

Strategic Alliance Best Practice User Guide

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Phase 1 - ALLIANCE SPECIFIC STRATEGY

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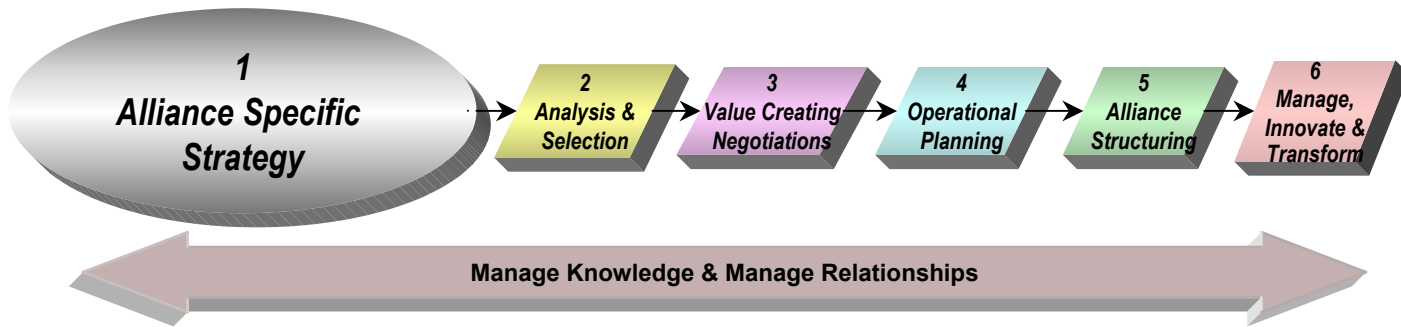
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Alliance Framework



Overview

Alliances are, by their nature, strategic. Therefore you should think strategically before initiating the alliance. There are four critical interrelationships that should be thought through carefully when designing an alliance:

- 1) What are our **company's** needs for its own strategic positioning in the marketplace.
- 2) What do our **customers'** need in order to see our company as their most vital provider of products and services.
- 3) What will the **competitors** be doing to take away our customer base and how they will respond to any competitive moves our company and its alliance partners may make.
- 4) Who are the array of **collaborators** (potential partners) available to our company? What are the implications of choosing one over another? Which partners could augment our company's product-service offering to provide the strongest market offering, and therefore, the highest competitive advantage?

Figure 1, above, will be repeated for each phase to remind us of the steps that we will follow during our quest for a successful alliance. This first phase is the "Alliance Specific Strategy".

The purpose of this initial phase is to validate direction for formation and management of specific alliance(s) to ensure alignment with enterprise and business sector strategies. Additional results of this phase include:

- Clarity of strategic intent
- Clear objectives and metrics
- Commitment by champion/top level and operational support
- Sharing of alliance process with partner to obtain commitment to similar process

Purpose:

Validate Direction for Formation and Management of Specific Alliance(s) to ensure:

- Alignment With Enterprise & Business Sector Strategies
- Clarity of Strategic Intent
- Clear Objectives & Metrics Required
- Commitment by Champion/Top Level & Operational Support
- Sharing of Alliance Process with Partner to obtain Commitment to Similar Process

Goals, Critical Success Factors and Expected Outcomes

Goals

- Ensure alignment with long-term winning strategy
- Assess options/ directions
- Clarify strategic returns
- Develop competitive advantage

Critical Success Factors

- Know the results you want
- Clearly define objectives & goals
- Know the customer needs
- Know the driving forces for the alliances
- Calculate strategic return on investment
- Build internal alignment

Expected Outcomes

- Strategic gaps validated and documented
- Strategic needs & assets confirmed
- Shared vision developed
- Objectives and goals documented
- Alignment with corporate strategy
- Value proposition created
- Value migration identified
- Champion identified
- Preliminary team identified and sanctioned
- Planning assumptions identified

Alliance Specific Strategy Process Steps

Step 1.1 Identify Key Strategic Issues

- Developing a Powerful Strategy

Step 1.2 Strategic Drivers

- What are Strategic Drivers
- Be Aware of Driving Forces
- Strategic Drivers Model

Step 1.3 Map Value Migration

- Importance of Value Migration

Step 1.4 Alliance Stratagems

Step 1.5 Breakthrough Value Proposition

- Value Proposition
- Breakthrough Proposition

What the Experts Say...



In Strategy...

...Timing is critical. Waiting too long to formulate and implement strategy will let strategic advantages slip further away.

"You can always make up lost ground, but never make up lost time." -- Napoleon

...Knowledge is essential. Know what you want, and know where you and your competitors are going.

