

What are current coopetition practices in the Dutch retail industry and how do they differ from less competitive industries?

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Coopetition is an increasingly researched theme among researchers, however, coopetition in the retail industry has not been widely researched and neither the relation of hypercompetition and coopetition.

This paper will divide industries between competitive and hypercompetitive industries via Porter's five forces analysis. Then, this paper performs a case study of the Dutch retail industry and compares these findings with three other case studies. 5 firms have been found willing to participate. The results were put in a qualitative data analysis program, Kwalitan. Here codes were assigned via human input to specific text fragments.

The case studies were rated as being competitive, whereas the Dutch retail industry rates as hypercompetitive. There have been mixed responses of the participating firms. Some described it as a competing, equal or cooperating relationship. However, they give more examples where they were competing with suppliers. It seems that the biggest difference between our case studies and the other industries is the reason for coopetition, in the other industries it seems that increasing the size of their markets and a more efficient resource allocation was most important. In our analysis of the Dutch retail industry it seems that reasons for coopetition are more evenly distributed, although here as well, efficiency in resource allocation was most important. Finally it seems that in the Dutch retail industry, a distinction has to be made between big and small suppliers, were big suppliers are less willing to cooperate in general. The biggest limitation of this research is the limited amount of respondents and that not in every case a face to face interview took place. In these instances a questionnaire was sent. A further limitation is the lack of in-depth knowledge of the described case studies used in this paper.

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Keywords

Coopetition, retail industry, competition, cooperation, hypercompetition.

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1. INTRODUCTION

The definition of cooptation this paper employs is the definition given by Bengtsson & Kock (2014) and is as follows: “cooptation is defined as a paradoxical relationship between two or more actors simultaneously involved in cooperative and competitive interactions, regardless of whether their relationship is horizontal or vertical.” This paper will focus on the vertical relationship between buyers and suppliers. Bengtsson & Kock (2000) define three predominant types of cooptation relationships: cooperation dominated relationship, an equal relationship, and competition dominated relationship. These three types of cooptative relationships will be used as input for the case study.

It is argued in this paper that cooptation is likely in the retail industry. Furthermore it is argued that in the retail industry, firms compete for the most customers and are doing by cutting prices or to some extent, by providing additional services. However, there has not been done a lot of research in the retail industry concerning cooptation. One research has been found concerning the Austrian Grocery industry by Kotzab & Teller (2003). However, they mainly focused on the role of the ECR (Efficient Consumer Response) where the ECR is mentioned as a cooptation model.

The assumed presence of cooptation in the retail industry can be found furthermore in game theory, as according to Ritala (2012), cooptation is beneficial when partners are able to increase the total value more than working individually. This can very well be the case in the Dutch retail industry. Another interesting point concerning the retail market is made by Ziliani and Bellini (2004) who argue that the retail industry is highly customer driven as they have demonstrated in their paper concerning an extensive analysis of loyalty programmes in the retail industry. Since it is argued in this paper that the retail industry is highly customer driven, it is likely that on some level firms compete and cooperate to satisfy customers. Firms on one level will need to offer the lowest price or the best service. Cooperation and competition both seem a likely choice to achieve this.

Examples of cooptation in industry include BMW-Daimler Chrysler, Fiat-GM (Dagnino & Pudula, 2002). Here it was based on cooperation with the construction of a new engine for example. Another example is the lining industry as well the brewery industry in Sweden and the dairy industry in Finland (Bengtsson & Kock, 2000). While in the lining industry it was focused on material development (although they compete on product development and marketing). In the brewery industry it mainly concerned the taking back of empty bottles by producers. And lastly, in the dairy industry it concerned cooperation on transport activities. Above mentioned examples, are all competitive industries, where physical products are being produced and sold to (end) consumers. However, there has not been extensive research between the retail industry, a hypercompetitive industry, and other, less competitive industries. The retail industry is an industry where

firms compete for market share via one of two strategies: Everyday low pricing (EDLP) or Promotional Pricing (PROMO) (Lal & Rao, 1997). Besides pricing strategies there also exists another strategy altogether, a differentiation strategy can be applied as well. They, for example, set service levels (e.g. an instore bakery) to differentiate from competitors and to attract consumers with higher willingness to pay more, or to increase loyalty of existing ones (Bonanno & Lopez, 2009). This paper argues that these strategies are at least partly because of high competition. High competition differs from low competition to the extent that there exists more tension between stakeholders and suppliers and these can thus lead to different business strategies. With the pricing and differentiation strategies which exist in the retail industry, we can see the retail industry adhere to Porter’s 3 generic strategies for firms. Figure 1 can be seen as showing Porter’s generic strategies to visualize better how Porter’s generic strategies relate to each other. This will be used to determine a firm’s overall business strategy. In section 4.1 Porter’s five forces framework will be used to rate an industries competitiveness. In addition, the term hypercompetition will be explained. These two independent concepts will lead to a distinction in the industries used between competitive and hypercompetitive industries.

It is believed that the expected results will be that the Dutch retail industry will in general adhere to (international) cooptation research regardless of industry. This gives the opportunity to compare the Dutch retail industry with other case studies concerning cooptation. However, it is difficult beforehand to predict what opportunities there are regarding the firms that agreed to participate and to what extent they are also willing to disclose the needed information. The practical relevance of this research lies in the analysis of the Dutch retail industry and the comparison to other industries. Other firms in the Dutch retail industry can benefit as well from this comparison since the scientific evidence can suggest the best way how to deal with suppliers and competitors. This can support current practices or propose other practices. The academic relevance of this research is the addition of the Dutch retail industry to researched industries concerning cooptation as an additional case study on the subject. Also the link between Porter’s generic strategies and cooptation in the Dutch retail industry is useful to see if there is an advantage to opt for a certain cooptation approach that fits a specific business strategy.

This paper starts by identifying a gap in the literature and introduces the research question accompanied by the sub-questions. Hereafter follows the research design. Then the literature study will take place, followed by a case study of the Dutch retail industry. Then these results will be interpreted and a general conclusion will be drawn followed by a discussion.

2. PROBLEM STATEMENT

As mentioned in the previous sections, there has been extensive research concerning cooptation. However, cooptation in the retail industry has not been extensively researched as of yet, and a comparison between the Dutch retail industry and other less competitive industries has not been extensively performed. The lack of the retail industry in cooptation research is interesting, since worldwide retail sales are above \$20 trillion (emarketer.com, retrieved on 20-05-16). This market is huge and since the hypercompetitive nature of the market, very interesting to examine more closely concerning cooptation and especially the buyer-supplier relationships with regards to cooptation.

