

The Facts About Alliance Marketing (OR)

***How to Build an Alliance Program that's Worth
More than a Few Tchotchkes, Logos and Press
Releases***

The Facts About Alliance Marketing

Objectives	Take Aways	Actions

Agenda

- Why Partner
- Case Studies
- Situation Analysis: *What to do, When*
- Partner Business Models
- Ramp to Revenue
- Do's and Don'ts
- Critical Success Factors

Strategic Alliances Are HOT

- There were 10,200 alliances in 2000
- 80% of top executives consider strategic alliances to be a prime vehicle for future growth and they expect alliances to account for 25% of their companies market value within five years
- It is estimated that U.S. Companies with at least \$2 billion in revenues formed an average of 138 alliances from 1996-1999
- This may be the most powerful trend that has swept American business in a century: strategic alliances are hot
– Forbes 2001

Great Expectations

- CEO's surveyed cited the major benefits of partnering, based upon their own experiences:
 - Increased profit opportunities 88%
 - Defense of competitive position 87%
 - Increased sales of existing products 80%
 - Creation of more new products or lines of business 66%
 - Better operations or technologies 60%

- PriceWaterhouseCoopers "Partnerships Have Big Payoffs for Fast-growth Companies" 2002

Challenges

- Increased customer demand for complex, highly integrated solutions are driving the need for well managed alliances.
- IDC estimates that 40 to 60 percent of the \$1.1 trillion in IT purchases for 2003 will be influenced by partners.
- This presents a significant business challenge to the vendor community, since many lack the fundamental management skills and infrastructure required for alliance success.
 - *Global Software Partnering and Alliances, IDC*
- **60% of strategic alliances fail** - *McKinsey & Company*

What's a Partner

Partnering - umbrella term that includes the following three types of relationships:

Alliance - “sell with” relationship where vendors offer their products and services within a solution framework, but there is no resale relationship.

Channel - “sell through” relationship such as VARs, resellers, and distributors (indirect sales), but also includes direct sales, catalog sales, telesales, web eCommerce.

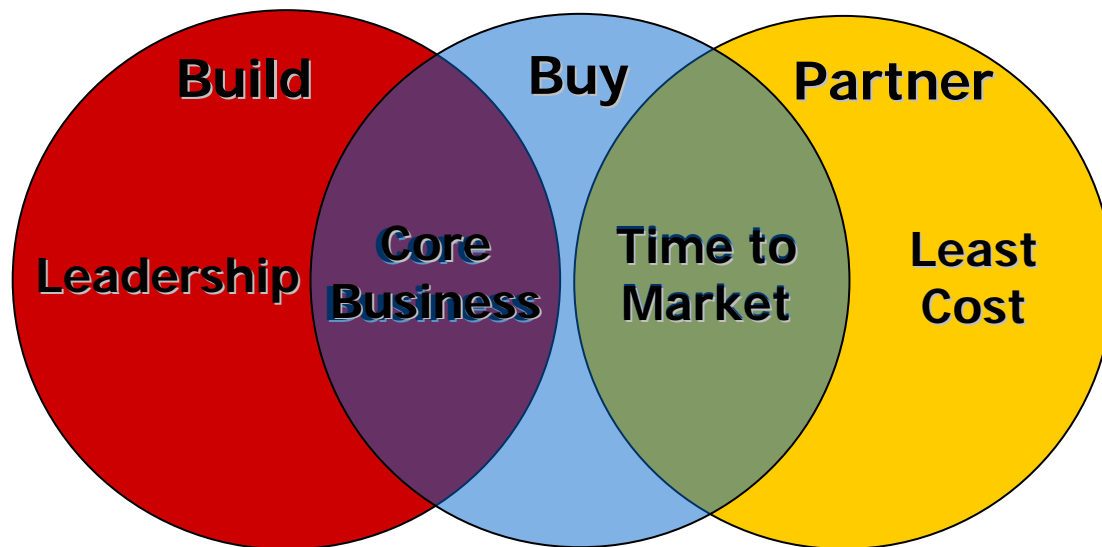
Joint Venture - a formal, legal relationship enabling two or more companies to create or market a product together as a single entity.

