

Using Partners to Access New Markets & Increase Sales



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Why Use Partners?

- Faster time to market
- Better economics
- Shared risk



Commercial Agents

- Act as outside representative
- They find lead, you make sale
- Benefits
 - Quick and easy to set up
 - Short term economics can be good
- Drawbacks
 - Model doesn't scale well
 - Exit can be painful



Resellers

- Purchase product from you and resell it to customers for a higher price
- Benefits
 - Provide immediate presence in market areas
 - May complement your product with support and/or ancillary services
- Drawbacks
 - Not the same as having a direct presence
 - Often under capitalized
 - Exit can be painful



Distributors

- Maintain and support networks of resellers
- Purchase from you and resell at higher price to resellers
- Benefits
 - All the benefits of resellers, but with added scale
 - Credit shield, well capitalized
- Drawbacks
 - Pay to play model
 - Exit can be painful



OEMs

- Come in two flavors
 - White label OEMs put their name on your product and sell it
 - Embedded OEMs embed your product into their product such that customer doesn't even know you exist
- Benefits
 - Truly extend your market reach (especially embeds)
 - Often generate long-term revenue streams
- Drawbacks
 - Typically require significant support resources
 - May generate a new competitor
 - Both deal and exit can be complicated

The image shows the letters 'OEM' in a large, bold, green, serif font. The letters are slightly shadowed, giving them a 3D appearance as if they are floating above the text below.

Original Equipment Manufacturer

Integrators/Consultants/Referral Partners

- Do not actually make sale, but provide you with leads and other entrée into opportunities
 - Examples: Systems Integrators, Process Reengineering Consultants, etc.
- Benefits
 - These parties often have a huge influence on which products get included in RFPs and/or projects
- Drawbacks
 - Can require significant investment
 - Value of relationship often difficult to measure



True Strategic Alliance



- Different from other partner relationships in that typically involves some combination of
 - Co-investment
 - Shared risk/rewards
 - IP sharing
- Benefits
 - If done right, can greatly accelerate entry into certain markets
 - Potential source of capital
- Drawbacks
 - Often fail
 - ROI measurement is problematic
 - Resource intensive



Finding the Right Partner

- “Good artists copy, great artists steal”
- Build out a business model
- Catch & release
- Watch out for “one offs”
- Distributors are a great resource for other partner recruitment



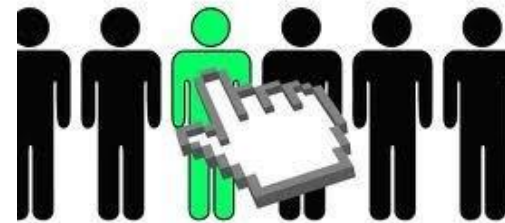
Accepting Ambiguity

- Sometimes you need to deal with Frienimies
- Same company may be your
 - Partner
 - Supplier
 - Customer
 - Competitor
- Unwillingness to deal with Frienimies can foreclose significant opportunities
- Due diligence on Frienimies especially important
 - Some manage complex relationships well
 - Others don't



Selecting a Partner

- Selecting the right partner is ***THE*** number one factor in determining success
- Teaming with wrong partner can lead to
 - Unhappy customers
 - Unpaid bills
 - Compliance problems
 - Damaged reputation
- Key: Run Due Diligence



Successful Partner Management

- Win-win Partner model
 - Limited numbers
 - Value proposition
 - Openness – transparency
 - Consistency/Robinson Patman
- Enforcing your program
 - Business plans that get reviewed
 - Being selective on who you take



The Partner Agreement

- Territory
- Exclusivity and MFN – never give these
- Product Authorizations/Training Requirements
- Product Support – who handles it?
- Compliance
 - FCPA
 - Export Controls
 - Code of Conduct
- Term and Termination



Regional Challenges – Western Europe



- Many countries have very strong dealer protection laws that limit your ability to terminate them even for non-performance
- Commercial agents get highest level of protection; influence partners and OEMs less so
- UK law is most favorable in EU; make this controlling and set jurisdiction there
- Ability to enforce territorial limits within EU is limited
- Currency fluctuations – who takes risk?
- Privacy laws much stricter than in US

Regional Challenges – Japan & Korea

- Very different partner models
- Japan and Korea – Keiretsu and Chaebol models dominate
- Market requires significant localization
 - Language
 - Partner programs

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Regional Challenges – North America

- Most straightforward market overall
- Dealer protection laws in a handful of US states
- Beware of Canadian labeling requirements



Regional Challenges – Emerging Markets

- BRIC Markets are the fastest growing (Brazil, Russia, India, China)
- FCPA & export control issues significant in much of region, especially China
- Language – English less prevalent; more need to localize (India is exception)
- Partner network less mature than in other parts of world (but this is changing)
- Major US Distributors entering BRIC, but steering clear of Russia
- Laws often unpredictable (China) and may include cumbersome dealer protection provisions (LATAM)



Final Warning

- Partner agreements have very long half lives
- Whatever you do early on likely to linger well into future



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