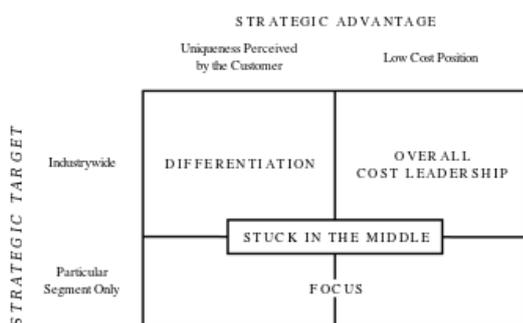


Figure 1. Porter’s generic strategies

2.1 Research question

The research question of this paper is: “What are the current competition practices in the Dutch hypercompetitive retail industry and how do they differ with lesser competitive industries?”

In order to answer this question the following subjects will gain attention in this paper:

1. What are categories to differentiate low and high competitive industries?
2. What are the current competition practices in a hypercompetitive environment like the Dutch retail industry?

3. RESEARCH DESIGN

In order to answer the previous stated research aims, there is opted for a literature study followed by in-depth interviews and the use of questionnaires to combine both quantitative and qualitative methods. The literature study will be partly about making the mentioned characteristics measurable via some general guidelines. Besides this, there will be an analysis and comparison of other case studies. The interviews serve the following purpose: we hope to get a clearer understanding of the notion of competition in the Dutch retail industry. After the literature study, the interviews and returning of the questionnaires, the results will be interpreted and a clear conclusion can be drawn. The results of the interviews and questionnaires will be analyzed with Kwalitan. Kwalitan is a program which easily allows the coding of qualitative data. Finally, this paper will propose some areas for further research.

3.1 Participants

The interviews will be conducted at RunnersWorld, Britain Group Nederland BV, MonoSails, an independent sports store and ter Braak dranken. Firm's and stores have been selected on the criteria that they need to have contact with end consumers and suppliers of final products were the consumers approach firm's and the stores mainly function as an intermediary. Due to time issues on the part of the subjects, in some cases there is opted to send these stores and firms the interview framework as a questionnaire. In these cases the contact was via email. Although it is expected that responses will be less in-depth in these cases, we do not believe it will change the general outcome of responses.

3.2 Interviews

In the interviews there will be asked questions concerning the existing buyer-supplier relationship of the before mentioned participating firms. These questions will be focused around cooperation and existing tension and cooperation between the supplier and buyers and how this is dealt with. According to literature, small and medium sized enterprises can compete more effectively when they collaborate with their suppliers and competitors (Gnyawali & Park, 2009). This is because they can create economies of scale and share R&D. It is interesting to see, if the current participants can lend credit to these assumptions. Thereof, these specific firms have been selected. The adoption for this small amount of firms is because of a lack of respondents. Firms were found not to be willing to be open and disclose all the necessary information. The interview framework used for both the interviews as the questionnaire can be found in appendix I.

4. LITERATURE

This section consists of the literature study of which the rest of this paper is based on. In section 4.1 there will first be an explanation on high and low competitive industries as well as an analysis of the industries which are in the scope of this study

and classify them in a uniform way as either competitive or hypercompetitive. In section 4.2 there will be given an overview of the current competition practices of the analyzed industries from section 4.1. In section 5.1 an analysis will be performed of different firms which are acting in the Dutch retail industry.

4.1 What are categories to differentiate between competitive and hypercompetitive industries?

In this section there will first be given a definition of competition that will be used in this paper. Consequently it will be explained what necessary is in order to define industries as competitive or hypercompetitive. Afterwards, this paper will go on and analyze the industries of this study.

Competition includes five forces: competitors, customers, suppliers, potential entrants, and substitute products. These five forces lead to rivalry among existing competitors (Porter, 2008). This paper argues that this rivalry defines competition in an industry and the competitiveness of an industry in general. These 5 forces will be taken into account when further categorizing competitiveness in industries. However, a problem with analyzing industries with Porter's five forces is the lack of depth and uniformity (Dobbs, 2014). To solve this, Dobbs (2014) has constructed a framework that can be used to analyze industries according to Porter's five forces. This framework will be used in this research to determine the competitiveness of an industry. This framework is presented in appendix III. It is directly copied from the paper of Dobbs.

When the threat level is high for at least three of the five forces, in accordance with the framework proposed by Dobbs, then this paper argues it is a highly competitive industry. In addition to the framework proposed by Dobbs (2014), the concept of “hypercompetition” will be used. The defining characteristic of hypercompetition, as mentioned by Volberda (1996), is that firms in their attempt of control [of the industry] continuously develop new advantages and thus create disequilibrium of the market. Stable industry structures, competencies, and business specific resources is problematic in a hypercompetitive industry (McNamara, Vaaler, and Devers, 2003). McNamara et al. (2003) also emphasize the more often occurrence of low entry and exit barriers, although an early entrant does keep a competitive advantage in the industry compared to new entrants (Makadok, 1998). Firms are not capable to earn above average profits and are dealing with an ambiguous consumer demand when positioned in a hypercompetitive industry (Bogner & Barr, 2000).

Afterwards in section 4.1.2 the industries will be classified as either competitive or hypercompetitive for the purpose of this paper. An industry can only be classified as hyper competitive when it was already considered a highly competitive industry after the industry analyzes via Porter's five forces. In the analysis that will be performed in 4.1.1, particular attention will be given to the following factors: capital requirements, government regulation, buyer price sensitivity, and switching costs as this paper argues that these factors are especially important to hypercompetition. Not in the least because these factors can influence entry and exit barriers.

4.1.1 Analysis of different industries

The four industries that will be analyzed are the Dutch retail industry, the Finnish forest industry, the international smart card industry, and the international TV production industry. These industries have been chosen since there is information available concerning the topic of competition and facts and figures to perform an industry analysis. This information can be replicated and accessed via the web. This analysis will be

performed to indicate how competitive every one of these industries is. This is necessary to make the distinction between competition in competitive and hypercompetitive industries.

4.1.1.1 The Dutch retail industry

The Dutch retail industry is a highly competitive industry according to the way this is measured in this paper. This will be explained in this part. There are very numerous firms with over 95% of the firms being small firms and less than 1% is a big firm according to detailhandel.info Furthermore there are low switching costs for consumers, combined with almost total buyer information. In addition to this, there have been a high amount of bankruptcies in 2015 and 2016. Depending on the industry sector, the supplier power is thought to be high. There are relatively few suppliers to order from. These are also known in most part by the end consumers, so the supplier power increases even more because of this so switching might be detrimental to firm performance. Also supplier forward integration can be a credible threat. For example the Apple stores, where Apple is selling straight to end consumers.

Since most products can be bought at another store as well, the threat of substitute can be considered high. Another credible threat is the increasing popularity of web shops. Finally, the entry barriers for new firms are low. Buyers have a high price sensitivity and very low switching costs, and the initial capital investment is also not very high and consist mostly out of inventory. In addition, there exists low government regulation while the buyer sensitivity is high and there are low switching costs. For four out of the five quadrants there exists a high threat. Threat of competitive rivalry, threat of buyers, threat of new entrants, and threat of substitutes is high.