- *Source: IDC*

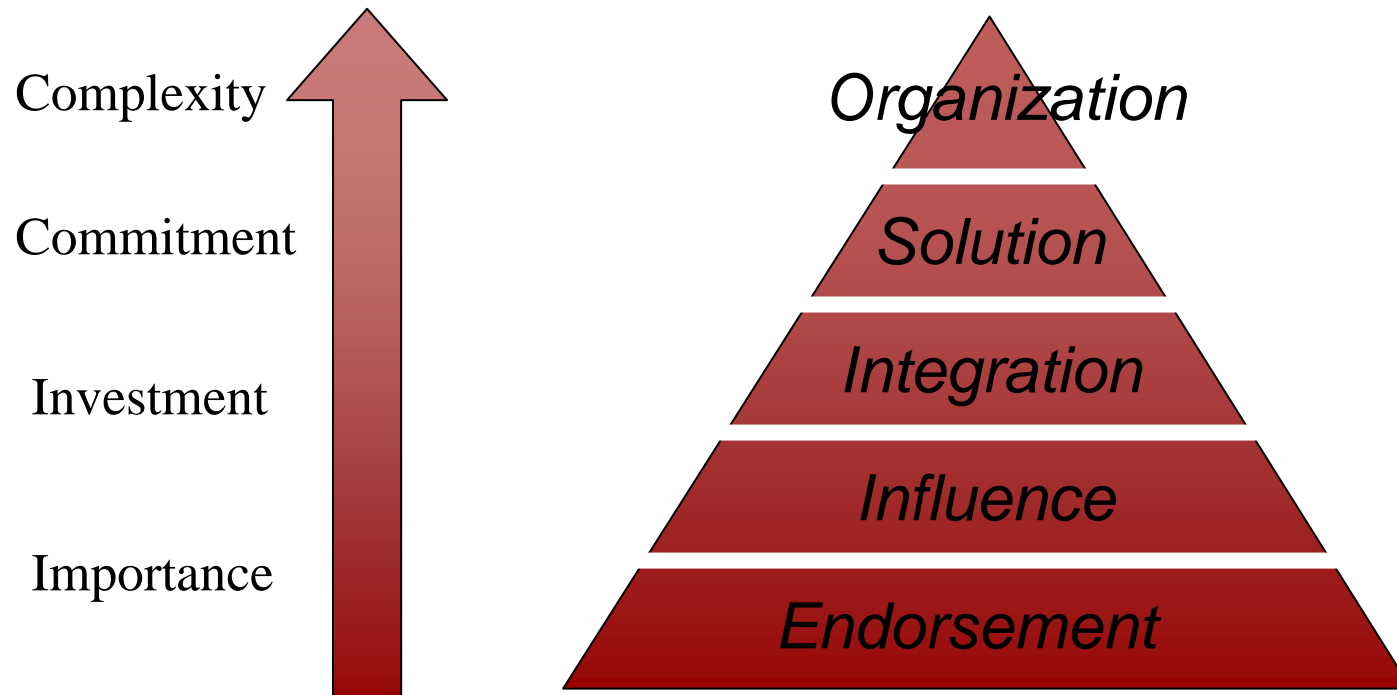
Why Partner

Three ways to grow your business:

- Organically: Build
- Acquisition: Buy
- Alliances: Partner

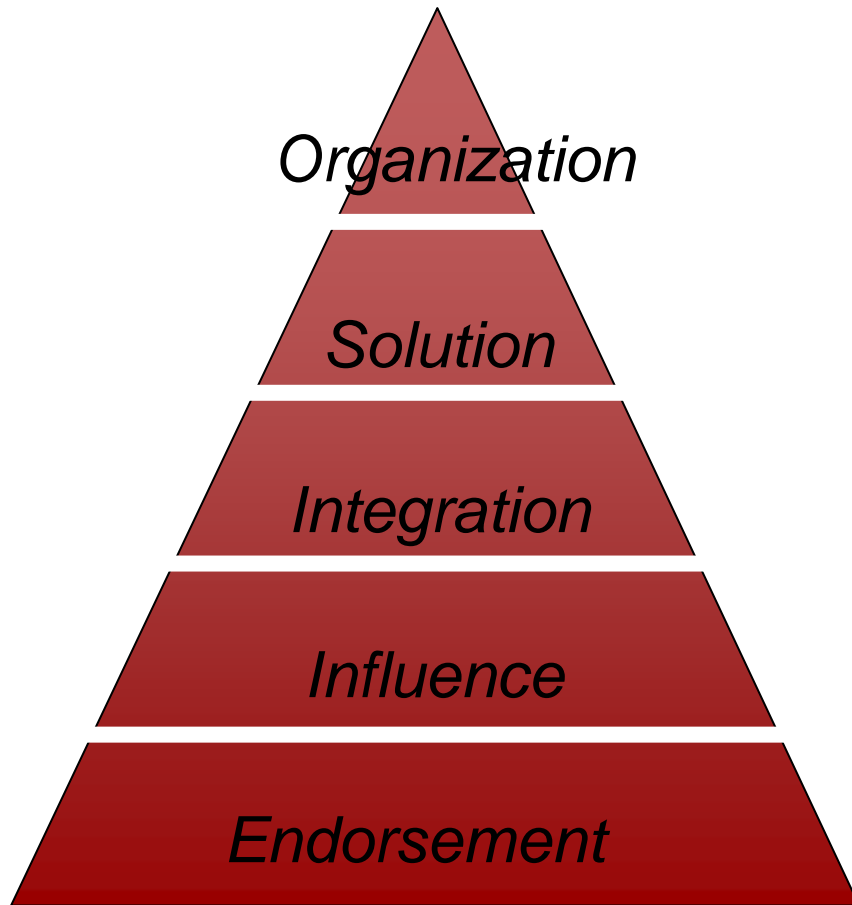


Alliances Pyramid



Source: IDC, 2002

Strategic Imperatives



Joint Venture
Functional Alignment
Dedicated Teams

Product Customization
Industry Solution

Whole product integration
Fill technology gaps
Compatibility/Competency

Access to Markets
Buyer Recommendation

Credibility, Visibility, Buzz, Brand

A Tale of Two Case Studies

Competitive Differentiation - Whole Product Solution

New Market Development - Industry Solution Alliances

Whole Product Solution at BEA



Whole Product Solution

Competitive Differentiation

Situation Analysis

- Emergent company had a product that could provide live application management
- Needed to build market presence, credibility, reach, visibility, brand
- Sparse selling resources

Whole Product Solution

Competitive Differentiation

Partnered with leading web application server

- Engineering - product integration, optimization
- Technical Staff - training and demo software
- Professional Services - influence selling
- Product marketing - joint marketing

Increased customer satisfaction and follow-on business

Partnership was denoted as an example of “next generation” partnering by IDC

Criminal Justice Market

New Market Development - Industry Solution Alliances

Situation Analysis

- Had Money and a Compelling Need
“War on Crime” “War on Drugs”
- Insider Market
- Solution Buyer - Not Technology Buyer
- No Entrenched Competitor
 - Existing Solution Providers < \$5M

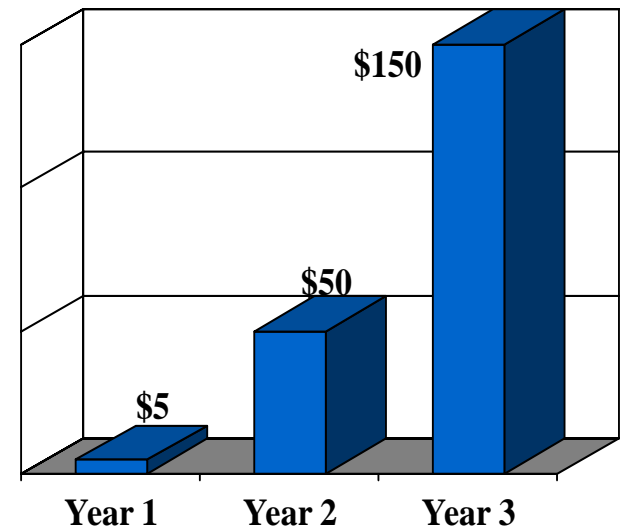
Criminal Justice Market

New Market Development - Industry Solution Alliances

Partner-centric Strategy

- Recruited
 - Key Application ISVs
 - Systems Integrators and
 - VARs with industry expertise
- Provided marketing and sales engagement

