5 Rules for Better Marketing Partnerships

by Robbie Kellman Baxter

PENINSULA STRATEGIES

Robbie Kellman Baxter is the founder of Peninsula Strategies, a strategy consulting firm focused on helping companies accelerate growth through new markets and product offerings. Corporate clients have included industry leaders Netflix, Sun Microsystems and Oracle, as well as fast-growing private companies such as MarketTools (makers of Zoomerang) and PayCycle. She has spoken before groups including alumni associations of Stanford and Wharton, as well as several regional professional association. Frequently quoted in publications ranging from the New York Times to Inc Magazine and the eCommerce Times, Robbie earned her MBA from Stanford University and her AB from Harvard College. You can reach her at **www.peninsulastrategies.com** or 650-322-5655.

Marketing partnerships can be one of the cheapest, fastest and easiest ways to grow your business and test new market opportunities. It can also be a black hole for resources. During the Internet heyday, it was enough to just identify a potential partner and a cool idea, sign a contract and "see what happened"—but we've begun to realize that just because a partnership has no upfront costs, it still can be expensive in terms of time, resources and mindshare. To maximize success, keep the following in mind.

Rule #1 Know what you want.

If you want access to a particular market, don't partner with a company trying to sell you new technology. If you're trying to gain new customers, you don't want a partner to help with retention of the customers you've already got. Before you begin talking to partners, know why you are seeking partnerships, and how you will measure success. Start with a small test first, to see if the results meet both parties' expectations, then roll out the partnership in a larger way. Ask yourself:

- What are you testing?
- How big is the opportunity? What economic terms will work?
- What are your showstoppers—anywhere you can't be flexible?
- What metrics will you be using to evaluate success?

You also might ask "how will we know if this partnership is successful?" You can't expect the other side to know what is important to you—make sure that you know!

Rule #2 Know *who* you want

Some companies literally get dozens of calls each day from suitors wanting to "partner". These callers might include the following:

- technology partners, who have a product that can make them more efficient
- resellers and agencies who will work on commission to sell your company's product
- providers of complementary products and services who want to bundle

It is up to you to know what it is you want. Look at your corporate objectives, and the metrics you are using to assess success, and *only* talk with potential partners who can help you achieve your goals.

I'm currently developing customer acquisition partnerships for a client, and had the following conversation with a potential partner yesterday (really):

Him: I have a great opportunity for you to have an affinity credit card for your subscribers
Me: How is an affinity card going to get me new customers?
Him: Your customers will love a credit card with your brand
Me: But how will that get me new customers?
Him: You should be interested in giving your customers more value—that's how you keep your competitive edge
Me: I keep my competitive edge by providing my customers with the best service.
Him: This is how you win! You don't understand what you're saying no to.
Me: Oh yes I do! Thank you.

I had to admire his chutzpa, telling me what I needed to do to run my business… but honestly, if you aren't focused, potential partners will distract you with all kinds of "value added offers" and other bargains that you really don't need.

While you don't want a partner that is so driven to sign a deal that they are not going to think through the issues, you do want a partner who is motivated to work together. Sometimes, a partner sees modest gain in working with you, which gives them enough incentive to initiate discussions, but not enough to actually work aggressively toward closure. It's just not worth it to partner with companies who are not motivated to make the deal a success.

Also, when thinking about who to work with—make sure you like them. If you find them difficult, unreliable or rude during the courtship phase—you probably don't want to marry them! After all, companies are just groups of people—so it's important the relationships are strong. Conversely, keep a list of people you've turned down, especially those you liked—objectives can change, and people can switch companies. Maybe down the road, that person could be a great partner. Keep track of people you like and trust.

Rule #3 Be Fair (or "This will only work if we both make money!")

Being a "tough negotiator" works great in Moroccan rug bazaars or used car lots. But not when you are going to be working with the other party long after the ink is dry. I like to start my negotiations with a good fair offer for a few reasons. First, it saves time. If it's good for you, and fair to them, there's a good chance they will accept the deal and you will have a fast close and be able to quickly start growing your business together. Second, let's say you are able to "trick" the other side into a lopsided deal. Once the other side figures out that they aren't getting a fair shake, the will feel resentful of you (never good to have an angry partner) and/or they will no longer try to maximize the value of working together.

Don't get me wrong, there is a big intersection between "fair for me" and "fair for you" and within that range, I'd like to maximize my side. But even if I can get a partner to sign a deal that I know is not going to make economic sense for the other side, I don't do it. The most profitable partnerships are always the ones that are lucrative on both sides.

Rule #4 Be Creative

Negotiation is not a "zero sum game". If you want new customers, and they want a hipper image, they may let you market to their customer base as a way of creating excitement through your brand. There are dozens of ways to measure success and you and your partner may have complementary objectives. Here are some very public examples of symbiotic marketing partnerships:

- Lay's BBQ Chips made with Masterpiece BBQ Sauce (Lay's added to their reputation for quality, Masterpiece got some branding and a big customer)
- Toys'R'Us using Amazon as their online channel (Amazon moved beyond books, and Toys'R'Us got traffic and someone to manage their online operations)
- McDonalds Monopoly—gains trial and awareness for many partners, while creating traffic and excitement at the restaurants

Spend at least a few minutes with a prospective partner building rapport, understanding their objectives and explaining yours. The broader the understanding, the more likely you are to find a way to let both sides win.

Rule #5 Keep it Simple

Just as you want to start the discussions with a workable deal and quickly get to the final details, you also want to keep the implementation simple. Resist the temptation to include all kinds of protections, extra reporting and paperwork, as well as lavish integration plans to streamline data and communications.

Adding clauses for exclusivity and "most favored nation" position seem like strong additions to a contract, but can often slow things down, or stop the deal. Personally, I avoid both of these types of clauses, because they can prevent you from making the best decisions down the road, and because they are just difficult to enforce, especially as the number of partnerships you have grows.

Put up with manual data entry and hand-cut checks for the trial periods. Try not to bring in the rest of the company until you know you've got a winning deal.

The odds are tough in marketing partnerships—especially when you are just starting out. For every 10 conversations you have, only 1 might be promising—and of the deals you close, only a fraction will be mutually successful. But that's OK. Just one new market segment can double your revenue. Marketing partnerships are worth the effort, and can be a highly leveraged way to test and grow your business. When you spend the time thinking things through up front, and carefully testing your ideas, the next step—implementation—will be a whole lot easier.