4.1.1.2 The Finnish forest industry

The Finnish forest industry can be considered a medium competitive industry considering the way this paper measures competitiveness. This will be explained in this part. There is not a lot of competitive rivalry, however, mainly in the wider forest industry, the Finnish industry is competing a lot with other industries, like the one in Germany (Dieter & Englert, 2006). The Finnish forest industry has a huge amount invested in equipment (Pesonen, Ahola, Kurttila, Kajanus & Kangas, 2001) and thus the entry and exit barriers are quite high which is both an advantage and disadvantage regarding competitiveness. Another threat is the negative growth of the market in developed countries (forestindustries.fi/statistics/). This is even more a threat since the high exit barriers spoken of earlier. A strength for the industry is the high switching costs of buyers. The switching costs are partly high because of the distance between competing producers. The concentration of suppliers is both a threat as an advantage, since you are dependent of each other due to the limited amount of players in the Finnish forest industry. The most important for this industry is the negative growth which will be affecting firms operating in the industry, even more so because of the high exit barriers. Furthermore, Finnish forest industry is characterized as being very competitive concerning the semi-finished wood products (Dieter & Englert, 2006). There exists strong government regulation whereas the price sensitivity of buyers is low. For one out of the five quadrants there exists a high threat, while for one quadrant there exists an interdependent relationship between the industry and suppliers which mitigates the threat. Competitive rivalry forms a threat.

4.1.1.3 The international smart card industry

The smart card industry can be considered as a low competitive industry considering the way this paper measures competitiveness. This will be explained in this part. There is not

a lot of competitive rivalry, mainly because of the annual growth of 30-40% in the industry and the few players in the industry (M'Chirgui, 2005). Players have been active for years already in the market. However, due to high initial investments, exit barriers are quite high. Buyers do not pose a threat. Although they do buy in high volumes, they do not have complete information of the industry. Buyer price sensitivity is low. Furthermore, the industry does not have to worry too much over backwards integration with respect to the buyers since it is an entirely different skillset which is required. When looking at the suppliers, it is reasonably comparable to the buyers. There are few organizations which limits industry possibilities. However, since they are mainly producing for the smart card industry, this is not a big problem. Forward integration by suppliers is regarded unlikely. The threat of new entrant can be considered low. There is a high initial investment necessary, one which not every firm can or is willing to make. A new entrant will likely face a negative response from the incumbents already for years active in this industry. Government regulation is high due to security reasons. Switching costs in the industry are high. For none out of the five quadrants there exists a particularly high threat.

4.1.1.4 The international TV production industry- a case study of Samsung and Sony

The TV industry can be considered as a medium competitive industry considering the way this paper measures competitiveness. This will be explained in this part. There is not a lot of competitive rivalry in the industry, although there are medium switching costs between firms. This is because there are a few existing competitors and are visible to each other. Also there is a continuous stream of new product life cycles being introduced. Actually, this is the main rivalry that takes place. The exit barriers are however quite high, since the initial amount of capital that has to be invested is considerable. Buyers can pose a slight threat to the industry. Although the possibility of backwards integration is very small, the buyers do possess a great deal of information. In addition, the industry offers a lot of standardized, yet slightly different products. Threat of suppliers is not too great, although industry does not want the suppliers to form alliances, since this can greatly hinder the bargaining position of industry player. As this has not happened as of yet, the industry holds a lot power over suppliers, since suppliers are small, not concentrated and acting globally (Gnyawali & Park, 2011). The switching costs for industry are also not too high and can be perceived as a possibility by supplier and hence increasing power of industry even more. Another threat concerning suppliers could be an increase in transportation costs, which is out of control of industry or suppliers. The threat of new entrants is low. There will have to be a huge capital investment in equipment and R&D and it is unlikely that new entrant can conquer the market straight away. Due to a lack of economies of scale, the initial investment will be even higher than industry standards. Threat of substitute products for the industry can be perceived to be high. However, as mentioned earlier, the product life cycles of products in the industry are quite short and if a firm in the industry cannot keep up, this can even pose a significant threat. A different example is what happened to Nokia with the introduction of the smartphone in the telecom sector. Nokia was the first with a smartphone to market, however, the people were not ready at the time. When the people were ready, Nokia wasn't ready anymore and they lost to Apple and Samsung (Troianovski & Grundberg, 2012). Producers in industry should avoid this as well. Also government regulation is quite high. The buyer price sensitivity is perceived to be medium. For two

out of the five quadrants there exists a high threat. For both buying groups as well as threat of substitutes.

4.1.2 Comparison between competitive and hypercompetitive industries

In this paper, a distinction is made between low to moderate competitive industries and high competitive industries. In the previous analysis, different industries were defined to be either competitive or hypercompetitive. To continue this discussion and taking into account these reasons and in accordance with the previous analysis of the Dutch retail industry, this paper classifies the Dutch retail industry as a hypercompetitive industry. Also in accordance with the previous analysis concerning the Finnish forest industry and the international smart card industry the high barriers to entry and exit in these two industries, this paper classifies these two industries as not being hypercompetitive. A remark can be made concerning the TV production industry, at the time of the case study, the industry was in slight disequilibrium due to the innovation of the LCD panels, however, in the end, the market was again in some sort of equilibrium. Combined with the high entry barriers it is for the range of this study qualified as not hypercompetitive, but as a medium competitive industry, positioned between the Dutch retail industry and the Finnish forest and international smart card industry. See table 1 for a more succinct description concerning the reasoning of the competitiveness of before mentioned industries.

Table 1

	Low	Medium	High
Capital requirements	retail industry		TV production industry, smartcard industry, forest industry
Government regulation	retail industry		TV production industry, smartcard industry, forest industry
Buyer price sensitivity	smartcard industry, forest industry	TV production industry	retail industry
Switching costs	retail industry	TV production industry	smartcard industry, forest industry

This paper argues that when there are low capital requirements, government regulation and switching costs, combined with high buyer price sensitivity, an industry can be classified as hypercompetitive. Not in the least because these factors can influence entry and exit barriers.

4.2 What are the current coepetition practices in competitive industries

In this section, the current practices of coepetition in low competitive industries will be discussed. This will be done via the different industries analyzed in section 4.1. Case studies of these industries have been performed in the past concerning coepetition practices and these will be used extensively. Afterwards there will be presented an overview were these industries will fit regarding their coepetition practices.

4.2.1 Coepetition in the Finnish forest industry

The next section was largely inspired by Rusko (2011).