Market Segment Revenue

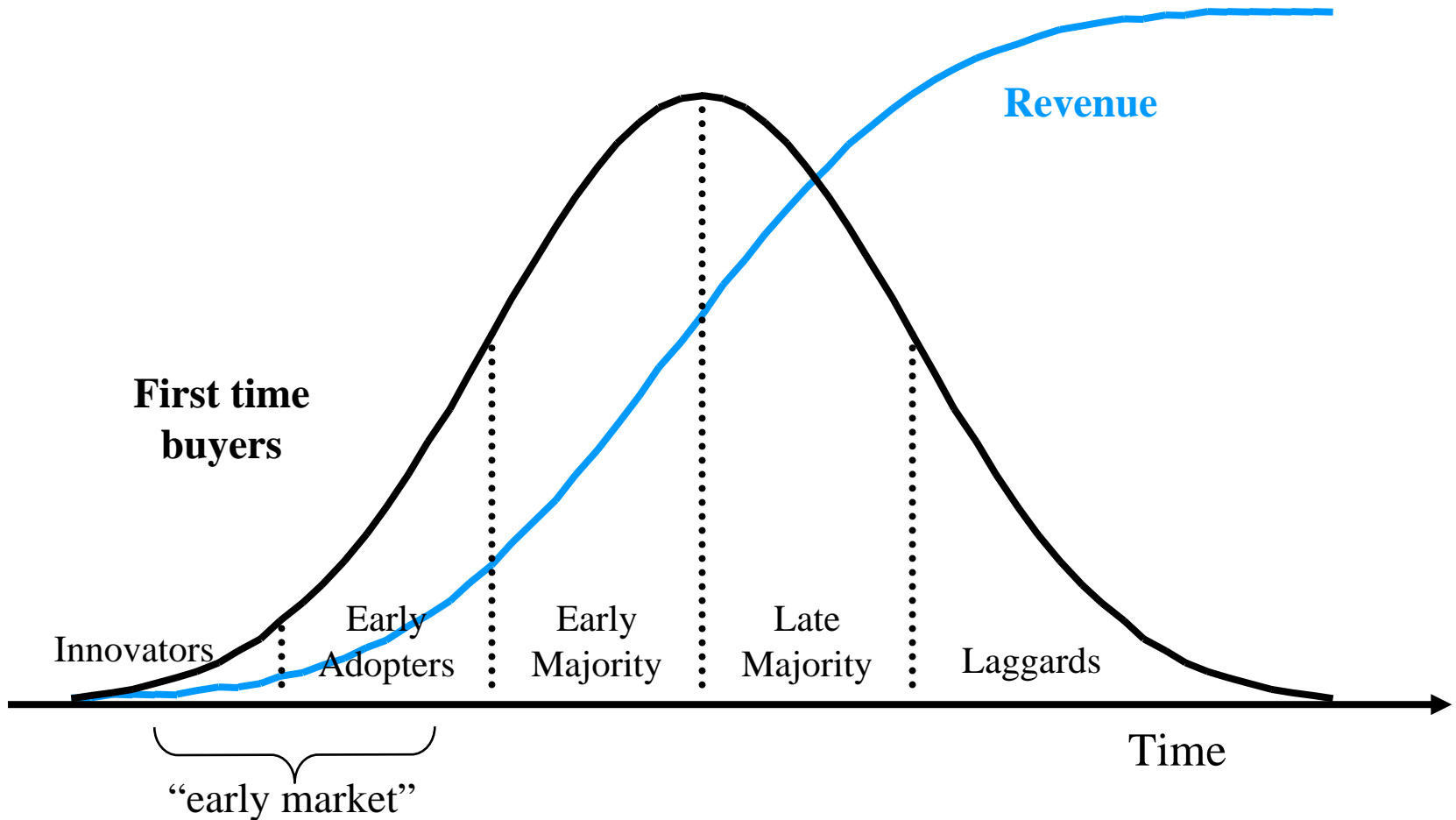


Situation Analysis: *What to do, When*

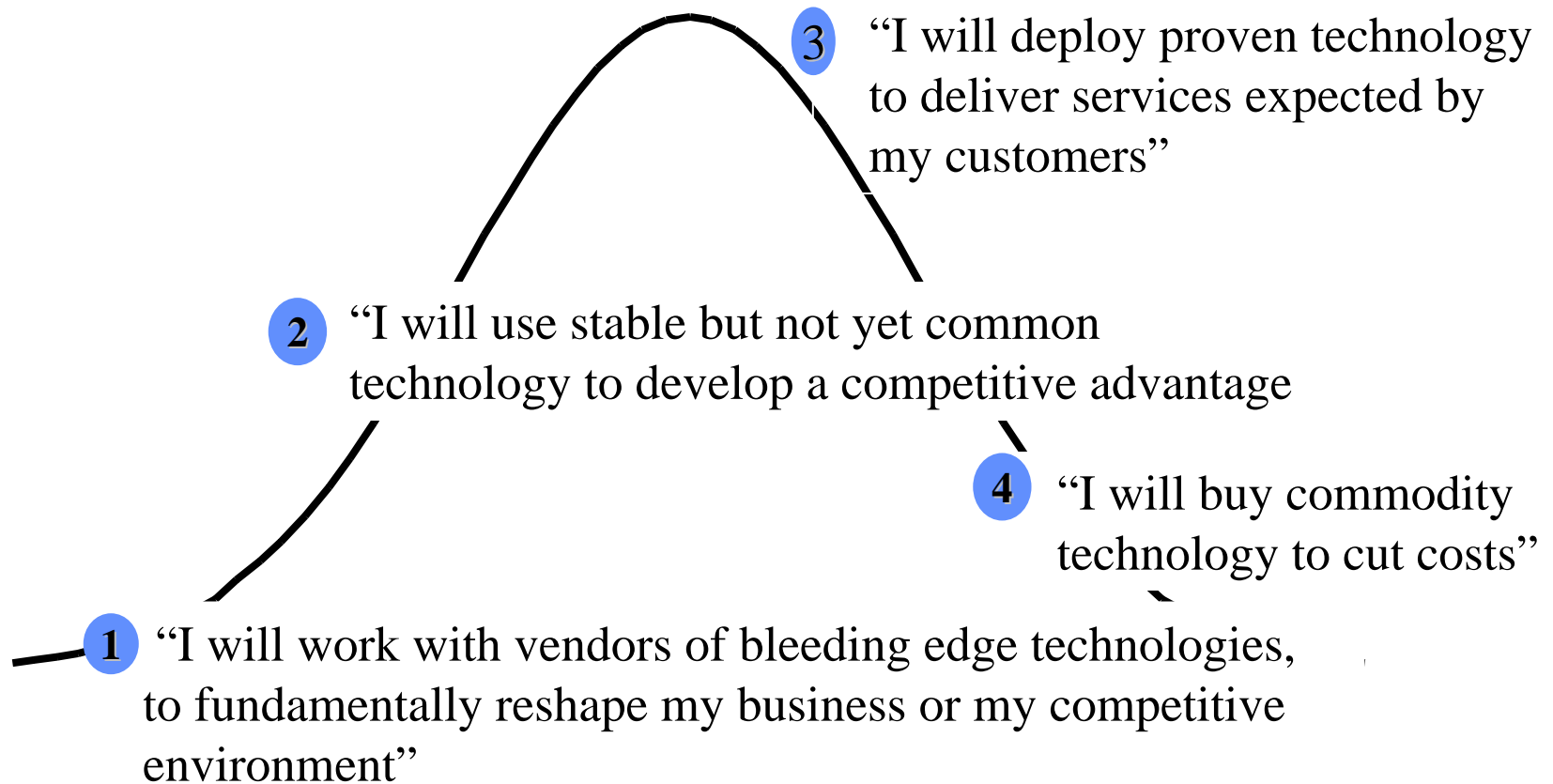
Always Start with the Customer