"A thorough knowledge of one's own conditions as well as the conditions of the competitor is essential to winning. If you don't know the plans of your competitors, you cannot make informed alliances."
-- Sun Tzu, 300 BC

"When great intentions yield mediocre results,
When the tried and true ceases to work,
When every attempt to fix things is met with
frustration and failure...
Then perhaps the design has reached its limits,
And the paradigm is ready to shift,
Opportunity is present,
Creative vision is called for,
And bold action in new dimensions
is the nature of things...."

By Robert Porter Lynch

~TRAP~



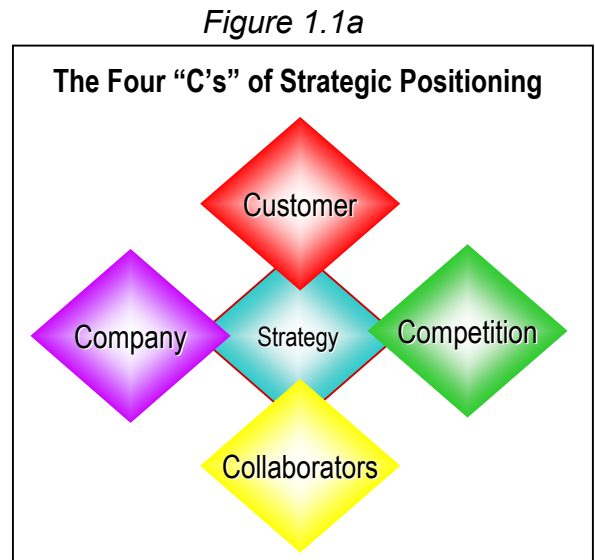
If you don't know where you're going, any
road will get you there.

Step 1.1 Identify Key Strategic Issues

Developing A Powerful Strategy

While we will engage in tactical alliances (short-term opportunistic relationships) the alliances we are primarily addressing are long-term and will have a significant impact on our business. Therefore, it is important to think strategically before initiating an alliance. There are four critical interrelationships that must be thought through carefully when designing an alliance; these were listed in the overview and shown in *figure 1.1.a* graphically.

1. What are our **company's** needs for its own strategic positioning in the marketplace.
2. What are our **customers'** needs in order to see our company as their most vital provider of products and services.
3. What are our **competitors** doing in order to take away the customer base from our company. How will they respond to any strategic moves our company and its alliance partners may make?
4. Who are the array of **collaborators** (potential alliance organizations) that are available to our company? What are the implications of choosing one of them over another?



We operate in a highly dynamic and ever-changing environment, which requires frequent re-evaluation and repositioning in order to maintain a competitive advantage.

Many alliance relationships may be focused on developing new business models, acquiring new capabilities, and developing new technologies and delivery systems in the marketplace. Because alliances are typically focused on new and emerging market places, in the initial phase of a product's life there may be little or no competition.

As competitors emerge, products and services will often be differentiated on the basis of marketing programs. As competitors become more sophisticated in their marketing, products often are then differentiated on the basis of customer service within precise market segments and effective distribution channel management.

Step 1.1 Identify Key Strategic Issues

Developing a Powerful Strategy *(Continued)*

Strategic Fit

The most critical factor in determining success in an alliance is its strategic power, which is derived from two essential sources:

- **Compelling Competitive/Marketing Strategy** which places the alliance in the most advantageous position in relation to the customer.
 - Supports sufficient revenue and net income to result in a win/win outcome
 - Provides strong added-value to customer.
- **Strategic Alignment** of visions, goals, priorities, and commitment which includes:
 - Compatible long-term strategies
 - Complementary strategic drivers
 - Augmenting core competencies
 - Synergistic strengths & weaknesses
 - Clear Strategic Returns On Investment (STROI).

Each of these strategy issues is addressed in this section.

Use Checklists 1.1 and 1.2 to assist you in developing the appropriate set of Key Strategic Questions. These questions, and more importantly the responses to them, will help to determine whether or not you will pursue this specific alliance.

STRATEGIC VISION: By answering these critical questions, you will have addressed the fundamental issues necessary to create a powerful strategic vision for the alliance.

Step 1.1 Identify Key Strategy Issues



Checklist 1.1 Key Strategic Questions

Ask questions which have a measurable response

- ___ 1. What pressures are our customer facing?
- ___ 2. Will this alliance make our customer more satisfied or successful? How?
- ___ 3. What new ways of doing business should we consider?
- ___ 4. Is a "breakthrough" in thinking possible? How?
- ___ 5. Do the strategic objectives of the alliance create value-added that will yield a strategic competitive advantage?
- ___ 6. Is an alliance needed to accomplish our objectives & goals?
- ___ 7. Have we been frank in our analysis of our strengths and weaknesses?
- ___ 8. Do we know our potential alliance member's strengths, weaknesses, and strategy for growth?
- ___ 9. Do we know our competitors' present and future strategies? Are we honest and realistic in our assessment? Has it been "Devil's Advocated?" How do you know?
- ___ 10. What future strategic profile must we have in order to be winning in this market in 3-5 years? Is this empirically substantiated?
- ___ 11. Which major trends represent opportunities, and which represent threats for the alliance?
- ___ 12. What happens if we do nothing? Maintain current course? Go it alone?
- ___ 13. What can we expect our competitors to do if we form an alliance?