Coepetition has a long history in the Finnish forest industry (Rusko, 2011), although the definition of coepetition did not exist at the time. According to Rusko (2011) The Finnish Forest industry has benefitted a lot of coepetition and there is a clear link between peaceful strategic moves, which are competitive moves, and the real gross domestic product in the Finnish forest industry indicating the role coepetition played. Besides these strategic moves, the government is also an important actor for coepetition in the Finnish forest industry, both domestic as foreign government (Rusko, 2011). In addition to these points, it was made clear that the strategic moves at itself seemed to be resulting in a value creation, although the coepetition practices are moving from more upstream, to midstream in the industry (Rusko, 2011). Although there was detected a decrease in the percentage of coepetitive strategic moves, it was still 46% of all strategic moves in the industry between 1980 and 1998. Coepetition practices were mostly aimed to increase the industries competitive position with regards to other such industries.

4.2.2 Coepetition in the international smart card industry

The next section was largely inspired by M'Chirgui (2005).

According to M'Chirgui (2005), the smart card industry has a lot of cooperation more upstream. It concerns setting R&D activities, promoting standards, design implementation and deploying smart card applications, thus increasing value for customers. Competition happens more downstream. It concerns the capturing of the largest share of the value created by the applications. One of the most relevant examples of how coepetition evolves is standardization (M'Chirgui, 2005). Standards in the industry are still being developed. Another field in the smart card industry where there are signs of coepetition is R&D. Here coepetition is found to be more upstream and more among chip suppliers. For example, there has been an industry wide programme of research, which is constructing a blueprint for the 'smart card of the future' (M'Chirgui, 2005). This panel includes representatives from the major producers.

4.2.3 Coepetition in the international TV production industry- a case study of Samsung and Sony

Since there appeared to not have been a case study of the entire TV production industry on the aspect of coepetition, the case study which focused on Samsung and Sony will be described. Since they together have a high market share nowadays, it can be argued it is a representation of how coepetition can be practiced for the entire industry.

Samsung and Sony have competed vigorously in the past and in many product-market segments (Gnyawali & Park, 2011). However, they joint forces in 2004 to develop and produce 7th generation liquid crystal display (LCD) panels. Both producers had something that the other lacked. Samsung had technological strength in LCD technology, whereas Sony could contribute its technological strengths and brand recognition in television (Gnyawali & Park, 2011). Sony had suffered a massive financial shock in 2003 (Uranaka, 2003). This led Sony to reevaluate their strategy (Gnyawali & Park, 2003). Some of the drivers for this coepetitive relationship were, according to Gnyawali & Park (2011), that each firm had knowledge and knowhow the other firm lacked and was in need of. Sony had need of expertise and capability concerning LCD technology, while Samsung needed TV making expertise, brand name and

continued demand for their LCD panels (Dvorak & Ramstad, 2006). They continue to cooperate and compete together, even in the panels production, where Sony had a partnership with Sharp as well (Gnyawali & Park, 2011). This prevalence of cooperation in the industry led to tremendous growth and shorter life cycles (Gnyawali & Park, 2011).

4.2.4 Wider implications of these three case studies

In these three widely different industries, there have been cooperative initiatives. While in the Finnish forest industry it appears to be industry wide, and mainly have to do with strategic moves in the (international) markets, in the smart card industry it has more to do with standardizing of components and protecting the market for external threats. In the smart card industry it is also industry wide. The example of Samsung and Sony in the television production industry shows that it is focused on increasing market (share) and increasing efficiency resource utilization. It exist because of different characteristics that both companies supplement each other in. Also it highlighted the fact that cooperative initiatives can extend beyond one partnership as Sony clearly shows with their ongoing partnerships with both Samsung and Sharp. In the next section these examples, as well as other examples in this paper will be given a place in one of the four generic drivers for cooperation. These four drivers will be explained in the next section.

4.2.5 Comparison between cooperation based business models

To answer this question, this paper refers to the research conducted by Ritala, Golnam and Wegmann (2014). They divide reasons for cooperation in different business models. These models can be divided in four different types: (1) increasing the size of the current markets, (2) creating new markets, (3) efficiency in resource utilization, and (4) improving the firm's competitive position. Although they are not mutually exclusive, this paper will try to fit a firm with just one or two of the four mentioned categories. (1) Increasing the size of current markets is valuable in the perspective of cooperation as it allows competitors both to increase their value while still competing against each other who get the most value (Ritala et al., 2014) This was for example the case with Samsung & Sony when they decided to cooperate on the S-LCD panels. (2) Cooperate to create new markets can be beneficial when customers appreciate multiple uses for a product or multiple users utilizing a product (Ritala et al., 2014). This is also the case in the international smart card industry. Here competing firms are cooperating together to create more applications uses for smart cards in order to attract new customers. (M'Chirgui,2005). (3) Efficiency in resource utilization has an important focus on cost reduction and quality assurance (Ritala et al, 2014). An example for this is the case study of Sony and Samsung were they supplemented each other both financially and technological wise. The Swedish brewery industry is another example from the introduction were the brewers are cooperating together to return empty bottles. This was researched by Bengtsson & Kock (2000). The last example here is also from the introduction. Dagnino & Pudula (2002) found cooperative initiatives in the automotive industry. (4) Improving the firm's competitive position is more about strategic alliances and improving one's (alliance) position relative to another one's position (Ritala et al., 2014). A good example of this is the research conducted by Rusko (2011) concerning the Finnish forest industry, were they worked together to become more competitive and profitable towards other forest industries.

See table 2 for an overview of the research mentioned in this paper divided in one of the four mentioned business models.

Table 2

Coopetition based business models (as copied from Ritala et al., 2014)	Example's mentioned in this paper
Increasing the size of the current markets	Gnyawali & Park (2011)
Creating new markets	M'Chirgui (2005)
Efficiency in resource utilization	M'Chirgui (2005), (Dagnino & Pudula, 2002), (Bengtsson & Kock, 2000), Gnyawali & Park (2011)
Improving the firm's competitive position	Rusko (2011)

5. WHAT ARE THE CURRENT COOPETITION PRACTICES IN A HYPERCOMPETITIVE ENVIRONMENT LIKE THE DUTCH RETAIL INDUSTRY?

In this section, the Dutch retail will be analyzed. This will happen via interviews or questionnaires at the before mentioned firms. If interviews were not possible, it will be mentioned that the same set of questions was sent to the participating firms and the contact was via email. These interviews will be conducted in Dutch according to the framework presented in Appendix I. A translation of the questions is included. First, there will be an overall analysis of the retail industry and cooperation. The research question presented in chapter 2 was the following: "What are the current cooperation practices in the hypercompetitive Dutch retail industry and how do they differ with lesser competitive industries?" After the qualitative analysis, the program Kwalitan will be used to analyze numbers, this serves the purpose of creating a more broad and succinct overview of the entire dataset. It helps to provide numbers to give more credit to the used assumptions. These codes and results can be used in future research as well.

