Partnerships

Why Partner?

Why Partner?
The Whole Product For Mainstream Customers

Our Company
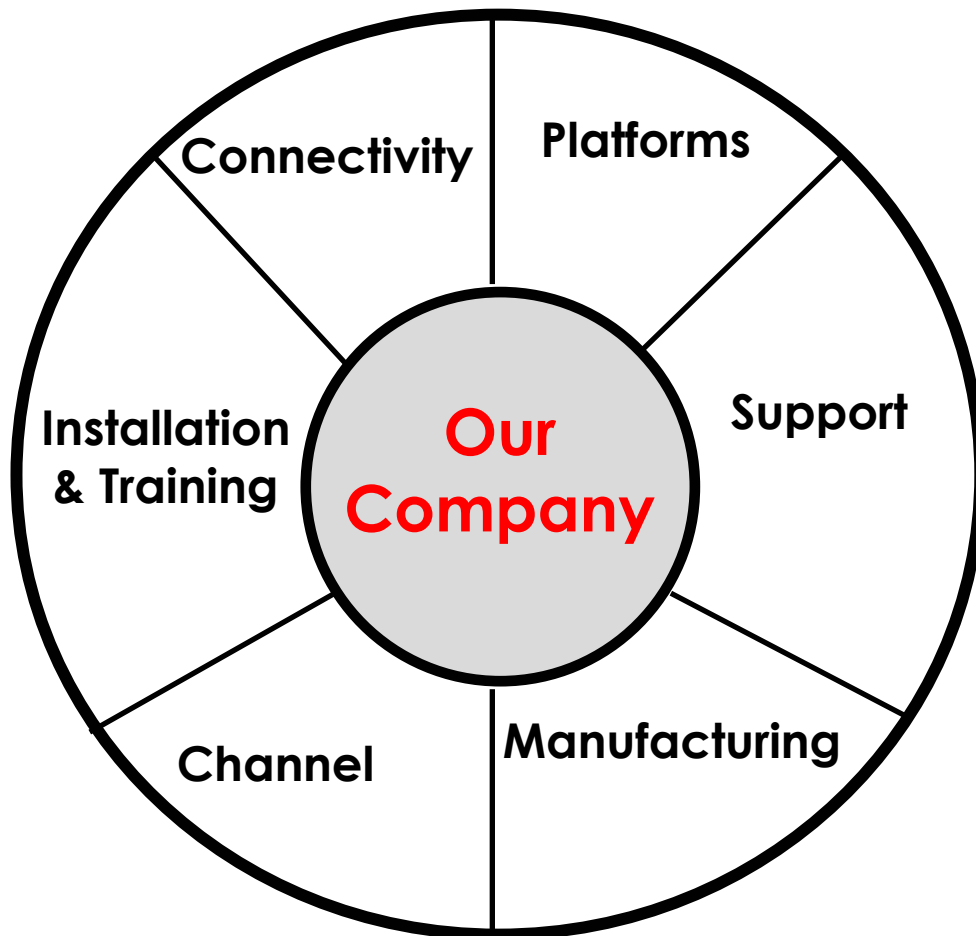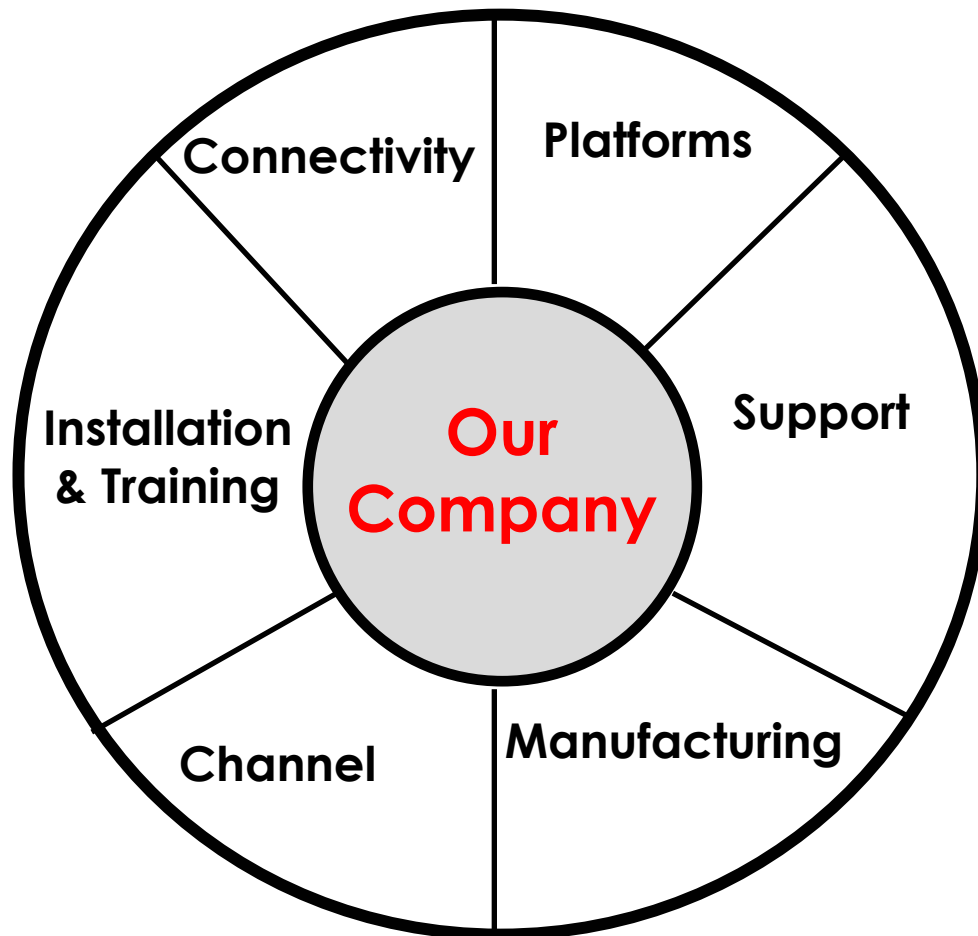
Reference: Ted Levitt, Bill Davidow