Ask and answer these questions before commencing negotiations.



~TIP~

Don't Ask Questions for which there is no measurable response or no actionable response. And if you don't get the right questions, its difficult to get the right answers.

Step 1.1 Identify Key Strategic Issues



Checklist 1.2 Key Strategic Issues

First, if the questions in Checklist 1.1 are not sufficient, what additional questions should we be asking? _____

Second, what are the best responses to the key strategic questions? (are these responses measurable?)

1. Customer satisfaction pressures/needs: _____
2. Customer satisfaction and/or success provided from the alliance: _____
3. New Business Approach: _____
4. Possible Breakthroughs: _____
5. Value-Added yielding strategic competitive advantage: _____
6. Need for an Alliance: _____
7. Our Strengths & Weaknesses? _____
8. Prospective Ally's Strengths & Weaknesses? _____
9. Competitors' Strategies _____
10. Our Future Strategic Profile: _____
11. Threats & Opportunities for the Alliance _____
12. Results from Doing Nothing/Going It Alone: _____
13. Competitors' Responses: _____
14. Others: _____

Step 1.2 Strategic Drivers

What are Strategic Drivers?

How does an alliance come together? What keeps it together? The answers to these questions reveal how powerful forces can keep some alliances together for years, while others disintegrate rapidly. We will discuss some of those drivers below.

- Customer Drivers
- Competitive Drivers
- Capability and Capacity Drivers
- Core Competency Drivers
- Planning for Value Migration
- Strategic Alignment

Be Aware of Driving Forces

“Driving Forces” keep pressure on the allies. Poor understanding of the driving forces will result in defective alliance architecture, and the venture will not endure the winds of change. Imagine these driving forces as pressure put on the two companies like clamps or a vise (see Fig. 1.2.a).

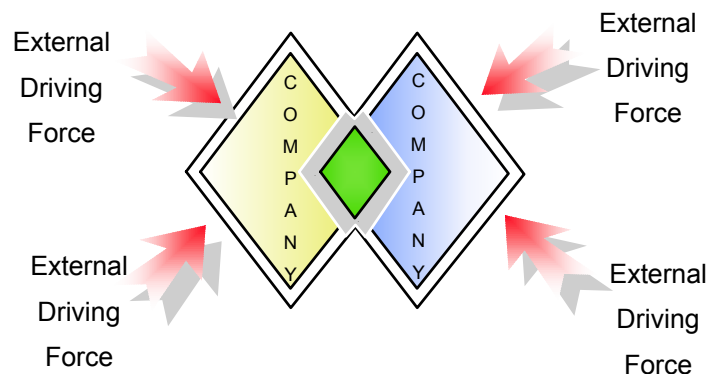


Figure 1.2.a Illustration of Driving Forces on Two Companies

Companies will not naturally stay together for long unless there are sufficiently strong driving forces to keep them in alignment. These forces are a major component of understanding the essence of strategy formulation and the nature of the strategic “fit” element. See figure 1.2.b that describes the four basic types of strategic driving forces.

Step 1.2 Strategic Drivers

Be Aware of Driving Forces *(continued)*

When determining whether it makes sense to commence an alliance, check the driving forces for both companies (See Checklist 1.2a). Are they sufficient to hold the relationship together? What is the expected duration of these forces? Are you aware of the forces that affect your prospective ally? Are these forces truly “strategic” or are they more tactical and operational in nature? The forces can be many, or they can be few. However it is important that the forces are powerful, strategic, and that they are expected to be somewhat permanent.

It pays handsome dividends to partake in a bit of future forecasting to determine what these current driving forces will look like in three, five, or ten years. Look to uncover any hidden opportunities for additional driving forces to build greater structural strength into the alliance.



~TIP~

DRIVING FORCES GOAL:

Maximize the number and/or the Strength
of Driving Forces on
BOTH
sides of the Alliance.