It is argued in this paper that research on cooperation in the retail industry has not been done extensively. However, besides the research of Kotzlab & Teller (2003), which was about the ECR and mainly had as goal "to reengineer the way business is done in the industry". There has been found one other research. Research of Teller, Alexander, and Floh (2015) where they have studied the impact of competition and cooperation on a retail agglomeration. Here they found evidence that cooperation and competition between stores in an agglomeration positively influences the performance of those agglomerations. Whereas competition seemed to contribute the least to the performance and cooperation has the most positive influence.

5.1 Cooperation practices in the Dutch retail industry

To answer this question, an interview has been constructed. This interview framework can be found in Appendix I. The next section will shortly describe the outcomes of each of the conducted interviews, afterwards some conclusion will be drawn.

5.1.1 Independent sports store

The store is a big independent sport store located in Enschede. They preferred not to be mentioned by name. Besides an accessible store, they are also utilizing multiple webstores. This helped them increase their assortment and decrease their prices. They pursue a distinct differentiation strategy. Due to high competition they felt the need to specialize in specific segments. They specialize in soccer, tennis and hockey in particular. They face high competition from the bigger brands like Nike. It is almost impossible to buy from Nike, since Nike only supplies in volumes which are not feasible to buy for smaller purchasing groups. Brands like Nike prefer to do business with big purchasing groups and to sell their products via internet directly to the end customers. This store is allied with Sportpoint, division from Euretco. They represent independent stores. You need to be allied with a purchasing group, since almost all suppliers demand payment insurances for their deliveries. Besides the big brands, which are not cooperating at all, and mainly just demand a high buying volume from potential firms, there is also a large amount of smaller brands. They need the independent stores in order to boost their own production volumes. These brands still have representatives visiting their customers. This is different as well with the bigger brands. The bigger brands will invite customers to a central presentation of their new collection. With these smaller brands there exists an interactive relationship. Cooperation is possible with these suppliers, were choices can be made considering what the stores like to buy. However, price discounts are not possible for promotional purposes for example. The only discounts that exist are related to volume, also for the smaller brands. If you order for certain amounts, you will get a discount. Also when you buy an image (a complete line of series of a specific product) it is possible to get a small discount. This store tries to buy such an image. They can do so because they specialize in just a small amount of different sports. Besides these discounts, there are no real negotiations. This store never initiates negotiations with suppliers, with one exception. In general there exists a competing relationship with their suppliers, although a clear distinction has to be made concerning the bigger and smaller brands. The smaller brands is a more equal relationships were cooperation and competition changes.

5.1.1.1 Britain Group Nederland BV

Britain group Nederland BV is a clothing chain in the Netherlands which operates 9 stores and an online web shop. Due to time constraints, the contact was via email and the questionnaire was answered via mail as well. They pursue a differentiation strategy to the extent that they focus on a relatively small part of the market. Cooperation is the most important when Britain starts a new relationship with a supplier. They try to avoid arguments although they admit that disagreements can arise. They say that “no” is also an answer and can form a basis for new negotiations. In the case of Britain, there exists a clear cooperative relationship with suppliers. This is both ways, the supplier can at one occasion approach Britain with a new product or a marketing campaign. On another occasion, Britain can initiate meetings to discuss the relationship. They emphasize the cooperative relationship between buyers and suppliers. Although in the case of Britain, also buying volume is often one of the determinants of the price. However, a lot of the factors of which the relationship is based, is already spoken of in the initial supplier agreement. This agreement is the toughest part. Afterwards it is mainly just following up on the agreement and when this is satisfactory, no real tensions arise. Although Britain is really about cooperating, and have a good relationship with their suppliers, it happens

that due to various reasons they are not allowed to buy certain products or types, since the suppliers determines that this does not fit with their segmentation strategy. This can lead to tension as well. The result can be that supply is temporarily halted. In general 50% of the times, the supplier approaches Britain with an offer and in approximately 90% of the meetings cooperation is input of the meeting.

5.1.1.2 Runnersworld

Runnersworld operates as a franchise company with over 25 shops. They sell mainly running gear and shoes. In addition to this, they give specialized advice, often accompanied by a foot analysis via video screening. Due to time constraints, the contact was via email and the questionnaire was answered via mail as well. Runnersworld pursues a differentiation strategy. They specifically focus on people with an affinity for running, both competitive as well as a hobby. Runnersworld does not cooperate with suppliers to produce shoes, however, when customers of Runnersworld give feedback on their shoes, Runnersworld will pass this along to their suppliers. These suppliers, take this feedback in consideration when producing new shoes. Shoes are being produced at least twice a year. The launch of new products is in negotiations with Euretco. In the marketing department of Euretco are also some franchisers of Runnersworld present. Prices are a reason for negotiations. These negotiations happen twice a year (there are two seasons a year for Runnersworld). These negotiations are being conducted with representatives of Euretco, Runnersworld and suppliers. Main reasons for negotiations are about prices and launch of new products. The negotiations with regards to new products are between Euretco and supplier and are always initiated by the suppliers. 100% of these initiatives are from the supplier. In general, they have an equal relationship when they talk about competition and likewise, in 50% of the negotiations or communications with suppliers, the first contact they want to cooperate.

5.1.1.3 MonoSails

Monosails is a retail store for all necessities concerning water sports, boats and includes clothing as well. They also have a zeilmakerij and stoffeenderij. However, these are being left out for these departments are out of the scope of this paper. Monosails use a lot so called “consignatie” deliveries. This are deliveries where a product is on display in the store, and after a predetermined time they pay the supplier for the products they have sold, and the rest can be returned to the supplier. They cooperate a lot with their suppliers and even with direct competitors. They try to give feedback from customers to their suppliers when this can be beneficial for these suppliers. Especially during for example sail games they try to negotiate lower prices from their suppliers in order to offer a special discount to their customers as well. During this kind of special days, sometimes a representative of the supplier is also on site to offer more in-depth explanations or instructions towards possible buyers. Despite these clear signs of cooperation, there also exists tensions with suppliers from time to time. However, this is not always based on prices but more often based on the services provided by the suppliers towards Monosails. Some of these tensions concern for example delivery agreements, handling of complaints (of both Monosails as well as customers of Monosails, towards the supplier). Sometimes these problems are solved by splitting the costs between Monosails and the supplier, sometimes they will try to change the active agreements. It has happened that deliveries were being (temporarily) stopped. Monosails negotiate on a continuous basis with suppliers to see what the best course of action is to keep prices as low as possible. In addition to price, they also look together with suppliers if it is possible to buy in smaller

volumes then common in order to keep their storage costs as low as possible. The main reason why trade agreements are being cancelled is because of disagreement concerning complaints handling or for a longer period not keeping up with their responsibilities. Monosails and their suppliers both initiate negotiations with one another. For example, suppliers can approach Monosails with a promotional campaign where the supplier would like to place banners in the store or provide the employees of Monosails with training to understand the new product better so Monosails can explain it better to customers. If Monosails wants to organize something, they will also approach suppliers to see if they are interested. This can be for example a open day, or participation in sailing match. In general they have a slightly cooperative/equal relationship with their suppliers.