- **Product Adoption Lifecycle**
- **Whole Product Solution**

Product Adoption Life-cycle

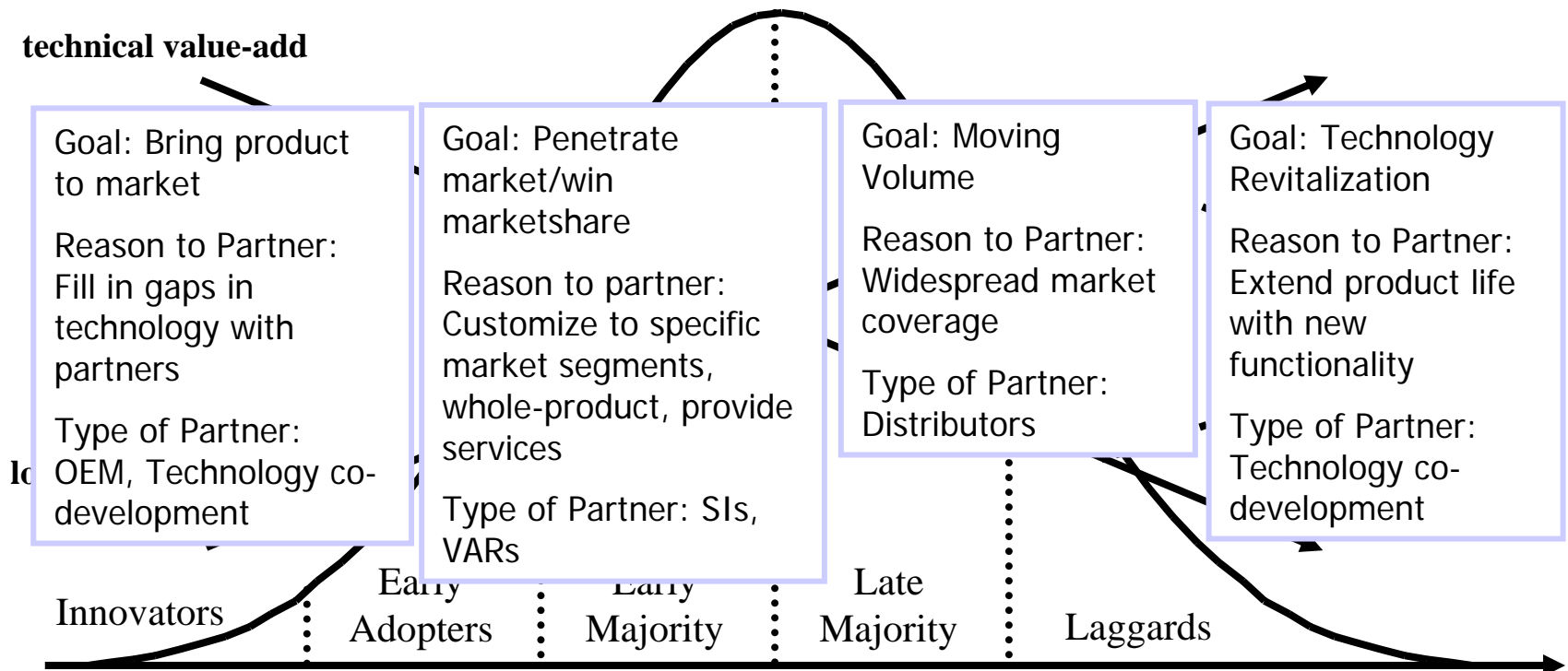


Buyer Motivation