~TRAP~

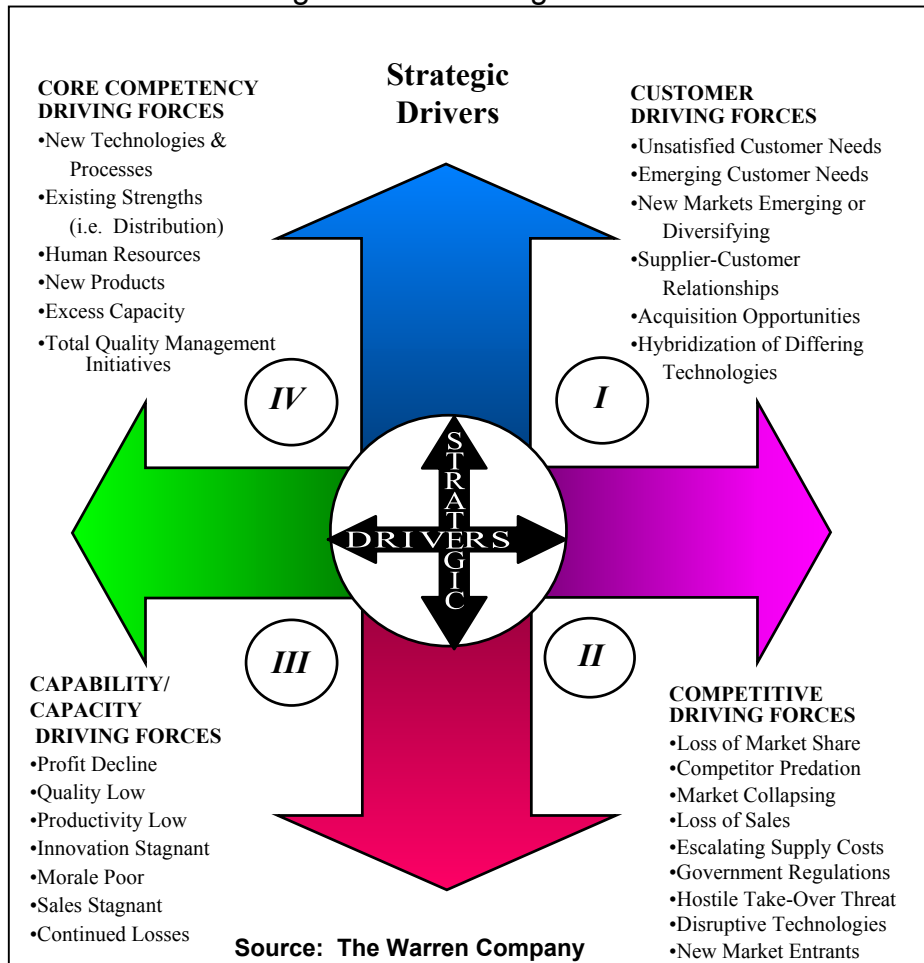
If the Driving Forces on Either Side
of the Alliance
DIMINISH,
then **BEWARE.**
The alliance may need restructuring
or renegotiation.

Step 1.2 Strategic Drivers

Strategic Drivers Model

While negotiating, critical questions should be asked of both companies regarding their driving forces. Once the alliance is underway, remain keenly aware of these pressures, because they are vital to the continued understanding of and commitment to the alliance's purpose by both partners' management. Figure 1.2.b describes the four basic types of strategic driving forces.

Figure 1.2.b Strategic Drivers



~TRAP~

Be cautious about alliances that are strictly problem driven (Quadrants II & III) -- they may indicate a fundamental weakness in the alliance.



~TIP~

Be sure there are significant proactive drivers to propel the alliance (Quadrants I & IV)

Step 1.2 Strategic Drivers

Strategic Drivers Model *(continued)*

Quadrant I: Customer Drivers

These are typically *Opportunities* that exist within the customers' needs and desires. Sometimes these opportunities are highly visible and recognized by the customer, but often the customer does not even have knowledge of the opportunity, especially if the opportunity is a new technology, product, or service which emerges from the firm's capacity to innovate.

All successful alliances should have a sufficiently strong set of customer opportunities available, or else there will not be benefits that are great enough to propel the alliance over the long haul.

Quadrant II: Competitive Drivers

All good alliance strategies must be competitively sound. The alliance must provide better value to the customer than the best competitor. The presence of a strong competitor is often a good motivating force because it provides a *threat* if it is better than the Company's alliance, and it provides a *benchmark* for excellence.

If there is no competition, questions must be raised about either the *existence* of a market (perhaps the market does not yet, or will not ever, exist), or the *timing* of market entry (the market may be very new and require large market development expenses on the front-end).

Quadrant III: Capability & Capacity Drivers

No company has all the resources and capabilities to accomplish anything and everything. The lack of a needed capability and/or capacity is always a fundamental driving force behind an alliance. It is a combination of both *strengths* and *weaknesses* that propels an alliance.

However, beware of those alliances which are built on weaknesses which may eventually undermine the venture, particularly situations where the prospective ally is looking for someone to *offset their incompetencies*, and not simply to supplant what's missing.

Quadrant IV: Core Competencies

The best alliance allies, whether large or small companies, have a set of core competencies which add significantly to the competitive advantage of the alliance. This is the quadrant where unique strengths reside. Both companies should have sufficient core competencies to contribute which will enable innovation, spark customer excitement, and sustain competitive advantages.