5.1.1.4 Ter Braak dranken

Ter Braak dranken is an independent liquor store, located in Hengelo. Due to time constraints, the contact was via email and the questionnaire was answered via mail as well. Besides a wide offering of beer, wine and whisky they have their own line of spirits. This leads to a hybrid strategy where they focus on the one hand on a low price, while on the other they try to have a unique product offering, and thus differentiate. They have an equal relationship with suppliers, were in to both cooperate and compete. Ter Braak dranken tries to be competitive by buying one time straight from the importer and the other time via the parallel business. With the importer they make a price agreement sometimes regarding promotional purposes. This means they can offer their products cheaper as competitors. These promotional campaigns are for example with a new product offering. New products of their own "Hengeler" spirits line they develop themselves before it goes to the producer. As mentioned before, the parallel market determines to a large extent the price, and with these prices they go to the importer per product group. Deliveries are stopped when they disagree with suppliers concerning order volume, price, or the product altogether. They aim to have satisfied suppliers as well, if one of the parties, ter Braak dranken or the supplier, is unsatisfied, they will not do business since they are not totally dependent on one another this does not necessarily harm the future relationship. Although tensions can arise, ter Braak dranken considers there relationships with suppliers as an equal relationship with regards to cooperation. Both consisting of cooperation as well as competing elements.

5.1.1.5 Overview of the firms of this case study

These firms present us with some general outcomes. A couple of noticeable or recurring points are presented in table 3. These are the following. Price is something all firms negotiate about. However, they do not always negotiate purely on a competitive basis. In addition, they mention that negotiations concerning price are being conducted normally twice a year in general. Also, a new product offering (npo) is a reason for suppliers to open negotiations and often offer firms a lower price when they want to participate. Three of the firms also participate on occasion in mutual marketing efforts with their suppliers. One firm commented on the size of suppliers in general. It was not possible to check these facts with other firms. It was mentioned that the bigger the supplier, the more arrogant they behave towards smaller firms. Smaller suppliers are in general more willing to cooperate with smaller firms as well.

Table 3

Examples from interviews	Cooperation	Equal relationship	Competition
Use of different suppliers for same products			ter Braak dranken
NPO in combination with lower price	ter Braak dranken, Britain group, Monosails		
free market defines prices		ter Braak dranken	
buying volume and price is reason for negotiations	Britain group, Monosails	ter Braak dranken	Independent sportsstore, Runnersworld
purchasing groups are important for payments to suppliers	independent sportsstore		
difference between small and big suppliers		independent sportsstore	
sometimes suppliers put products on display in your shop. If you do not sell it, they take it back.	Independent sportsstore Monosails		
mutual marketing efforts	Britain group, Runnersworld, Monosails		
tensions can arise when a supplier does not allow you to buy certain products from them.			Britain group
negotiate smaller batch sizes for same price	Monosails		

5.2 Results

In order to interpret and analyze the results better, this paper used the program Kwalitan which makes it possible to assign codes to text fragments. This has been done to create a better overview of the dataset. Section 5.1 has shown a more in-depth analysis per participating firm, this section shows a more succinct and quantitative overview of the participating firms combined. By dividing the interviews into codes which are across the entire dataset, it is possible to see trends in the dataset, compared to leaving it as separate sections. Furthermore, it can help future research to derive questions based on the codes presented in appendix II. The conducted interviews were uploaded to Kwalitan, afterwards the codes as

mentioned in Appendix II were created. The codes were constructed via human input. The codes are based on the three main theories of this paper. The most important one being the four generic drivers of coopetition, followed by porter's generic strategies and the three classifications of a cooperative relationship as mentioned by Bengtsson & Kock (2002).

During the interviews there have been 42 instances which were about the coopetition relationship. In 17 instances it was a competitive relationship. In 14 instances it was a cooperative relationship. In 11 instances it was an equal relationship. However, it need to be noted that when the question how firms rate their coopetition strategy one firm rated it as cooperating relationship, two as an equal relationship, and one firm as a competing relationship. One firm rated it as equal/cooperative relationship with the focus on cooperation. So this is how a firm describes their relationship although they have given more examples or comments describing a competitive relationship. It is possible that the nature of a relationship is not solemnly based on examples but also about the way business is done. For example, firms can disagree on prices, mentioning this as an example of competition while they perceive the interaction and negotiations in general as one of cooperation. These results are summarized in table 4.

Table 4

	Coopetition relationship
Cooperative	14
Equal	11
Competitive	17
Total	42

When looking at the kind of strategies that are pursued it appears there is one instance of a hybrid strategy and three differentiation strategies whereas one firm was not able to answer this question. These results are summarized in table 5.

Table 5

	firm business strategy
hybrid	1
differentiation	3
no answer	1
total	5

Concerning the four generic drivers for coopetition strategy there have been 10 examples. Seven were about efficiency in resource utilization, three about increasing the size of current markets and two about improving the firm's competitive position and one about creating new markets. These results are summarized in table 6.

Table 6

	Four generic drivers
efficiency in resource utilization	7
increasing size of current markets	3
Improving competitive position	2
creating new markets	1
Total	13

6. CONCLUSION

The comparison between the in this paper mentioned case studies and the hypercompetitive Dutch retail industry is not easily made. There is a lack of in-depth knowledge of the case studies and it is difficult to grasp the complete coopetition practices in these three industries by just reading the before mentioned papers. First, this paper found categories to differentiate low and high competitive industries. There was made a distinction between competitive and high competitive industries. This was done via Porter's 5 forces analysis and used the framework of Dobbs (2014). It was argued that when the threat level of at least 3 of the 5 forces is high, it is a highly competitive industry. In addition to this distinction, this paper went a bit further and wanted to classify industries as either competitive or hypercompetitive. This was determined via the following factors: capital requirements, government regulation, buyer price sensitivity, and switching costs. These factors will also (in)-directly influence entry and exit barriers. After this analysis it was determined that the Finnish forest industry, the TV production industry, and smartcard industry are not hypercompetitive, while the retail industry is considered to be hypercompetitive. Next this paper described the current coopetition practices in a hypercompetitive environment like the Dutch retail industry. When looked at coopetition, this paper distinguished two different theories. These were based on the coopetition relationship of Bengtsson & Kock (2000) and could be cooperative, equal or competitive. In the interviews it became apparent that firms varied in their description of this relationship. However, in general they gave more descriptions of competitive instances. This can be due to the less tangible nature of communication.