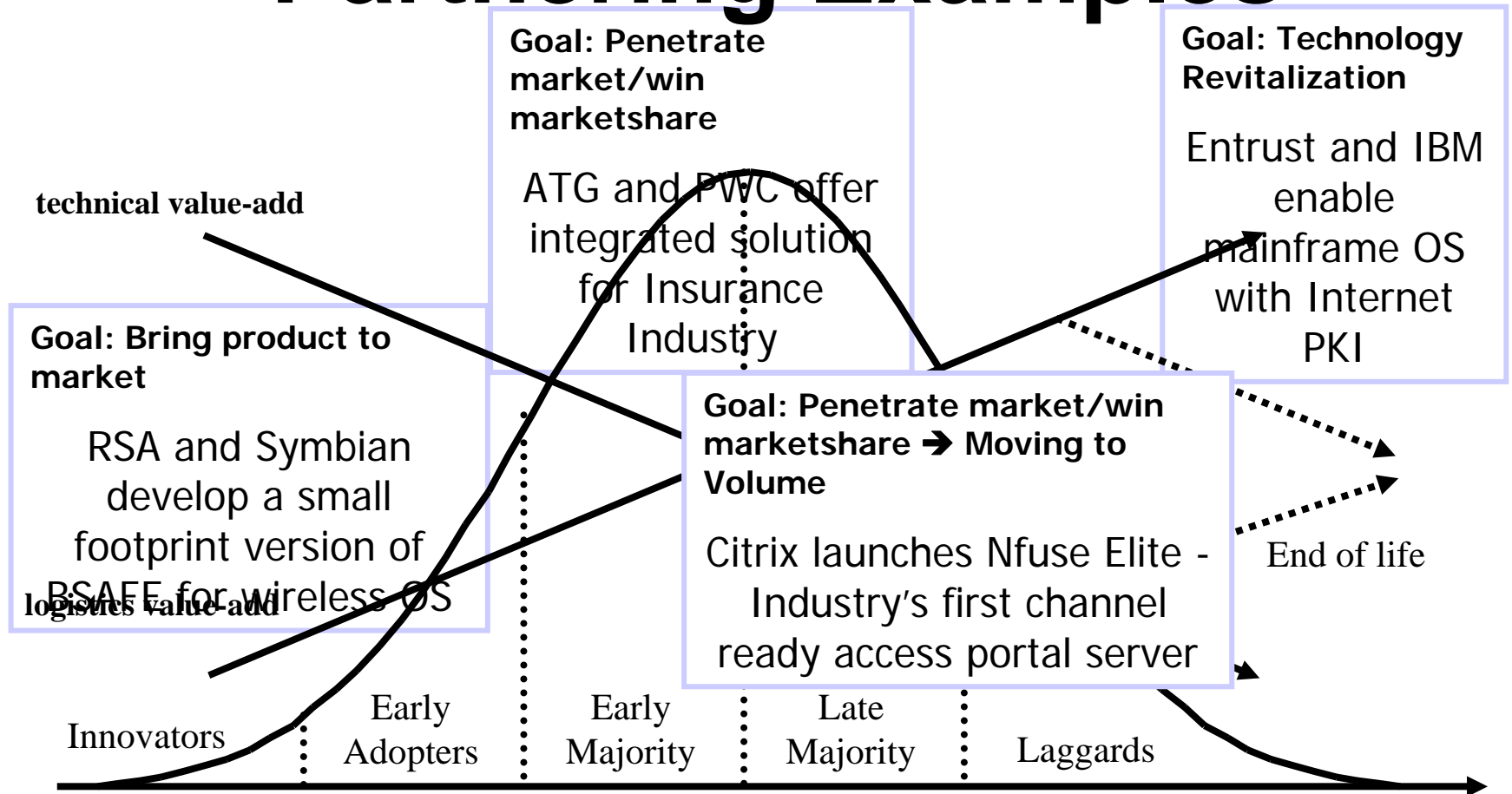


Source: IDC, 2002

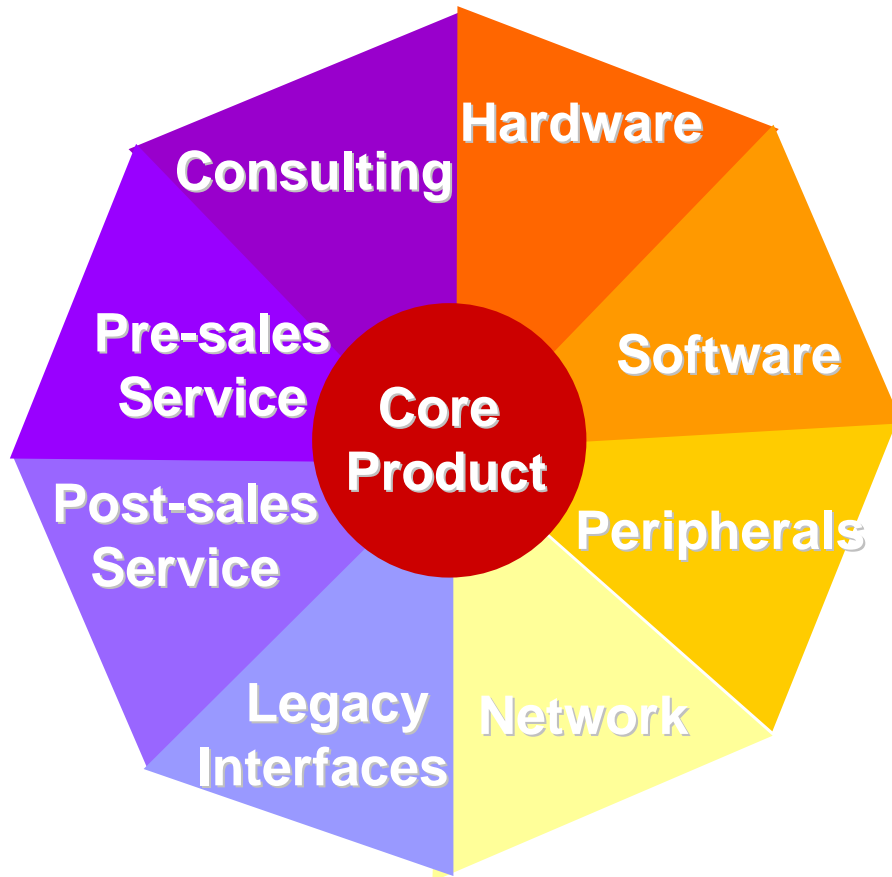
Partnering Requirements



Partnering Examples



What do Customers Buy?