These core competencies are seldom located on a company's balance sheet, and typically reside in integrated team functioning. Be sure the alliance accesses these key personnel, and that a highly effective means of leveraging capabilities is designed to provide a long-term stream of new innovations. Often these individuals will be linked directly to the customer with the sales team to maximize the creation of new products and services.

Step 1.2 Strategic Drivers

Strategic Drivers Model *(continued)*

Utilize Checklist 1.2a to assist you in analyzing the specific driving forces affecting your specific alliance. Concentrate on identifying near term versus longer term forces and how they may change over time. It is important to remember that nothing will remain a constant throughout the life of this alliance. To the extent you can, anticipate those changing forces.

Step 1.2 Examine Strategic Drivers



Checklist 1.2 DRIVING FORCES ANALYSIS

Quadrant I: Customer Driven (Opportunities)

MARKET

- Globalization of Markets
- Access to Markets
- Closeness to Customer

TECHNOLOGY

- Hybridization of Technology
- Development of New Technology
- Commercialization of Technology

STRATEGIC

- World Class Company Goals
- Profitability

Quadrant II: Competitive Driven (Threats)

REGULATORY

- Government Prohibitions
- Legal Requirements
- Taxation/Tariff

STRATEGIC

- Competitive Positioning

MARKET

- Changing Market Share
- Loss of Sales
- Distribution Capabilities

COST

- Escalating Cost Structure

Quadrant III: Capability/Capacity Driven (Weaknesses)

RESOURCE

- Production Capacity Limited
- Management Resources
- Technology Resources
- Financial Resources
- Territory Coverage Resources

RISK

- Economies of Scale
- Share Risk of Capital Expenses
- Share Operational Risks

QUALITY

- Increasing Quality Standards

PRODUCT

- Increasing Customer Solution

Quadrant IV: Competency Driven (Strengths)

INNOVATION

- New Technologies & Processes
- New Competencies

PRODUCTION

- Control/Lower Cost of Supplies
- Improved Quality & Reliability
- Design for Manufacturing & Assembly
- Excess Capacity

MARKET

- Customer Access
- Market Identification (Logo)
- Sales Leadership

Step 1.2 Strategic Drivers



~TRAP~

Watch for Changing Forces:

Every company exists at a moment in time in a particular strategic and operational environment. One thing that can be predicted with utmost certainty is that this environment will be different in the future. For some companies in dynamic markets and technologies, the future atmosphere may be rather stormy. For those in mature markets, it may be cyclical, with feasts followed by famines. And those in commodities may be subjected to great fluctuations in prices and supplies. Therefore, be keenly aware of these forces, because the ever-changing pressures require the alliance to be like a willow tree flexing in the strategic wind.



Checklist 1.2b

LIST DRIVING FORCES FOR THIS ALLIANCE

For Our Company

The forces you would like to see from a prospective ally.

Forces that would not benefit an alliance with our company.

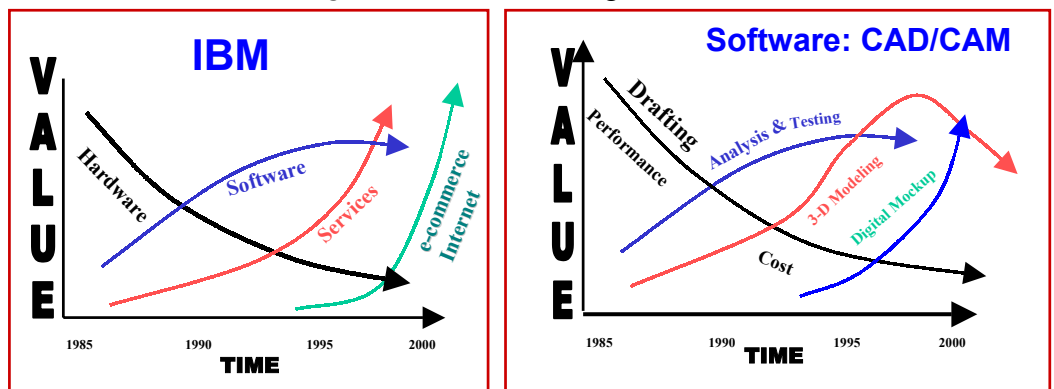
Step 1.3 Map Value Migration

Importance of Value Migration

In designing the strategy of the alliance, one must recognize from the outset that not only will the strategic drivers be changing, but the nature of what is valued will also shift dramatically over time. This shift in what is valued is called “value migration,” and its impacts on an alliance will be profound. *Figure 1.3.a* illustrates how the value has changed for two markets.

It is vital for both future alliance partners to have a common vision regarding these shifts, because both must position themselves, their investments, and their technologies to capture the value on the upswing of the curve.

Figure 1.3.a Value Migration



Alliances that ride the downswing of the curves tend to be “consolidation” alliances, where cost cutting and rationalization are the driving forces. Low margins prevail here, and alliances have less margin for error and less profit to allocate among the parties.

