

Partnering to prepare for the new ICT economy

To position themselves successfully in the new Information and Communication Technologies (ICT) economy, product and service providers will need to develop relationships with distributors and other providers. But this partnering activity should not be conducted on an ad hoc, opportunistic basis. Management teams in supplier companies must start thinking now about how they want to position themselves in the market, the types of product they will be providing and the various routes-to-market they will need to develop.

Lessons can be learned from industries such as the automotive and telecommunications sectors, where partnerships have long been established between companies, co-operating together to serve the market in the most effective way. Genuine, sustainable competitive advantage can be achieved by having a clearly defined partnership strategy and implementing it successfully.

However, in the new ICT economy, partnerships will inevitably be more dynamic and flexible. Traditional suppliers will need to learn new techniques for partnering, be more “fleet of foot” and able to respond quickly to new opportunities. Critically, the legal processes that currently take anything up to two years will have to be streamlined.

Companies will also need to get used to the idea of “not being in control”. Influence will have to be exercised over partners through procedures and interfaces, rather than by contractual stipulation. This will be a major culture change for many firms. Unless they start thinking about this now and preparing for it, these companies will find they become marginalised in the race to deliver products and services to end customers.

Structured approach

Experience has shown that a partnership is more likely to succeed and be long-lived if it is formed between organisations that have a clear understanding of the contribution the partnership will make to both companies’ overall business strategies. A logical outcome is that within both organisations there is a **shared expectation** of what the partnership will deliver.

One of the best ways to achieve this is to follow a structured approach, as shown in the diagram. Moving through the various stages of the structure in sequence ensures there is a logical progression to the establishment and subsequent commercial exploitation of partnerships. However, the structure should also be viewed as offering an opportunity for continuous improvement, re-visiting the first stage and re-running the process in light of market feedback and performance measures.



Examples from the telecoms and software industries

Two industries where distribution through partners has long been the norm are telecoms and software. In these industries, no single supplier is capable of providing the full range of products and services the market demands. Companies operating in this environment have learned “how to partner”. They have found that a structured approach leads to more successful and longer-lasting relationships.

There are many well-known examples of major telecoms and software companies working together, but the current experiences of two smaller players serve to illustrate the benefits that a structured approach can bring.

A start-up software company, having initially tried unsuccessfully to find distributors for its product, has implemented a structured partnership development programme, resulting in:

- buy-in from all the company’s directors to the distribution strategy
- a clear focus on prioritised target market segments
- a documented positioning statement, identifying the product’s strengths in the target segments
- a “preferred partner profile”, facilitating the search for potential distributors

The company saved time and effort that was being wasted on chasing unsuitable companies, and is now in discussion with three potential distribution partners.

A long-established supplier of technical infrastructure to the e-Commerce market has a product with many features, introduced over time to meet customer-specific requirements. Neither the marketing strategy nor the sales support material has kept pace with the product,

resulting in disappointing sales through third-party distribution channels. After implementing a structured channel marketing programme the company now has:

- a strategic marketing plan developed for existing channels
- sales guides restructured for use by third parties

Consequently, the company's distributors feel much more confident about selling the product and are prepared to commit resources to promote it to end customers. Detailed market plans have been drawn up with channel partners for achieving financial targets, and initial feedback suggests partners are responding well to the sharpened focus and improved sales material.

Common concerns

When a company is moving into partnering for the first time, and particularly for the purpose of supplying its products via a third party to the end user marketplace, a number of common concerns typically arise:

“A key component of our product offering has always been the customer interface. How can I ensure quality-of-service levels are maintained?”

“Every time a partner has a problem with our products they'll be calling on our technical support staff. How can we manage this to an acceptable level?”

These are some examples of worries on the operational side, but there are equally important issues to be managed on the marketing side:

“We're getting into distribution for the first time. How can we ensure our brand will not suffer?”

“We've developed a unique position in our market. Will this be undermined by partnering with other companies?”

“How should we adapt our marketing and sales material to reflect that we are now selling through 'arms length' third parties?”

At a business level, concerns will centre around costs versus margins, commercial terms between partners, maximising return on investment through the new channels: plus the tricky areas of managing channel conflict and dealing with partners who are also competitors.

Advantage of a structured approach

By following a structured approach, these concerns and other issues are dealt with within the context of an agreed strategy, embracing medium- and long-term aims and objectives. If all the staff in your company who are involved in setting up partnerships have a clear and shared

understanding of the business goals they are aiming for, you have a much better chance of establishing partnerships that will succeed and last.

Know your partner

Almost as important as knowing your own strategy is knowing that of your target partners. This will enable you to develop ‘win-win’ scenarios that will immediately command the attention of a prospective partner. As the implications of the ICT economy become more widely understood, product providers will find themselves in a competitive situation, effectively vying for time and resources with other providers. It will be like securing “shelf space” in the partner’s or other provider’s sales outlets. You have to ensure that your proposition is well thought-out, structured in a way to make it attractive to the partner, and has the full support of your management, marketing and operational teams.

Optimising the channel

Once you have secured a new route-to-market through a third party partner, don’t expect to be able to sit back and ‘let it happen’. Successful partnerships need working at. They need to be measured, to ensure they are on track for reaching targets and are living up to expectations. They need to be managed, to put in place necessary corrective actions and to broaden the relationship into new areas of co-operation.

The mechanisms for regular communication and joint management need to be established early on with the partner, to ensure they have the support and backing of key personnel within both organisations. It is recommended that regular reviews are held, at which the performance of the partnership can be presented to management from both companies and any necessary corrective measures agreed.

Changing market dynamics

Barriers to entry in the ICT economy will be low. Those companies with high customer awareness and strong management capability will be in a powerful position to corral the offerings of a myriad new media players. New product and service providers, no matter how excellent their offering, will have to work with a large number of these companies to ensure an adequate market penetration.

However, for those providers who act quickly to prepare themselves for this change, who understand how important it will be to develop strong and well-founded partnerships, and who heed the experience and lessons learned from other industries, there is genuine scope to broaden both existing product ranges and market presence.

The opportunities and challenges are there now for those product and service provider companies that are ready to embrace them.