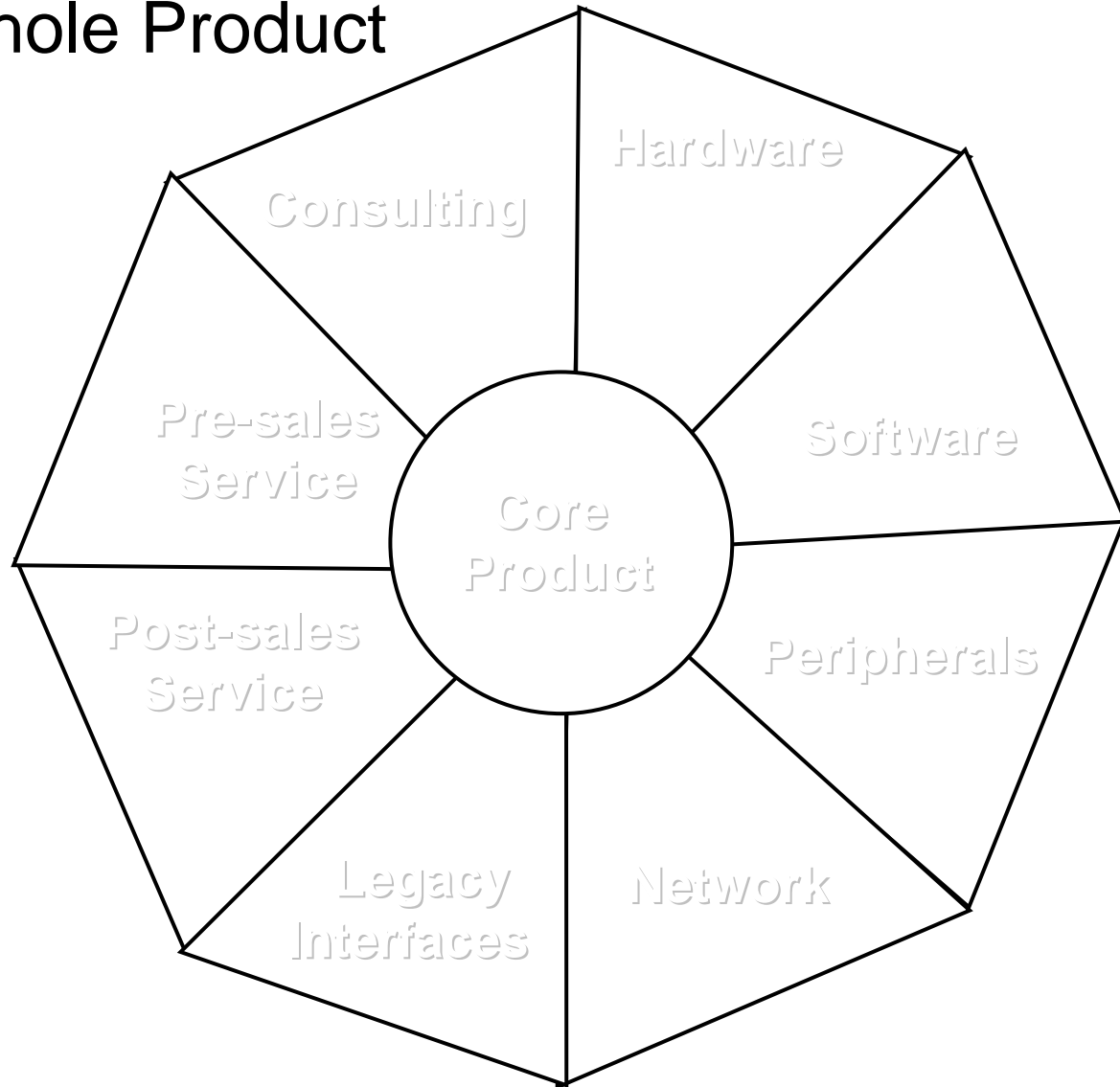
Whole Product Solution

Well Integrated Ecosystem of Partners

Elements of the whole product

- Consulting services
- System hardware
- System software
- Development tools
- Server applications
- Application development/ modification services
- PC/client hardware
- LAN products
- WAN connectivity products
- Systems integration services
- Training services
- Maintenance/support services

Your Whole Product

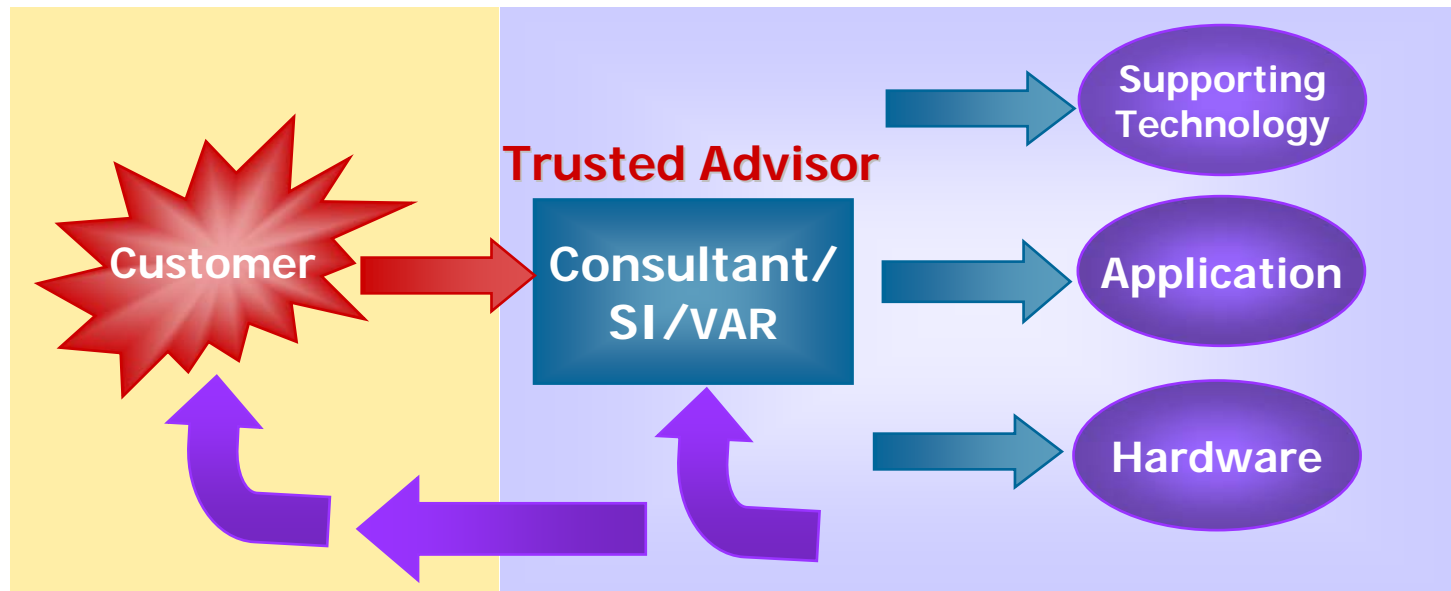


Partner Business Models

**What are the business models of partners?
How does that affect how you partner ?**

Technology Buy Decisions

Trusted advisor influences downstream purchase decisions



Downstream vendors try to influence customer preferences, trusted advisor endorsements, and each other