The other is about four generic drivers of coopetition from Ritala et al. (2014) and can be summed up as: efficiency in resource utilization, increasing the size of current market, improving firm's competitive position and the creation of new markets. In our dataset it appears that efficiency in resource allocation is an important driver, although this was not the only driver. In the Dutch retail industry it seems to be more evenly distributed among the four generic drivers with still the half focused on efficiency in resource allocation. Furthermore, it appears that suppliers do not want to cooperate all that much with their buyers, as is demonstrated in the sports sector. There does not seem to be much synergy between big suppliers and buyers in the Dutch retail industry. Suppliers do not always see the added value of cooperating with their buyers, at least in some instances this appears to be the case. These can lead to an arrogant stance of certain suppliers. Since, in particular the bigger suppliers, are not dependent at all on the Dutch retail industry (due to its small size), cooperation or even coopetition will be difficult to implement. The business strategy of the participating firms does not seem to be a specific driver for certain coopetition practices. The difference was already mentioned earlier, but it seems that there exists a meaningful difference between big and small suppliers. Smaller suppliers seem to be willing to put in at least a small effort to appease their buyers.

Finally this paper examined the last question. This one was focused around the current coopetition practices in the Dutch hypercompetitive retail industry and the differences with lesser competitive industries. Our three case studies, Finnish forest industry, international smart card industry and the TV production industry, had as goal to increase the size of their markets and to have a more efficient resource allocation, when compared to the three industries this paper described earlier on, then the biggest difference will be that in those industries suppliers normally had at least a small incentive to cooperate

with their buyers. In the Dutch retail industry this incentive seems to be smaller and almost nonexistent when big suppliers are dealing with small firms. And although the four generic drivers seems to deviated slightly compared to the industries analyzed in this paper, it still seems that efficiency of resource allocation is in both cases important. It is possible this is the case since buyers and suppliers have a mutual incentive to optimize their revenues and profits, hence a more efficient resource allocation.

7. DISCUSSION

A lot of research on co-opetition is been focused on tension or the interaction process. For example the research conducted by Bengtsson & Kock (2015), Fernandez, Le Roy & Gnyawali (2014), Tidström (2014) focuses on tension. Research that focused on co-opetition concerning the interaction processes is for example Poulsen (2001), Enberg (2012), Tsai (2002), Gnyawali & Park (2011). Concerning co-opetition and the retail industry, there seem to be only some specific research goals. For example Kotzlab & Teller (2003), who conducted research focused on the ECR and Teller, Alexander & Floh (2015) who conducted research in the role of agglomerations and co-opetition. This paper contributes to the academic field in two ways. First, it has provided an extensive summary and comparison of three different case studies were a distinction was made between competitive industries and hypercompetitive industries. Differences between competitive and hypercompetitive industries concerning co-opetition is new. Secondly, in addition to known case studies, this paper presents a narrow overview of co-opetition in the Dutch retail industry. This is a useful addition to the last two papers mentioned concerning retail agglomerations and the ECR. Co-opetition in the Dutch retail industry specifically has not been researched extensively. However, this is also one of the limitations of this paper, due to the very limited amount of companies it is arguable that these companies will not give an unbiased and objective overview of the entire Dutch retail industry. Another limitation is that not in the case of all firms it was possible to conduct a face to face interview. An opportunity for future research will be a more extensive case study which will capture the entire Dutch retail industry to see if the assumptions made in this paper can indeed be generalized to encompass the entire Dutch retail industry. This can be done via a small amount of interviews in order to check the codes that were assigned via the program Kwalitan in this paper. It was argued in this paper that buyers and suppliers have a mutual incentive to optimize their revenues and profits in the Dutch retail industry. This, and the difference between relationships with small and big suppliers could be taken into account as well. These initial interviews can be followed up by a broader survey.

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10. APPENDIX

10.1 Appendix I

	Dutch	English
1.	Er wordt veel samengewerkt met leveranciers. Iedereen doet dit op een andere manier. Hoe doen jullie dit? te denken valt aan (gezamenlijke) product ontwikkeling, lancering nieuw product, feedback geven van klanten over een product etc.?	There is a lot of cooperation with suppliers. Every firm conducts this in a different way. How is your firm handling these cooperations? For example, (joint) product development, together launching a new product, give feedback from your customers to your supplier etc.?
2.	Naast samenwerken gebeurt het ook dat er spanningen ontstaan met leveranciers. Bijvoorbeeld over inkooprijzen. Hoe is dit bij u en hoe gaat u hier mee om als dat het geval is?	Besides cooperating, it also happens that certain tensions arise between buyer and supplier. For example, about prices. How is this in the relationships you have with your suppliers? How do you deal with it when these tensions arise?
	Of kijken jullie met leveranciers samen hoe de inkooprijzen het laagste gehouden kan worden? Of is het geen reden tot onderhandelingen?	Or do you look together with suppliers how the prices can be maintained as low as possible? Or is this not input for negotiations?
3.	Zijn er soms dusdanige verschillen van inzicht dat de samenwerking/leveranties tijdelijk stoppen? Waarover wordt dan van inzicht verschild?	Is there so much tension between you and your suppliers that the cooperation or even the deliveries are stopped? If this is the case, why so?
4.	Leveranciers initieëren soms ook onderhandelingen voor verschillende redenen. Is dit ook bij jullie het geval? Zoja, waarover dan? Bijvoorbeeld een promotiecampagne mbt een (nieuw) product? Of is dit altijd jullie initiatief? Of wisselt het?	Suppliers can also initiate negotiations for multiple reasons. Do suppliers initiate such negotiations with your firm as well? If yes, about what? For example, a promotional campaign with regards to a (new) product? Or does your firm always take this initiative? Or is it equally distributed?
	In hoeveel % van de gevallen initieert een leverancier zo'n initiatief?	In how much % initiates a supplier such an initiative?
5.	Het begrip waar het onderzoek om gaat is Coopetition. Dit is het gelijktijdig samen werken en concureren met leveranciers en concurrenten waar staan jullie in het algemeen als het hierom gaat en als 1 samenwerken is, 5 een gelijkwaardige relatie, en 10 concurrerend?	The definition where this research is about is coopetition. It is about cooperating and competing at the same time with one company. This can be both competitors or suppliers. What would be the position of your firm in general when 1 is cooperating, 5 an equal relationship and 10 a competing relationship?
	In hoeveel % van de gevallen is er sprake van een samenwerkende insteek van de relatie?	In how much % of the cases is the starting point cooperation of any relationship?
6.	Gaat u voor een goedkope prijsstrategie of een product differentiatie strategie? Zijn er nog verdere op/of aanmerkingen?	Is your firm pursuing a cost leadership strategy or a differentiation strategy? Are there any further comments?

10.2 Appendix II

Three categories have been made: porter generic strategies with the codes: cost leadership, differentiation strategy and hybrid strategy. The second one is with the four generic drivers of competition. These involves the codes creating new markets, efficiency in resource utilization, improving firm's competitive position and increasing size of current markets. The last category is the different kind of competition relationships and involves: an equal relationship, a competing relationship and a cooperating relationship.

