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NEWS, OPINIONS & INSIGHTS FOR THE TECHNOLOGY INDUSTRY

Partnering Wisely to Grow Your Business

Part 2: Who to Partner With?

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This is the second in a series of articles on how to grow your business through partnerships. Part 1 addressed why you should partner with other companies as a way to increase revenue. It also emphasized the importance of building and fostering strong relationships with your partners and treating them just as you would your direct sales force.

Part 2 looks at the process for seeking out potential partners. The underlying principle is that a partner's product must always add value to your overall solution in the marketplace. Customers don't want to buy separate pieces of a solution from several different vendors. They would rather deal with only one vendor and rely on that vendor to make it work together seamlessly. The more elements of a total solution you can offer, the more value you bring to customers. The more value you bring to customers, the harder it is for them to choose a competitor who cannot replicate your solution.

Types of partnerships

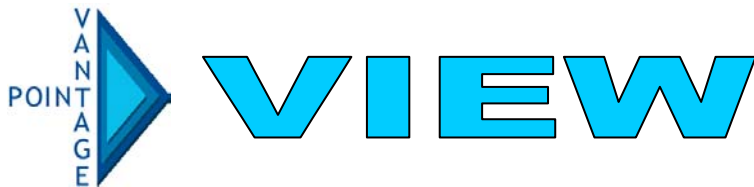
There are four basic types of partnerships to consider, each of which approaches the marketplace from a different perspective. Depending on your business needs you may want to adopt more than one of these types simultaneously.

Channel Partners are companies who resell your products or provide you with leads and referrals. Resellers purchase your product at a discount and then add a markup before selling it to their customers. Some channel partners will take the additional step and private label your product. Private labeling involves branding their product name over yours and marketing it under their company name. Other channel partners simply prefer to give you leads and referrals in exchange for a fee, and leave the selling activity up to you.

Professional Services Partners are systems integrators and consultants who integrate all the components of a solution chain together, and ensure everything works seamlessly.

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They provide significant value through their experience in designing and implementing different elements of the solution. They are also expert at defining roles, responsibilities and procedures to maximize your customer's investment in the technology.

Technology Partners are those companies who provide hardware, software or a technology platform as part of your total solution for customers. These partners provide infrastructure and components that make your product work best in a variety of operating environments.

Strategic Alliances can be any of the above types of partners – channel, professional services or technology. Short term revenue gains may be realized but their importance is more long term by helping you position your product in a strategic market. These partners bring credibility to your company through their recognized company name and products.

Seeking out good candidates

So how do you figure out with whom to partner? There are several considerations and approaches you can take.

Partner with someone who has a complementary offering to yours. Many products are just one 'link' in a solution chain. A customer may have to buy two or more links comprised of hardware, software and services to implement a business process. If your product is part of a solution chain, find your position on the chain and partner with those companies on either side of you. This creates a natural 'link' between your two products and opens the door for partnering. Customers may contact those vendors on either side of you in the solution chain, so it increases your exposure if you have a partnership with those vendors.

Partner with someone who has a 'hot' product in the marketplace. In the technology world, there are always new and emerging products that generate demand. Find the companies with the hot products in the solution chain and see if there is a fit with your product. If you also have a hot product, you may be the link that the company has been looking for as well.

If you frequently have to tell a customer that you don't have 'that' capability, then partner with someone who does. You don't want to lose a deal because the prospect was looking for a value-added capability that you can't provide. What makes it worse is to know that your competitor can satisfy the prospect's need. If you have faced this situation too many times, then find a partner who has the capability you are missing.

Partner with the leaders in the industry. Seek out the companies who are the top three leaders in their industry. You may want to avoid companies that are ranked fourth and lower, as this may put you in a vulnerable position in today's competitive marketplace. However if the top three industry leaders are much larger corporations than your own, they may not even respond to your partnership overtures. Therefore it is more practical to target the other players in the industry.

Approach companies that deal with your competitor. Your competitor may already be partnering with companies in your solution chain. While some companies may respectfully decline your partnering interests, others may welcome an alternative to your competitor. It is possible that they, and more importantly their customers, are not happy with your competitor and are looking for a replacement.

Partner with an indirect competitor. Everyone has direct competitors but there are also many indirect competitors that you come across. In today's business world there is the concept of 'co-opetition' where you work with your competitor on some deals and compete on others, depending on the customer's requirements. Unless your company is the industry leader with a large market share, you should consider some 'co-opetition' with indirect competitors.

Partner with someone who has experience at partnering. You can learn a lot from a company who is experienced at partnering. You don't want to work with a company who is new to partnering; otherwise you could spend months building a relationship only to find out the partner keeps changing their mind because of lack of experience.

Create your target list

Now that you've got some ideas of who the good candidates might be, the next step is to create a target list of companies. Keep in mind that for every 10-15 companies you come up with, you will likely only get 2 to 3 good prospects that will result in 1 solid partnership. Your goal is not to get numerous partners all at once. Take your time to research and qualify each one to ensure there is a really good fit.

Part 3 of this series will present a step by step approach on how to engage a prospective partner with the objective of signing a partnership agreement. If you missed Part 1 of this series, you can download or view the article at www.vantagepoint.ca.