Systems Integrator/Consultant

Description	<ul style="list-style-type: none">*Trusted Advisor for business solutions*End -to-end deployment*Custom application development*Vertical and practice oriented
Business Model	<ul style="list-style-type: none">*Revenue generated from consulting and services*Repeatable solutions
Customer Value	<p>Trusted solution advisor</p> <ul style="list-style-type: none">*Deployment capability in complex environmentsMulti-vendor accountability
Partner Value	<ul style="list-style-type: none">*Increase bid competitiveness*Decrease cost of deployment*Decrease risk of deployment
Business Requirements	<ul style="list-style-type: none">*Technical expertise, training

Application Vendor

Description	* Builds packaged business solutions that drive customer sales	
Business Model	* Revenue generated from product sales	
Customer Value	* Solves a business problem * Sometimes, trusted advisor	
Partner Value	* Core of a whole product solution * Deployment or customization services * Influence selling	
Business Requirements	*Compatibility testing or integration *Joint marketing	

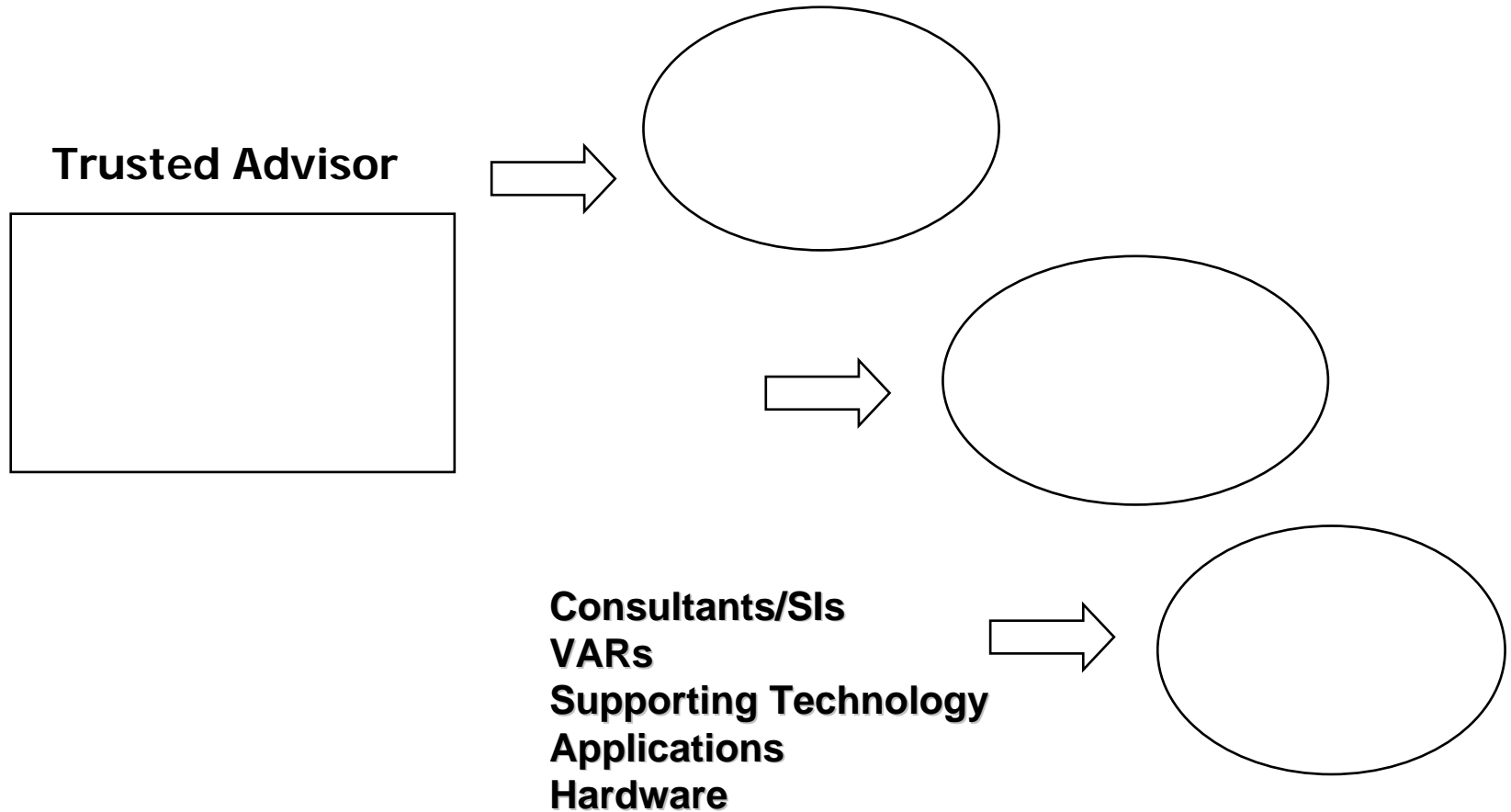
Hardware Systems Vendor

Description	* Manufactures Hardware Platform
Business Model	* Revenue generated from product sales
Customer Value	* Platform optimization for whole product solution
Partner Value	* Differentiation in Partner ecosystem * Product pull * Influence selling
Business Requirements	* Performance testing * Joint Marketing

Technology Partner

Description	* Co-markets complementary product
Business Model	* Revenue generated from product sales
Customer Value	* Integrated whole product solution
Partner Value	* Position as a differentiator in a best of breed whole product solution * Expand market presence * Share marketing costs
Business Requirements	* Compatibility testing or Integration * Joint marketing

Decision Position



Managing the Ramp to Revenue

“IDC believes that companies that invest in alliance execution will have a more sustainable competitive advantage in the longer term.”



Recruitment Strategy: Starting Out Right



- WIN/WIN/WIN Value Proposition
- Qualify Partners with Potential for Success
- Set Expectations for Success
- Create Management Framework for Success

WIN/WIN/WIN Alliances

Partner Math: $1 + 1 > 3$

- How do you benefit from the Alliance?
- How does your partner benefit?
- How does the alliance create greater customer value?

