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NEWS, OPINIONS & INSIGHTS FOR THE TECHNOLOGY INDUSTRY

Partnering Wisely to Grow Your Business

Part 3: How to Engage a Partner

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The last article in this series offered several approaches you can use to find good candidates for a partnership. Upon building your list of prospective companies, it's now time to start engaging them in conversation.

The process for signing a partnership agreement is no different than any other sales process. You start with a list of prospects, learn as much as possible about them, figure out their needs, see if there is a fit for your products, make a presentation or proposal and finally, close the deal. This article outlines eight steps you can follow to engage a prospective partner with the objective of signing a partnership agreement at the end.

Eight steps to the agreement

Step 1: Learn as much as possible about your potential partner. Do your research by looking at their website, conducting Internet searches, checking out associations they belong to and talking to customers who have bought from them in the past. Talk to people you know in the industry and ask if they know anything about the company. It's a small world and someone you know may have some valuable insight.

Step 2: Make the initial call to start the conversation. Find out who in their company is responsible for partnerships. This will be the V.P. of Alliances, Business Development or Sales, or even the President, depending on the size of the company. This first conversation is a high level discussion to get a sense if they are interested in partnering with you, and for you to gain a comfort level with them. It's a short, straight forward information session to help decide if you want to go to the next step.

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Step 3: Sign a mutual non-disclosure agreement. While you are in the exploratory stages of establishing a partnership, you will need to exchange pertinent information about your company before you can go any further. It is very important for both of you to sign a non-disclosure agreement. This protects confidential information and limits disclosure to a third party, whether or not you eventually sign a partnership agreement.

Step 4: Exchange information packages on your company and partner program. Now that it looks like there is some interest on both sides, you will need to establish credibility about partner program. The information package should include the company background, product and pricing information, partnership options and frequently asked questions. You will also want to get information on their partner program as well.

Step 5: Meet face-to-face. If you are going to move forward you will want to meet face-to-face at some point. This may not be practical right away if you are located in different cities. It is definitely a good idea to meet face-to-face at their office to validate your impressions about the company. You could arrange to meet at an upcoming trade show or an industry conference in the meantime.

Step 6: Do a product demonstration or service presentation. People feel more comfortable if they can actually ‘touch and feel’ the product you sell or service you offer. It helps them to visualize how their product and company might fit with yours. The product demonstration or service presentation can be done over the Internet or in a face-to-face meeting.

Step 7: Conduct a technical evaluation. Get your technical people and their technical people involved to make sure everything is going to work. Unfortunately, this is where the deal may die. Even if you have great rapport with your counterpart and you like everything about their company, it’s a show stopper if your products don’t work together. However if there is a will on both sides to make changes so that the products do work together, continue with the partnering discussions.

Step 8: Negotiate terms and sign a partnership agreement. If you like what you see from a product and company perspective, and your products fit well together, then you are ready to move to the final step of signing a partnership agreement. This agreement formalizes the terms and conditions of the partnership and should be mutually beneficial.

Types of agreements

There are different types of agreements to consider depending on the type of partnership you are forming – channel, professional services, technological or strategic.

A **Referral Agreement** is used for managing leads to and from the partner. There are no real commitments other than stating that a referral fee will be paid after a sale is made. Referral agreements are a good way to test the relationship with the possibility of becoming a reseller in the future.

A **Reseller Agreement** is used when one or both partners intend to sell the other partner's products direct to customers. The agreement is financially oriented and clearly states what will be sold and for how much. Some reseller agreements include roles and responsibilities to ensure there are no misunderstandings when you are working together on a regular basis.

An **Alliance or Teaming Agreement** states that you will work together for mutual benefit in the marketplace. As you work on mutual customers, each partner delivers their portion of the solution and receives payment from the customer. No money exchanges hands between partners unless you negotiated a referral fee for the partner who brings the customer forward.

A **Private Label Agreement** is used when one partner will brand the other partner's product under a different name. It implies that you are serious about selling the product in the marketplace and the partner is going to support you 100%. This can be a complex agreement as it must state terms and conditions for confidentiality, future product development, technical support, intellectual property rights, warranties and pricing.

A word of caution

All your hard work and relationship building can quickly fade once the legal departments get involved. Whichever agreement you use, the terms and conditions should mirror what you negotiated with your counterpart. The worst thing you can do is present the partner with a one-sided agreement that contradicts the spirit of co-operation you spent months building. A one-sided agreement catches the partner off guard, breaks trust and creates resentment. Be sure to convey your needs to the legal department to ensure your good relationship with the partner is maintained.

Part 4 in this series of articles will present ten ways to make a partnership work. All previous articles in this series can be downloaded or viewed at www.vantagepoint.ca.