It is normally advisable to update and re-evaluate these value migration curves on at least an annual basis once the alliance is underway, because rapid innovation in the industry or changing customer demands may require the alliance partners to reconfigure the alliance.

Another implication of this strategic imperative is that the alliance partners must be flexible, because they will need to re-energize the alliance frequently.

Step 1.3 Map Value Migration

In mapping the value migration be sure and identify the key issues around; Customers, New Business Designs, Value Movement or other important characteristics of the market that will create change over time. Checklist 1.3 will assist you in this effort.



Checklist 1.3a Value Migration Checklist

Customers

- ✓ Who is the Customer?
- ✓ Are decision makers and influencers changing?
- ✓ What are the Customer's needs and values?
- ✓ Which customer needs are mature and require a more cost effective solution? Which needs are emerging and require a high performance solution?
- ✓ Given the customer's needs and value profile, how are their priorities changing?
- ✓ What do you think will be the customer's most important future needs?

New Business Designs

- ✓ How many distinct new business models have been introduced in our industry segment in the past five years?
- ✓ What is their customer and economic rationale?
- ✓ How do their economics compare to ours?

Value Movement

- ✓ Map the Value Migration that enabled us to gain our present position.
- ✓ What is the total market value of our industry? What is our share of that value? Who is gaining share of value most rapidly?
- ✓ What is the next shift in value migration we can either anticipate or lead?
- ✓ How will the rules of the game change in the future based on the new value migration?

Step 1.3 Map Value Migration



Checklist 1.3a Value Migration Analysis

1. Customer

- a. Who is the Customer? _____
- b. Are Decision Makers and Influencers changing? _____

- c. What are the Customer's Economics and Process Flow? _____

- d. Which customer needs are mature and require a more cost effective solution?
Which needs are emerging and require a high performance solution?

- e. Given the customer's economics and needs profile, how are their priorities
changing? _____

- f. What do you think will be the customer's most important future needs?

2. New Business Models

- a. How many distinct new business models have been introduced in our industry
segment in the past five years? _____

- b. What is the customer and economic rationale for each new business model?

- c. How do the economics of each new business model compare to our new
business model? _____

- d. How do customer ratings of our competitors' new business model compare
to customer ratings of our new business model? _____

Step 1.3 Map Value Migration



Checklist 1.3a *(continued)* Value Migration Analysis

3. Value Movement

- a. Map the Value Migration that enabled us to gain our present position. _____

- b. What is the total market value of our industry?
What is our share of that value? Who is gaining a share of value most rapidly? _____

- c. What is the next shift in value migration we can either anticipate or lead? _____

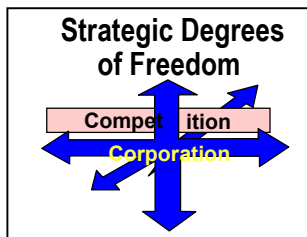
- d. How will the rules of the game change in the new future, based on the expected value migration ? _____

Step 1.4 Alliance Stratagems

Alliance Stratagems

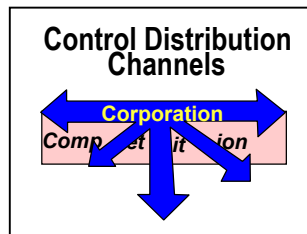
Alliance Stratagems are alternative alliance strategies that we can select among to out-maneuver our competitors. By gaining agreement on the selected alliance strategy in conjunction with our collaboration partners, we can ensure that all partners are focused on attaining the same strategic vision using the same methodologies.

Stratagems are concrete implementation pathways through which the strategic vision and value migration are brought from concept into reality. All too often “strategy” is left in a vague, un-measurable, un-actionable state of being, with no clearly defined, targetable program of action. By defining stratagem with your alliance partner, you will ensure strategic alignment, thus enhancing strategic fit.



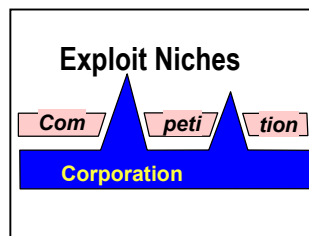
Strategic Degrees of Freedom:

Take core technologies into totally new arenas.



Control Distribution Channels:

Command access to major customers.



Exploit Niches:

Enter small, often low end markets, then expand into high end.



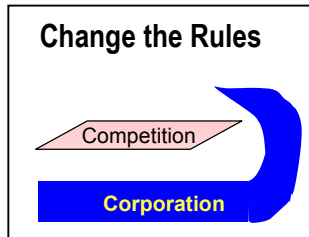
~TIP~

FOCUS ON THE CUSTOMER

It's far more important to focus alliance strategic energy on meeting new and emerging customer needs than to use the stratagems to take aim at “destroying the enemy,” “dominate the market,” or “make the competitor’s life miserable.” By focusing too much on defeating the competitor, the alliance will probably become vulnerable to misreading the direction and speed of the marketplace, and, most certainly, not recognize new competitors entering from very disparate markets and technologies.