Partner Assessment

- ✓ Company stability — Do they have financial staying power? Do You ?
- ✓ Trustworthiness — Is there two way sharing of plans, openness?
- ✓ Strategic interests — Are you strategic to them and vice-versa?
- ✓ Strategic Fit — Are they capable of performing their role and you, yours ?
- ✓ Executional abilities — Will they be able to fulfill role on time and to spec, will you ?

Set Expectations

How are you going to measure success?

Technical Dimension

- Joint development
- Reduce risk through integration
- Speed time to market
- Training/Certification

Management

Time

Investment

Infrastructure

Commitment

Sales and Marketing

- Increase credibility and exposure
- New accounts in new markets
- Increase market share

Management Framework

- Strategic Imperative
- Business Plan
- Executive Sponsorship
- Regular Review
- Course Correction

Technical Development



- Create Differentiated Value
- Speed Time to Market
- Reduce Perceived Risk
 - Integrated Whole Product Solution
 - Technical Competency

Technical Development Options

- Training
- Professional Certification
- Compatibility Testing
- Product Integration
- Product Certification
- Customized Solutions
- Joint Development

Go-to-Market Development



- Create new business/market opportunities
- Reduce cost of sales/marketing
- Increase market reach/visibility

Marketing Strategies

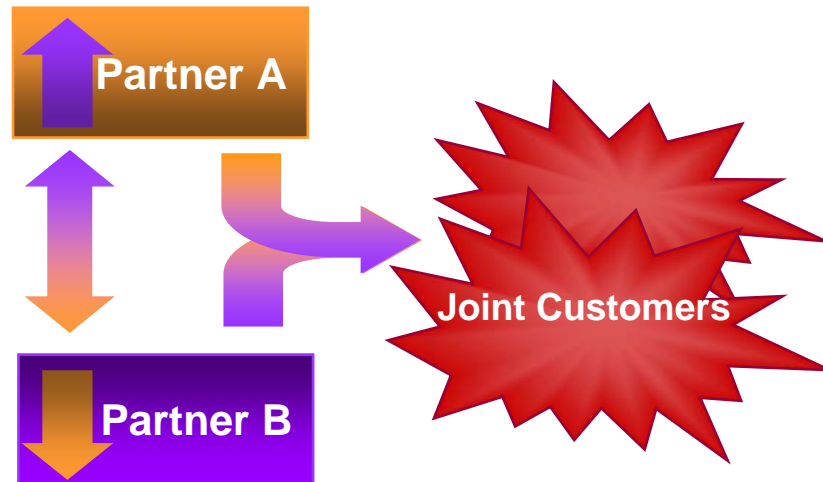
Strategy	Results
Drive Market Adoption	<ul style="list-style-type: none">➤ Integrate Corp messages into partner marketing➤ Create visibility/credibility/demand in partner customer base➤ Measure incremental in sales in partner base
Differentiated Value	<ul style="list-style-type: none">➤ Creates new value to a new segment of customers➤ Drives field engagement and sales development➤ Measured by incremental sales around the offer
Competitive Positioning	<ul style="list-style-type: none">➤ Established your product as best of breed over alternatives in the partner customer base➤ Measure gains in market share

Sample: Alliance Initiatives

Initiative	Strategy	Customer VP	Revenue \$M		Partner Value Prop
			Vendor	Partner	
Preferred eCommerce Solution	Market Adoption; Competitive Positioning	Single vendor scales across all system platforms	4	40	Vendor: deposition competitive products as low end Partner: lockout competitor at high end
Consulting Practice	Differentiated Value	Open systems Migration path for ACMS/ Open VMS	6	8	Vendor: access to new customer base Partner: customer base retention
NonStop Tuxedo	Differentiated Value	Extend investment in existing HW and application	7	7	Vendor: Incremental revenue Partner: customer base retention
		Total Opportunity	17	55	

Partner Communications

- Each partner functional organization
- Sales organization(s) and/or channel(s)
- Target customer base(s)



Marketing for Revenue

- Co-generate leads
 - Direct Marketing
 - Solution Seminars
 - Industry Events
- Lead handling: distribution, qualification
- Sales tools, collateral, proposal templates
- Pipeline tracking to revenue

Sales Engagement



How do you know it's working?

“I work with Jane Doe at Partner Superlative. We are jointly working 5 accounts in the pipeline. We have an edge in these accounts because our alliance provides a stronger ROI and faster time to market than the competition.”

Sales Engagement

Success Factors

- Rules of Engagement
- Channel Neutral Compensation
- Communication: Sales Training, Tools
- Joint Account and Call Plans
- Sales Management Resolve

Coopetition

- Estimate 50% of Hi-Tech Alliances
- How are you going to handle?
 - Segment areas of cooperation
 - Commit to cooperation
 - Segment areas of competition
 - Agree to compete
 - Segment flow of information
 - Trust

Growth Management



Keep a Good Thing Going

- Execute flawlessly on initial reference accounts
- Communicate alliance success
- Replicate success
- Expand to new markets

Track Progress

Management Visibility and Accountability



- Quality of alliances
- Business Plan execution

- Training
- Certification
- Added functionality
- Time to Market
- Reduce Risk

- Credibility
- Exposure
- Branding
- MDF
- Program ROI
- Sales Tools

- Joint Acct Plans
- Joint Sales Calls
- Joint Bids
- New Accounts
- Share of Customer

- Reference Accts
- Market share
- New market penetration
- Product portfolio adoption

Do's and Don'ts

- Do set alliance objectives and metrics up front
- Don't wait to the end of the first year to measure progress
- Do assign sufficient staff and budget to be successful
- Don't reassign direct sales to become alliance managers
- Do concentrate on the first early wins
- Don't expect alliance partners to bring you leads and deals unless you are doing the same
- Do expect to drive the alliance if you are the smaller partner
- Don't underestimate the importance of executive commitment, involvement, and resolve

Critical Success Factors

- Trust
- Setting Expectations
- Sustainable WIN/WIN/WIN Value Prop
- Communications
- Executive Commitment

Questions?

For More Info: Association of Strategic Alliance Professionals,
see: www.strategic-alliances.org