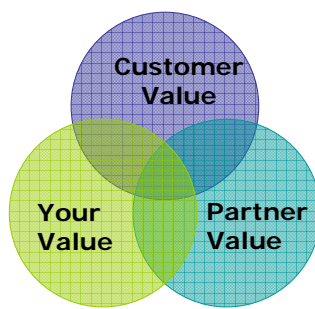




Building Win-Win-Win Value Propositions: The Key to Sustainable Partnerships

How often do partner managers or our management focus only on “*What do we get out of the deal?*” While it is important as good business managers that we do understand the return on investment on our partnerships and alliances, it is also important to understand that viable, sustainable partnerships are based on a more complex value proposition. A winning value proposition is one which includes value for you and your partner as well as value to your joint customer.

Successful go-to-market alliances start with a compelling JOINT value proposition that addresses the customer buying motivations first. Creating value propositions for all stakeholders in the partnership creates not just a WIN-WIN partnership, but a WIN-WIN-WIN where the customer wins, too. Customer value ultimately translates into value for the partners in creating new products or services and new sales opportunities.



What happens if any of the three value propositions is weak? If either of the partner value propositions is weak, investment and commitment to the alliance will diminish for lack of a compelling return on investment. When customer value proposition is weak, sales of the joint offer will falter for lack of a compelling reason to buy on the part of the targeted customers.

Alliance case studies have shown that successful go-to-market partnerships not only define value of all the stakeholders but also define partnering value in three dimensions. These include:

Solution value which addresses key customer buying motivations will create competitive advantage and drive revenue generation,

Financial value will create motivations for both partners to invest and commit to the alliance,

Sales and Marketing value will drive active sales engagement and joint selling.

Sustainable Partnerships

Case study analysis shows that the most successful alliances had well articulated value propositions for each partner in the alliance and especially for the targeted joint customer.

Successful alliances begin with a compelling JOINT value proposition that address the customer needs first.



Solution value most directly addresses the *customer* needs. Solution value is created when partners blend their core competencies to create a value proposition that is greater than the sum of the parts. Developing the solution value begins with a thorough understanding of the customer's pain points, how they make purchase decisions, who the key decision makers are, and what they care about. Creating a joint offer is similar to a process used by many companies to create a market requirements document that guides product development. A well-crafted joint solution can create competitive advantage in the market place, create differentiation, and reduce deployment risk in a multi-vendor environment. It can even shorten time to market by combining the proven abilities of two organizations rather than opting to build from scratch.

Financial value can come in many different forms and can in fact be different for each partner. Financial value is ultimately how the alliance is measured by executive management and translates into corporate performance. It is how we judge if an alliance is working. Key financial metrics include incremental revenue realized from sales of the joint offer, cost savings from shared marketing or development costs, and resulting increased profitability.

If a joint offer enables a company to address a new customer community that was previously unreachable, financial performance is reflected in incremental sales in a newly addressable market.

Cost sharing can be an important aspect of financial value, especially in go-to-market alliances where the costs of building customer awareness of a new offer can be substantial. Cost sharing in other operational aspects of the business such as R&D, services or manufacturing can increase profitability and conserve capital.

Other financial metrics relate to an improved sales model that accelerates the sales cycle or increases deal size. These are addressed in more detail under sales and marketing value since these value propositions create motivations for sales organizations to engage.

Sales and marketing value is often overlooked. But it is critical in go-to-market alliances where joint selling is a crucial element of success. Why should the sales forces of two organizations cooperate and collaborate? There is much that can be done to facilitate the process of collaborative selling but ultimately there needs to be a compelling incentive for each sales representative to place a focus on selling a joint offer with his partner counterpart. Introducing another player into a sales campaign can mean sharing control in the account. Sales organizations need to see a clear advantage in collaborating in order to share account control. Combining selling efforts can result in the following advantages:

- Access to key executives when one sales team has a better customer relationship or calls on different decision makers,
- Information sharing about the account by combining what each team knows or discovers on their customer calls,

Case Example:

A global system integrator teamed with a large service provider carrier to provide end-to-end applications hosting services. The service provider was losing business and customer confidence due to poor performance and execution. There was a shortage of skilled expertise in delivery of hosting services and deployment of business applications. There was also a lack of formalized processes and procedures for implementation.

In joining forces with a system integrator, the service provider's organization was augmented with an influx of additional skilled resources and best practices in client services management, governance, business process management, and transformation management. The carrier provided the network and computing infrastructure, system monitoring and maintenance. Both took joint responsibility for change management and end to end service management.

Value proposition for this alliance was clearly defined for all stakeholders and in all three value dimensions:

***Solution value** to the customer was recognized in better quality of service and decreased risk. Problems were solved before deployment through assessment service, resulting in increased customer satisfaction and increased customer retention.*

***Financial value** was recognized in incremental sales of assessment services and greater profitability because there were fewer corrective support issues.*

***Sales value** was demonstrated in an improved win rate through increased customer confidence by the combined resources of both companies. This, of course, added to the financial value in terms of incremental new business.*

All elements of the value proposition were tracked and measured:

- quality of service,
- trouble ticket reporting,
- customer satisfaction,
- customer retention,
- incremental revenue, and
- new customer win-rates.



- Accelerating the sales cycle by reducing the complexity of the buying decision,
- Increase deal size by introducing greater value to the customer,
- Customer credibility by building confidence in the partnership,
- Lead sharing builds the pipeline and revenue opportunity for both sales organizations, and
- Faster deployment of pre-integrated systems means faster revenue recognition.

As you evaluate an alliance opportunity, it is important to assess the strength of your value propositions:

Are the value propositions compelling for all three stakeholders: for you , your partner and your customers?

Are they measurable?

Will they make an impact in customer behavior?

Have you addressed the 'care abouts' for each key customer decision maker in the solution value proposition?

Have you field tested your value propositions with your partner and your customers?

Are there sufficient motivations for your sales organizations to engage?

Are there negative values at work?

Using value propositions to drive execution plans for value delivery and to set metrics to measure the value of the alliance to both partners and customers yields not only the foundation for a sustainable alliance but gives the alliance manager a valuable tool to enhance collaboration and joint business planning.



About Phoenix Consulting Group

Phoenix Consulting Group specializes in best practice partner strategies, programs and marketing for companies who seek to transform their partnering practices to produce predictable performance or tune their existing partner programs to gain more effectiveness.

Phoenix consultants are seasoned professionals with practical expertise and a commitment to driving corporate growth and building shareholder value through high performance channels and alliances.

Phoenix Consulting Group stays on the forefront of partnering best practices through our alliances and affiliations. Our founder, Norma Watenpaugh serves on the board of directors of ASAP and is the chair of the Best Practices Committee for the association.

As an IDC Authorized Implementation Partner, Phoenix Consulting Group is among a select group of consultants that complement IDC's research and strategic advisory services by providing the experience of seasoned practitioners to help you through the implementation process.