10.3 Appendix III

The template as constructed by Dobbs (2014): It has been directly copied from that paper.

Threat of Competitive Rivalry*

THREAT LEVELS		
Low		High
<input type="checkbox"/> DFT <input type="checkbox"/> Few/Leader	Existing Competitors	<input type="checkbox"/> Numerous/Balanced
<input type="checkbox"/> High	Industry Growth	<input type="checkbox"/> Slow/Negative
<input type="checkbox"/> Low	Fixed and/or Storage Costs	<input type="checkbox"/> High
<input type="checkbox"/> High	Product Differentiation	<input type="checkbox"/> Low
<input type="checkbox"/> High	Switching Costs	<input type="checkbox"/> Low
<input type="checkbox"/> Low	Strategic Stakes	<input type="checkbox"/> High
<input type="checkbox"/> Small Increments	Capacity Expansion	<input type="checkbox"/> Large Increments
<input type="checkbox"/> Low	Exit Barriers	<input type="checkbox"/> High

THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
2.	

Threat of Buyers/Buying Groups* ()

Low **THREAT LEVELS** **High**

DF† *Single/Few* Buyer Orders *Large Volumes*

Low Buyer Information *High*

Not Feasible Buyer Backward Integration *Credible Threat*

Highly Differentiated Industry Products *Standardized*

High Buyer Switching Costs *Low*

Low % Overall Buyer Costs *High %*

High Profits Buyer Profitability *Operating Losses*

High Impact Buyer Product/Service *Low Impact*

THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
2.	

Threat of Suppliers/Supplier Groups (_____)*

Low **THREAT LEVELS** **High**

DF† _____ *Many Organizations* _____ *Supplier Concentration* _____ *Few Organization*

_____ *High %* _____ *Supplier Volume/Profit* _____ *Low %*

_____ *Not Feasible* _____ *Supplier Forward Integration* _____ *Credible Threat*

_____ *Standardized* _____ *Supplier Products* _____ *Highly Differentiated*

_____ *Low* _____ *Industry Switching Costs* _____ *High*

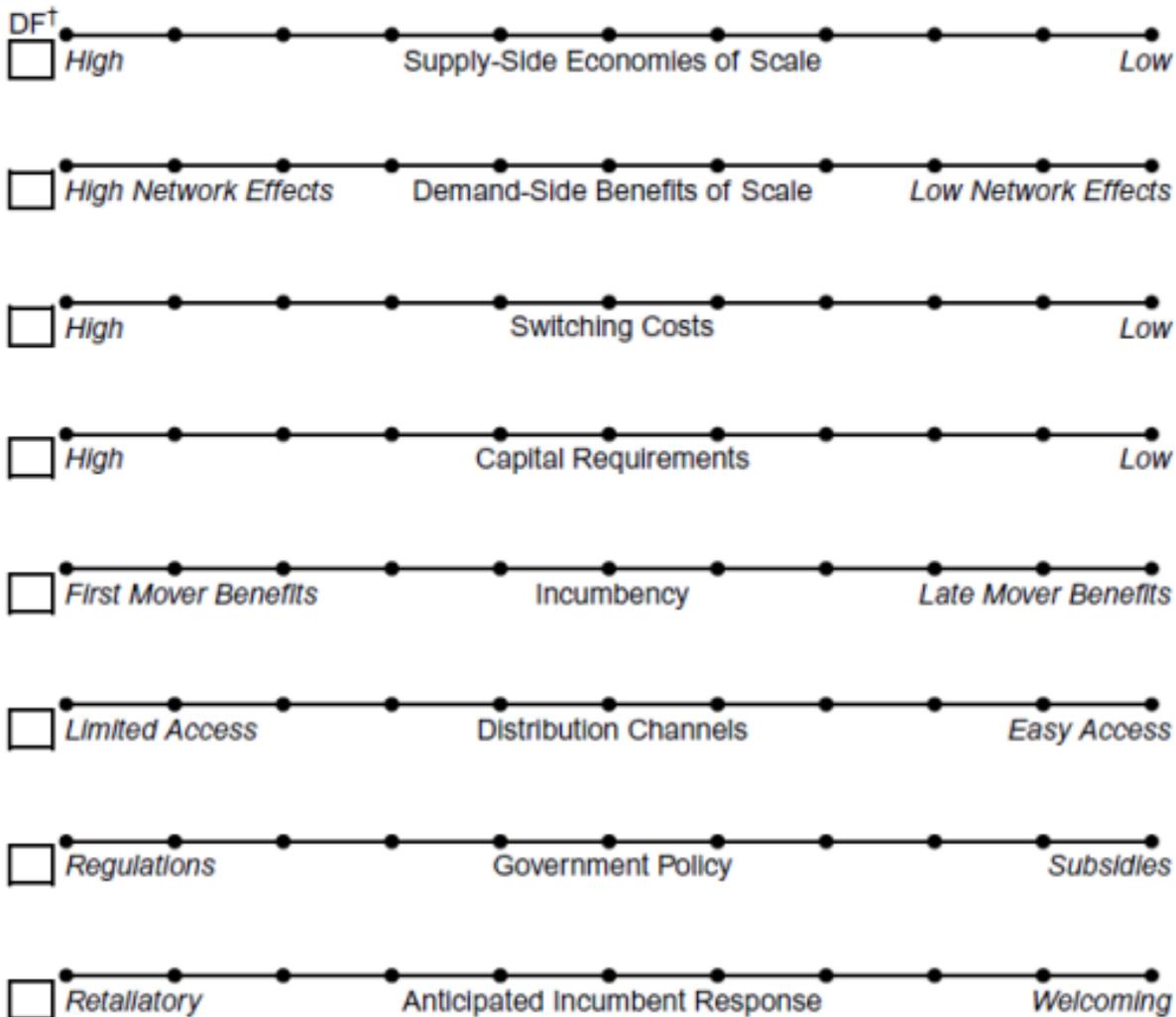
_____ *Many Viable Options* _____ *Supplier Substitutes* _____ *No Viable Options*

THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
2.	

(continued)

Threat of New Entrants*

Low **THREAT LEVELS** **High**



THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
2.	

Threat of Substitutes*(_____)

<i>Low</i>	THREAT LEVELS	<i>High</i>
------------	----------------------	-------------

- DFT
- More Expensive* Price/Indirect Costs *Less Expensive*
- Low* Buyer Price Sensitivity *High*
- Lower* Performance *Higher*
- High* Buyer Switching Costs *Low*
- Risk Avoidance* Buyer Profile *Risk Seeking*
- \downarrow Cost, \uparrow Performance Substitute Industry Price/Performance Trends \downarrow Cost, \uparrow Performance

THREATS
1.
2.
OPPORTUNITIES
1.
2.

(continued)