Key Partnerships

Key Partnerships shows the network of suppliers and partners that bring in external resources and activities and make the business model work.. Companies create alliances to optimize their business models, reduce risk, or acquire resources. We can distinguish between four different types of partnerships, which are strategic alliances between non-competitors, coopetition: strategic partnerships between competitors, joint ventures to develop new businesses, and buyer-supplier relationships to assure reliable supplies.

Understand why you need partners but also why they need you. If they not have you, will their business fail? You are a start-up, they barely could see you so you have to be really smart in terms of what to offer.

Why should you partner?

- Shared economics
- Economies of scale
- Money and resources
- Access to customers
- Access to marketing/brands

It can be useful to distinguish between three motivations for creating partnerships:

Optimization and economy of scale

The most basic form of partnership or buyer-supplier relationship is designed to optimize the allocation of resources and activities. It is illogical for a company to own all resources or perform every activity by itself. Optimization and economy of scale partnerships are usually formed to reduce costs, and often involve outsourcing or sharing infrastructure.

Reduction of risk and uncertainty

Partnerships can help reduce risk in a competitive environment characterized by uncertainty. It is not unusual for competitors to form a strategic alliance in one area while competing in another. Blu-ray, for example, is an optical disc format jointly developed by a group of the world's leading consumer electronics, personal computer, and media manufacturers. The group cooperated to bring Blu-ray technology to market, yet individual members compete in selling their own Blu-ray products.

Acquisition of particular resources and activities

Few companies own all the resources or perform all the activities described by their business models. Rather, they extend their own capabilities by relying on other firms to furnish particular resources or perform certain activities. Such partnerships can be motivated by needs to acquire knowledge, licenses, or access to customers. A mobile phone manufacturer, for example, may license an operating system for its handsets rather than developing one in-house. An insurer may choose to rely on independent brokers to sell its policies rather than develop its own sales force.

What resources Partners can bring?

- Faster product to market.
- More efficient use of capital.
- Broader product offering.
- Unique customer knowledge or expertise.
- Access to new markets that you were not considering but might be a new source of revenue and without them it would have taken years to access.

Partners Types

Greatest Strategic Alliances

Joint Business Development

- Joint promotion of complementary products.: One might be the dominant player (i.e.: Intel - chips ended up to be inside a computer that consumers never saw at all. Intel changed that game and payed PC manufacturer to put the Intel name inside and outside of the box, creating a valuable brand, sharing advertising dollars and sales programs).

Joint Partnerships & Startups

- In existing markets you actually might need strategic alliances and joint partnerships, but in resegmented/new markets you don't need one as for early evangelists because they tend to fail.

Coopetition

- Competitors join together in programs to grow awareness of their industry:

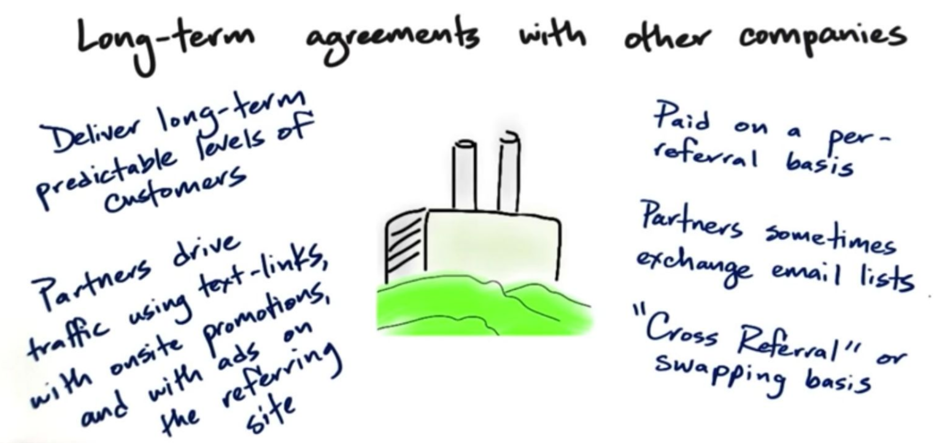
1. Tradeshows
2. Industry Associations
3. Industry Specs
4. Technical Committees

Key Suppliers

- **Outsource suppliers:** Supply part of your company to a third-party, it might be backoffice (your accounting functions, sales, etc.), supply chain, manufacturing. For example, Apple builds Iphone from multiple suppliers.
- Direct suppliers: Supply components, raw material, etc.

