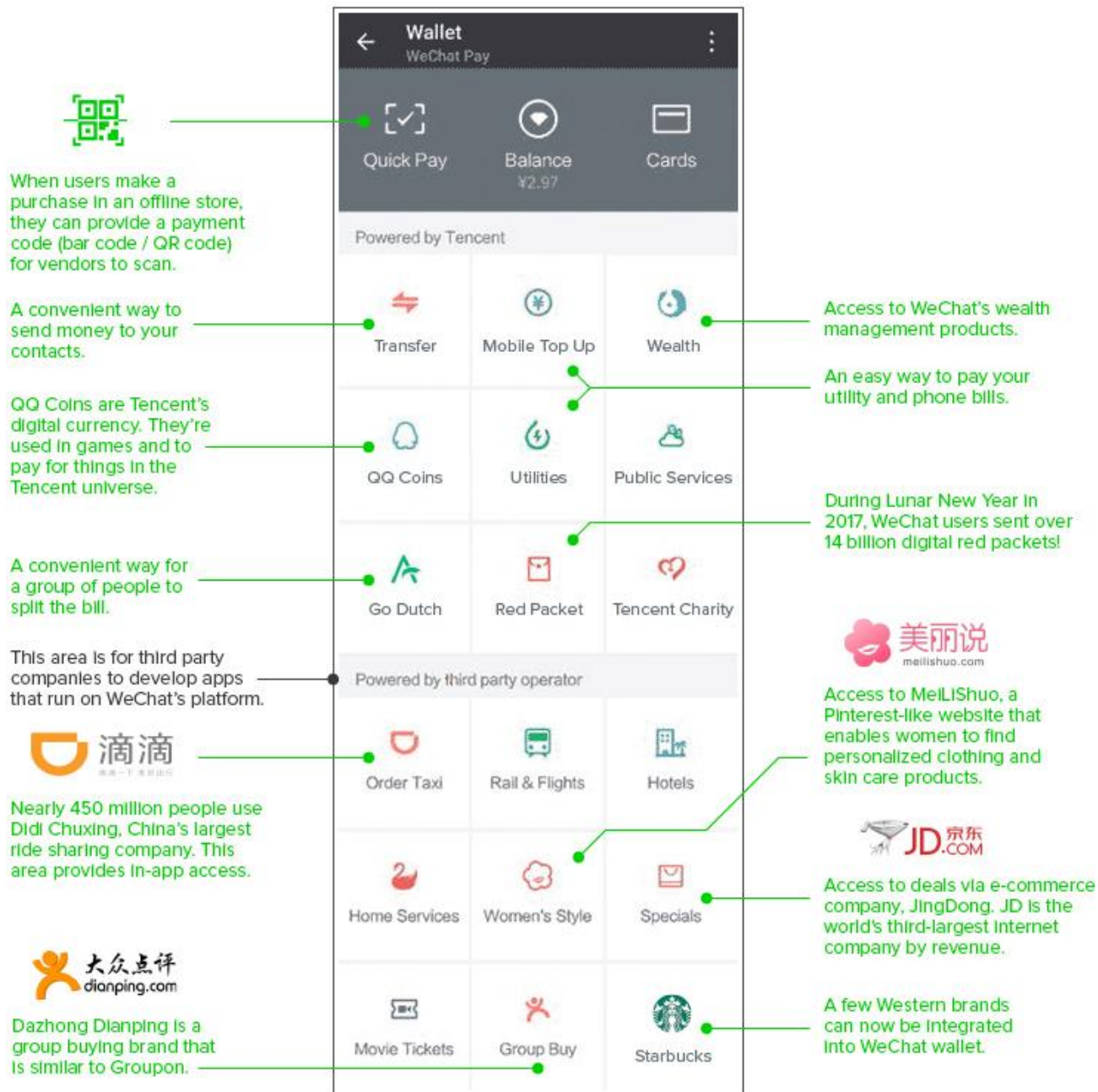




**Making a  
better  
currency**



# A BRIEF OVERVIEW OF WeChat Pay





**TWINT**



MobilePay  
Online  
By Danske Bank®

vippss









No.

#253

## STATE of MASSACHUSETTS Bay

The FIRST Day of JANUARY, A. D. 1780.

IN Behalf of the State of Massachusetts Bay, I the Subscriber do hereby promise and oblige Myself and Successors in the Office of TREASURER of said STATE to pay unto *Elisha Curtis* or to his Order, the SUM of *Two hundred fifty five pounds*

on or before the FIRST Day of MARCH, in the Year of our Lord One Thousand Seven Hundred and *Eighty three* with Interest at Six per Cent. per Annum: Both Principal and Interest to be paid in the then current Money of said STATE, in a greater or less SUM, according to the Five Bushels of CORN, Sixty-eight Pounds and four-seventh Parts of a Pound of BEEF, Ten Pounds of SHEEPS WOOL, and Sixteen Pounds of SOLE LEATHER shall then cost, more or less than *One Hundred and Thirty Pounds* current Money, at the then current Prices of said ARTICLES—This SUM being THIRTY-TWO TIMES AND AN HALF what the same Quantities of the same Articles would cost at the Prices affixed to them in a LAW of this STATE made in the Year of our Lord One Thousand Seven Hundred and Seventy-seven, intituled, "An ACT to prevent Monopoly and Oppression." The current Prices of said Articles, and the consequent Value of every Pound of the SUM herein promised, to be determined agreeable to a LAW of this STATE, intituled, "AN ACT to provide for the Security and Payment of the Balances that may appear to be due by Virtue of a Resolution of the GENERAL ASSEMBLY of the Sixth of February One Thousand Seven Hundred and Seventy-nine, to this STATE's Quota of the CONTINENTAL ARMY, agreeable to the Recommendation of CONGRESS, and for Supplying the TREASURY with a SUM of Money for that Purpose."

*Mr Dawes*  
*A. Cranck* } Committee

Witness my Hand  
*[Signature]* Treasurer

*May: Nath: Wriston*

**Alimony**  
**Annuities**  
**Bank deposits**  
**Mortgages**

**Flip the TIP**

# Making Shillers Seem Familiar

♥ Can write checks in Shillers

♥ Checking accounts in Shillers

# Problems & Solutions

♥ Cooperation with rivals isn't natural

# Problems & Solutions

- ♥ Cooperation with rivals isn't natural

War & Peace

Why should you care? Doing it to help yourself not others.

Gains are long lasting, even when copied.

- ♥ Competitive Advantage or Cooperative Solution

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Dr. Jekyll > Mr. Hyde. Hollywood & VCR. Citi and ATM

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- ♥ When innovation requires coordination, a few can veto.



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Make new seem familiar. Don't force changed behavior

MAKE COOPERATION A 1<sup>ST</sup> RESORT



**The End**