Why Partner?
The Whole Product For Mainstream Customers

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Why Partner?
The Whole Product For Mainstream Customers

1. Which Pieces Do We Do

2. Which Do Our Partners Do?

3. When?

Reference: Ted Levitt, Bill Davidow

Partnering Strategy Checklist

1. Which operational pieces of your corporate pie are outside your initial core competency?

2. Which of these are readily available from 3rd parties?

3. Which would save time/time-to-market, money?

4. Which would provide the same or better service if done with a partner?

Types of Partner Relationships

Just as "dating" is used across a broad range of **personal** relationships...

**Commitment
And Exclusivity**

Expected Length of the Relationship

Short   *Unknown*   *Long*

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Commitment And Exclusivity	**Expected** Length of the Relationship		
	Short	*Unknown*	*Long*
Shallow/ Usually Polygamous	**Hooking Up**	**Playing the field**	**Platonic Friendship**

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Deepest/Usually Monogamous	Romeo & Juliet	Engagement	Marriage

"**Partnership**" is used across a broad range of institutional relationships

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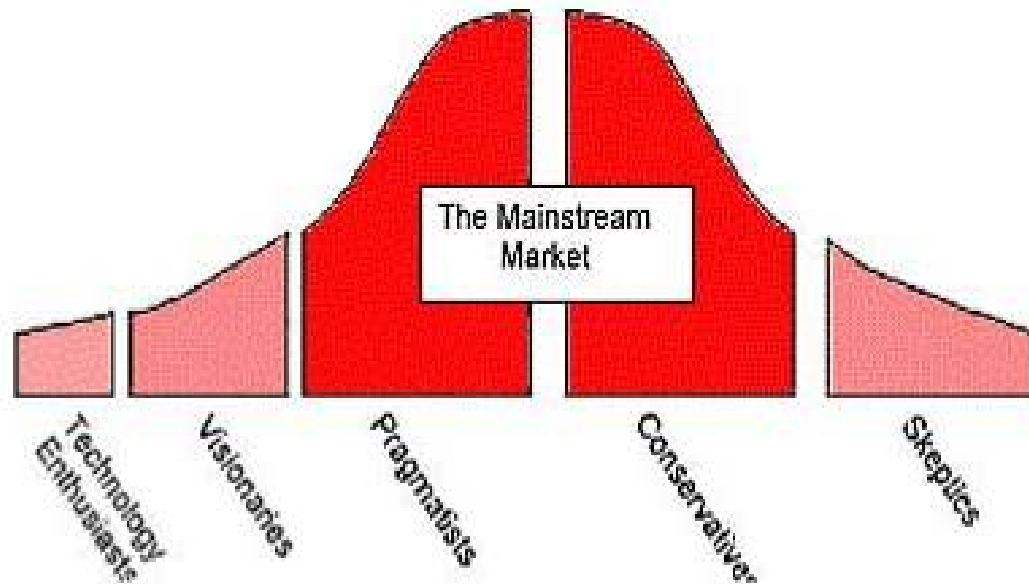
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Deeper/Often Polygamous	**Cooperative Advertising**	**R&D Partnership**	**Joint Venture**
Deepest/Usually Monogamous	**1 year exclusive license**	**Renewable Exclusive Terms**	**Merger/ Acquisition (not a partnership)**

When Do You Partner?