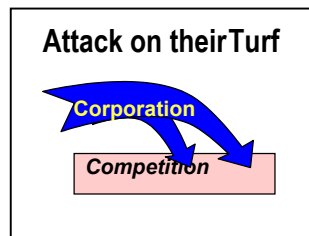
Step 1.4 Alliance Stratagems

Alliance Stratagems *(continued)*



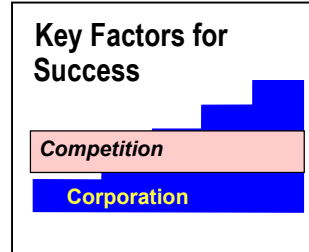
Change the Rules:

Alter the buying patterns by offering new value proposition.



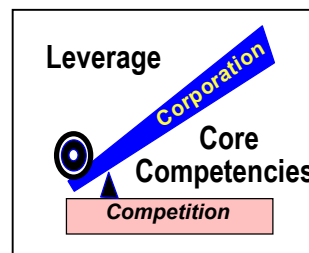
Attack on their Turf:

Force Competition to use its resources locally, sacrificing global expansion.



Key Factors for Success:

Do the job better than can be done alone.

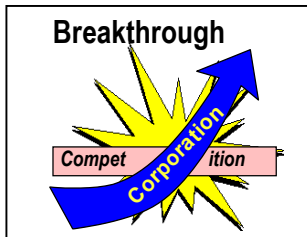


Leverage Core Competencies:

The core competencies of two companies augment each other.

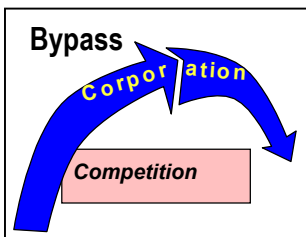
Step 1.4 Alliance Stratagems

Alliance Stratagems *(continued)*



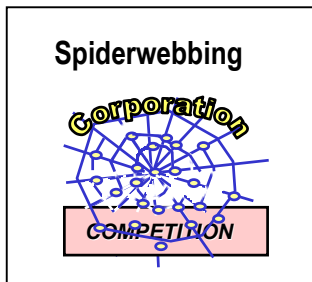
Breakthrough:

Technology of one company, with the technology of another creates totally new technology.



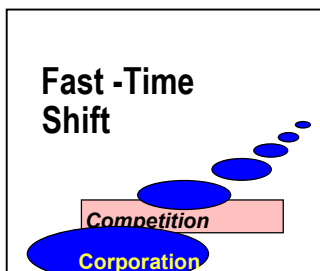
Bypass:

Outflank traditional competitors with new approach.



Spiderwebbing:

Build a global network of the most influential players to become dominant despite inadequate technology.



Fast Time Shift:

Dramatically decrease cycle time.

~TRAP~

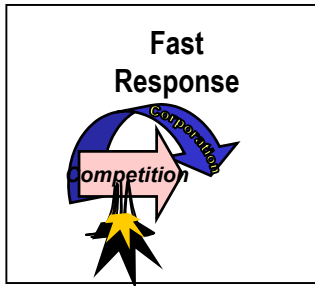
TOO MANY STRATAGEMS

While most alliances apply more than one stratagem, often in parallel in the same market, don't try too many at the same time thus diverting focus and diluting resources.



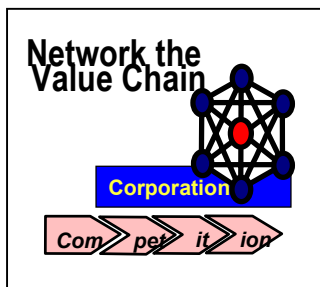
Step 1.4 Alliance Stratagems

Alliance Stratagems *(continued)*



Fast Response:

Implement strategies & technologies faster than competitors, even when competitors announce first.



Reinvent Yourself:

Reconfigure the nature of business

Step 1.5 Breakthrough Value Proposition

Value Proposition

The Value Proposition is the external value of the alliance to the customer. Use the alliance to profitably:

- Create the best chain of value-added for the customer;
- Be the best at every step in the value chain and be sure that our company's core competencies are superior to the competition's;
- Produce results significantly better than could be produced alone.

The Value Proposition must make it clear to the customer precisely why this alliance provides greater benefit to the customer than other competitors' offerings.

Value is the difference between Benefit and Price, as perceived by the Customer. Competitive Advantage is the difference between how well the alliance profitably provides value compared to the competition. These are the hallmarks of a "Breakthrough" Value Proposition.



~TRAP~

Value Added Proposition (VAP)

Don't let the VAP be vague (i.e. excellent quality, good service, etc.) Define VAP in terms of measurable results, so that the alliance will have clear benchmarks for its performance.

