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Know your frenemy: Why yesterday's friend has become today's competitor

OPINION

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Technology underpins everything we do and the big tech companies have eyes on a role in every aspect of our lives. They see their role going far beyond the software or hardware that bears their brand name.

The problem for other brands is that while one part of these increasingly important companies might be helping them grow their business, another might be competing directly with them.

When a telecom provider brand meets their Google AdWords sales contact for example, they should also be aware that another part of the Alphabet empire is building fibre networks that compete directly with their business.

When computer accessories brand meets up with Amazon to ensure higher placement and presence on the retail site, it should be aware that the company is also marketing an increasingly wide range of hardware.

When B2B software service brands advertise on Facebook, it should be aware that the company is migrating its offering into the office environment as well.

Such wider macro perspective is vital as brands seek technology partners to help them take advantage of digital and data consumer opportunities. Because it makes little sense to be fully embedded with a company who then decides that you are more prey than partner.

Telecoms and mobile hardware are the first sectors to feel this effect but the onward march of the tech giants means it will also become relevant for other sectors too.

Understanding the macro vision of the tech companies requires brands to view the marketplace as based around five competing battle grounds. Successful tech brands need to have a play in as many of the five as possible, spreading their revenue base and boosting stability.

This macro picture explains seemingly random corporate moves like Microsoft's purchase of LinkedIn, Snapchat's plans for hardware and Google's purchase of an ISP.

Successful tech platforms want to own as much of the consumer's technological, and therefore media, life across the five key areas of data, hardware, software, connectivity and content.

The greater share of life they can build, the longer they will retain consumers within their ecosystem and the more revenue they will be able to earn.

The best example is Google, once a humble search engine but now – rebranded as Alphabet – a company that stretches from cars to maps to mobile software and handsets. It has big stakes in each of the five battlegrounds including YouTube in content, DoubleClick in data, Chrome and Android in software, phones and cars in hardware and the Fiber roll out in connectivity.

Google isn't alone in trying to complete its own version of the Trivial Pursuit counter, others are also looking to expand their businesses to cover the five pillars.

Those with the most complete counters include Microsoft, Apple, Facebook and Amazon but all have weaknesses.

The most glaring for Microsoft, Apple and Amazon is around connectivity, which includes both the ownership of telecommunications infrastructures but also the secondary connectivity of individuals into social communities. Microsoft's LinkedIn purchase could be seen as an attempt to solve this issue.

Facebook has its internet.org initiative for developing markets in this area but is also relatively weak in the area of hardware, where its key play is the Oculus Rift, which has yet to be fully tested in the arena of consumer preferences.

We are already seeing the early reactions from the sectors that are most challenged by tech companies. The diversification strategy being followed by Verizon reflects its response to competition in its core telecommunications connectivity space, it has made a big splash into content through the acquisition of AOL & Yahoo and into software with an allegiance with Microsoft.

It's with no surprise then that AT&T has now advanced to buy Time Warner. While NBC Universal have increased their investment in BuzzFeed.

It's not just the global players either having to diversify their business models to survive the technology giants. The turnaround strategy of Ströer in Germany is testament to diversification creating exponential growth for shareholders.

The challenge for brands is to identify the right partner as this complex battleground evolves. Brands need to assess how diverse technology providers' businesses are and therefore the relevant role each has to play in supporting or negating their strategic agenda.

Similarly they need to future proof their own business models and align into which of the five areas they want to have business offerings. Or like Verizon with Microsoft make key alliances in areas you are happy you won't ever compete.

It may be a simpler decision to work with a wider portfolio of partners, rather than streamline, which seems counter to normal strategic best practice. This helps to mitigate risk exposure.

The first step should always be to map out potential partners across each of these five areas to assess who might be future competitors as well as to determine whether they can meet their current and future needs.

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