Technology Adoption Life Cycle

The Mainstream Market

Technology Enthusiasts • Visionaries • Pragmatists • Conservatives • Skeptics

- Innovators
- Early Adopters
- Early Majority
- Late Majority
- Laggards

Moore (2002), *Crossing the Chasm,.*

The Chasm

- Between any two groups there is a gap
- The disassociation between the two groups is the difficulty any group will have accepting a new product if its presented in the same manner as it was to the group to its immediate left
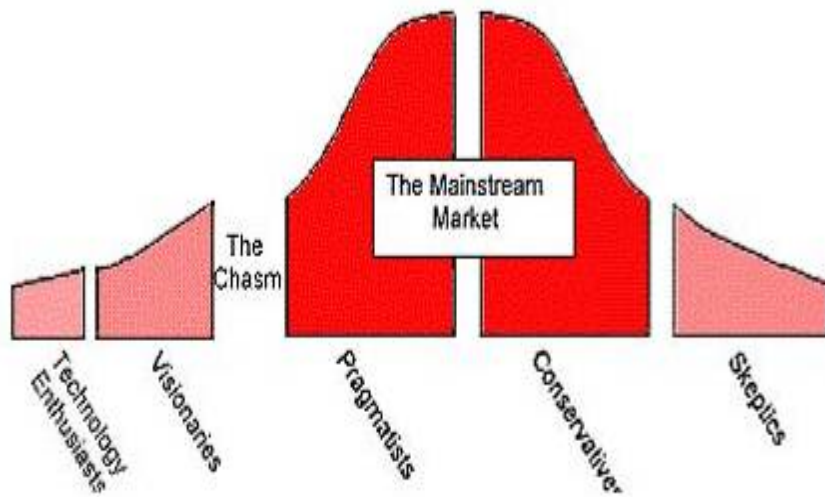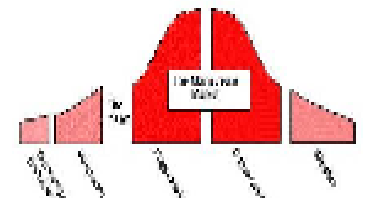
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Early Adopters
Innovators: The Technology Enthusiasts

- The first people to adopt technology
  - The gatekeepers for technology
  - Moore believes they're key to any high-tech marketing effort

- Great feedback early in the design cycle
  - Supporter who will influence buyers
  - In large companies buys one of anything
  - In small companies "designated techie" in IT
  - Want to try it just to see if it works

Moore (2002), *Crossing the Chasm*.

Early Adopters:
The Visionaries

- Highly motivated and driven by a dream
- Want a fundamental breakthrough
  - Value not from technology but from the strategic leap
- The least price-sensitive of any segment
  - Can provide up front money for additional development
  - Can alert the business community to advances
  - Will serve as visible references
- Like project orientation - want to start with a pilot
- Represent an opportunity early in a life cycle to generate a burst of revenue and gain visibility
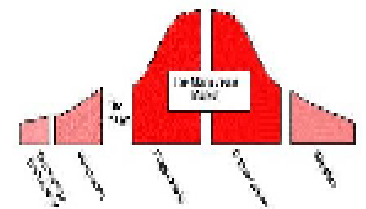 - Gives high-tech companies their first big break
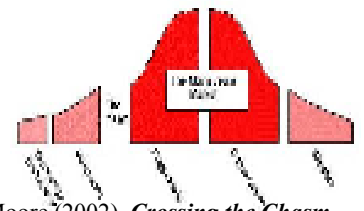
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Mainstream Markets
Early Majority: The Pragmatists

- Dollars are in the hands of the pragmatists
- Wants to make a incremental, measurable, predictable progress
  - Hard to win over, but loyal once won - enforces standardization
  - They care about the company they are buying from, the quality of the products, the "Whole Product"
- Interested in knowing what others in their industry think
  - References and relationships are important
- They like competition, reasonably price sensitive
- Selling to pragmatists takes time

Moore (2002), *Crossing the Chasm,.*

Timing of Partnerships

Or here?

Do you need partnerships here?