"Reasonable people adapt themselves to the conditions that surround them."

"Unreasonable people adapt surrounding conditions to [their vision of the future]."

"All progress depends on the unreasonable person."

-- George Bernard Shaw

Breakthrough Value Proposition

For an alliance, to be successful, it must be able to accomplish something that could not be done as effectively by any other means. This requires an ability on the part of the alliance to provide extraordinary value that "delights the customer". The Breakthrough Value Proposition (BVP) becomes the purpose of an alliance. The BVP is a critical unification point because it focuses externally on the customer, rather than internally on the individual allies. When frictions arise, the VAP will help coalesce the alliance. Alliance Architects need to construct the most effective value added chain which:

Step 1.5 Breakthrough Value Proposition

Breakthrough Value Proposition *(continued)*

1. Defines the target customer and the appropriate channel.
2. Develops a value proposition that profitably satisfies the customer's wants/needs and surpasses the competitors' capabilities.
3. Determines if we can/should do this alone, or if an alliance is needed.
4. Designs an alliance which provides the strongest value added.

This starts with the BVP.



~TIP~

In the rapidly changing world of global competition and technological innovation, the race will not go to the swiftest state-of-the-art technology, nor to the lowest price competitor, but rather to the alliance providing the chain of highest added value to customers.

The Breakthrough Value Proposition enables the partners to align their vision on a very specific and tangible value for the ultimate customer. This requires a clear and explicit definition of what "Value" is actually going to be produced by the alliance. Because alliances will require an extra effort and expenditure of resources by our company, it is essential that the Incremental Value Produced is greater than the Incremental Resources Expended.

IF: Value Produced > Resources Expended

THEN: Do the alliances

IF: Value Produced < Resources Expended

THEN: Don't do the alliance



~TIP~

TRADEOFFS

It's seldom profitable to "be all things to all customers." Providing products and services often requires tradeoffs to the customer. Identify the "ideal" customer benefits, then develop the VAP based on what will: 1) maximize benefits to the customer; 2) be competitively advantageous; and, 3) produce a reasonable profit for both partners.

Step 1.5 Breakthrough Value Proposition

Breakthrough Value Proposition *(continued)*



~TIP~

Link to Alliance Purpose

The Value Proposition (VP) is a critical ingredient in the alliance because it forms the basis of the Alliance Purpose Statement. Further, the VP focuses the alliance's attention externally, toward the customer, rather than internally on the needs of the individual sponsoring companies.

ALIGNED FOCUS: The alliance partner is linked 100% with the business sector's marketing plan, by focusing on the same opportunities. In most cases, the business owner's capabilities will continue to enhance their skills in that business segment over time.

MARKETING LEADERSHIP: Our business sector executives may have excellent leadership skills, as well as specific industry experience that may be dedicated to the profitable growth within selected segment objectives. This enhances our ability to assure mutual success.

MARKET SEGMENTATION/OPPORTUNITY IDENTIFICATION: Market research, market intelligence and account intelligence may have been completed which now can provide the business sector a competitive edge on the competition. The opportunity identification will allow us to target our marketing focus in key areas and reduce waste in resource and time. This should result in a substantial growth in various lines of business.

~TRAP~

The Term "Vendor"

Be cautious about continuing to use the term "vendor" with an alliance partner. It signifies a "low value-added," and does not generate a long-term vision filled with new opportunities. Use a more appropriate term like 'business partner,' "ally," "preferred supplier," etc.



Step 1.5 Breakthrough Value Proposition

Checklist 1.5.a should be used when developing a value added proposition. The list will provide you with key points that should be used when considering what value the relationship will have.



CHECKLIST 1.5.a VALUE PROPOSITION

Key Questions

- A. How does the alliance's product/service offering make the customer more:
- successful
 - effective
 - profitable
 - competitive
 - productive
 - satisfied
 - efficient
- B. Has this VP been **validated** by target customers in the segment?
Does it create more:
- opportunities for growth
 - opportunities to add more value
 - difficulty for competitors to:
 - a. enter the market
 - b. match our offerings
- C. The Future
The future may not be an extension of the past. What shifts in the value proposition might be expected within the next 5 years?
How should the alliance prepare itself for this shift?

Step 1.5 Breakthrough Value Proposition

Checklist 1.5.b assists in clearly developing the words for each of the key categories that should be included in the VP. It is not necessary to use all of the points listed below, just those that will be crucial to the success of this alliance.

Checklist 1.5.b
DESIGN VALUE PROPOSITION



Value Added Key Characteristics

1. Explicit and Clear Benefits: _____

2. Total Solution Price to Customer: _____
3. Target Customer: _____
4. Superiority: _____
5. Profitability: _____

6. Demand: _____
7. Competitor's Position: _____

8. Feasibility: _____
9. Alliance Advantage: _____
10. Simplicity/Elegance: _____