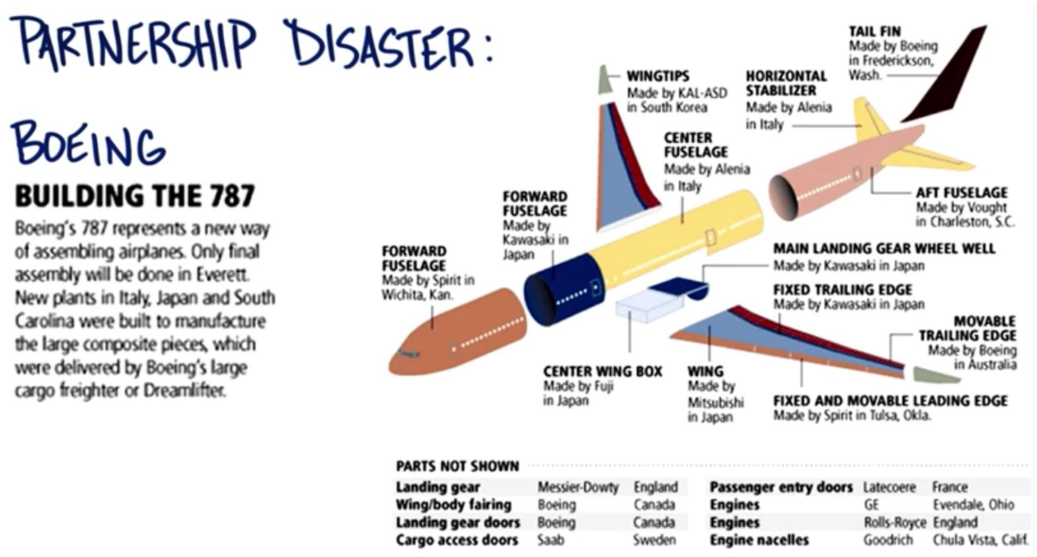
It's important that you position suppliers as partners, and you establish a long-term relationship of trust with them. Before suppliers were seen just as cost of goods but it's extremely important you position them not just a cost but as a strategic partnership.

Traffic Partners - Virtual Channels



Partners Risks

Be careful about establishing partnerships to save manufacturing costs and include only accountants in the decision making process and not engineers/business professionals. A perfect example is Boeing. It's crucial to always to have in mind the quality of the product and customer needs. Boeing outsource all of their manufacturing costs to create a plane but they did not verify that the parts were created by high-quality experienced companies and the result was a disaster.



Managing partners Risks

- Impedance mitch-match: Your staff will be the size of the administrative stuff of a bigger company.

- Longest of partners schedule becomes your longest item: Big companies have different times speeds and tempos than start-ups and if their "planning meetings" happened every quarter that can slow you down and become an obstacle. It's important to take advantage of that time and know ahead when that happens so when it does you are prepared.

- No clear ownership of customers.

- Products lack vision, who owns the vision? - shared product design.

- Different underlying objectives in relationships - what do you mean for them? You are just a "nice to have" and a bullet point on some spreadsheet or you are essential to them?

- Churns in partners strategy or personnel.
- Intellectual property, rules of law, trade mark issues in developing markets.
- Difficult to unwind or end. What happens 2 years from now?

Partnership & Investment

Should I take an investment for a large company?

First you have to ask is: What's in it for you? What you will obtain in exchange? What kind of deals do they want?

Large companies objectives are not turning you in a large company, they want themselves to be even bigger by accessing to your technology. You don't want to be just a subsidiary.

What's in it for both parts involved?

- Get sales deals. not investment or ownership positions. Options in terms of sales success.
- Understand who is the sponsor.

Startup Partners Strategies

- Recognize you are not a peer to a large partner.
- Don't confuse partners for early evangelists vs mainstream.
- Don't confuse big company partnering with startup strategy
- Find the àrtners that give you an unfair advantage. Partners can be a potential acquirer..

Crucial Partnership Questions you may ask yourself:

- What partners will you need?
- Why do you need them and what are the risks?
- Why will they partner with you?
- What's the cost of the partnership?
- Draw the diagram of partner relationships with any dollar flows
- Did anything change about Value Proposition, Customers/Users, Channel, Demand Creation or Revenue Streams?
- What are the incentives and impediments for the partners?

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