The Mainstream Market

The Chasm

Technology Enthusiasts

Visionaries

Pragmatists

Conservatives

Skeptics
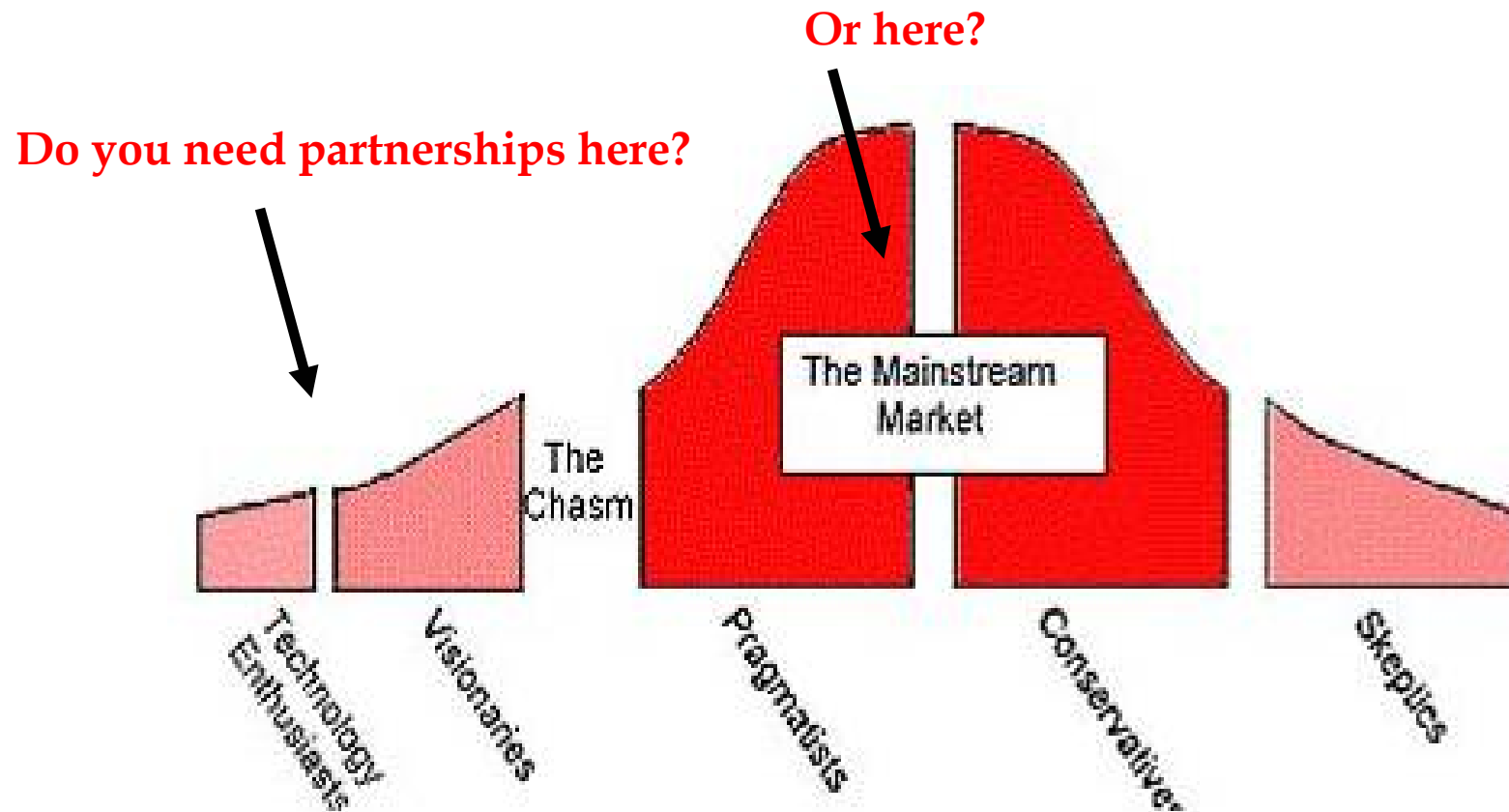
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Partnering in the 21st Century

The Web Adds Another Partnership Dimension
Collaboration

Core

Proprietary

Contract-based ← **Type of Relationship** → Self Defined

Source: McKinsey

The Web Adds Another Partnership Dimension
Collaboration

Open Innovation

Lead User

Users involved in innovation process
Users benefit from solutions

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Companies use platform to connect to users

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Mob Source
Enthusiasts linked to each other

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Mass Innovation

Open Source
Enthusiasts collaborate on products
IP Owned by Community

Mob Source
Enthusiasts linked to each other
IP Partially Owned by Co.

Crowd Sourcing
Companies use platform to connect to users
IP Owned by Co.

Open Innovation

Lead User
Users involved in innovation process
Users benefit from solutions
IP Owned by Co.

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WebTV Lessons

Lessons From WebTV

- Swing for the fences on your 1st release
- Assume you know your customers
- Get world-class partners
- Assume financing is available for great ideas
- Sell out ASAP

This is the traditional VC Model
It is not the only one.

Counter Lessons From WebTV

- WebTV assumed you get it right on the 1st try
- VC's want/need these kinds of home runs
- It is a *very* fast cash burn
- Live fast, die young
- But <u>you</u> might be happy with lower risk models

Other VC's are looking at Lean Startup Models

Key WebTV events

1995	1996	1997	1998	1999
Founded: June: 1st Sony contact Sept: 1st funding	March: Sony says "No" Sept: Sony & Phillips introduce WebTv 12,000 customers $20/month	April: 35,000 customers Announced sale to Microsoft August: Microsoft sale closes $18/share Sept: 150,000 customers	Dec: Microsoft expands WebTV	Jan: Echostar Deal