

A Powerful Combination

*A partnership can be the catalyst for some much needed fresh thinking in the boardroom. **Criticleye** reveals how innovative businesses across different sectors are joining forces for mutual gain*



Business models always need to adapt and, increasingly, companies are finding that cross-sector partnerships are a great way to experiment and be innovative.

Whether it's financial services, retail or housing, boards are being far more imaginative in how alliances with businesses outside their industry are formed, and the ways in which they can collaborate to reach customers and open up new routes to market.

Professor **Dominique Turpin**, President of IMD and Criticaleye Thought Leader, says: "Everyone's on the lookout for new business models and there's increasing pressure on brands to come up with ever more innovative ideas that cut costs while creating a differentiated and valuable experience for the consumer. So it's about being creative and rethinking the rules of the game."

Take Barclays' partnership with Asda, which initially saw four bank branches being moved into the supermarket's stores. **Steven Cooper**, CEO of Personal Banking within the Personal and Corporate Banking division of Barclays, describes the "mutual opportunity" for both brands in providing convenience to consumers, with the added potential that some shoppers may be persuaded to switch accounts or their supermarket of choice.

"Not all Barclays' branches are in high streets where parking is easy, so it's convenient for customers if they can park in one place and do both their shopping and banking at the same time, and at a time that suits them – Barclays in Asda stores are open

“It's about being creative and rethinking the rules of the game”

seven days a week," says **Steve**. "Both Asda and Barclays do and can share customers and we can find cost savings for each other too, so while we contribute towards Asda's cost base through rent, effectively, we don't need a Barclays branch nearby, so we save in that way.

"Ultimately, I hope it will lead to increasing footfall for Asda and increased business for Barclays – and happy customers."

FOOD FOR THOUGHT

Another example is Italian food manufacturer Sacla's proposed venture with housing specialist Unite Students.

Jim Waller, former Commercial Director at Sacla, sees it as a great opportunity for broader brand exposure: "Sacla already has good penetration into the student market because something like 80 per cent of students use a pesto product on a regular basis, but it's now looking to extend its reach and increase longer-term loyalty beyond their student life, when usage traditionally plummets.

"It's very early days in the discussion but there are some interesting ideas that both parties would like to explore. For example, Sacla produces a cook

book and there's been talk of cooking demonstrations on Unite's premises."

For Unite, while there will be a financial benefit to such a venture, it's more that it strikes the right note following a recent rebrand. **Richard Smith**, Managing Director for Operations at Unite Students, comments: "There's clear alignment between what both parties want to achieve and we both have similar ambitions with regard to our potential customer base.

"The benefit to Sacla is to increase their brand exposure and hopefully generate increased sales from that; for Unite, it helps support our wider brand ambitions of promoting life skills and helping students to get more from their time living with us."

INTO THE UNKNOWN

Of course, commercial arrangements of this kind aren't necessarily anything new, but they are increasingly seen as a powerful tool to open up different markets. In India, for instance, where joint ventures have traditionally been the preferred choice, the partnership model is flourishing.

Arbinder Chatwal, India Advisory Services Leader at professional services firm BDO, says: "A number of companies we've worked with recently are going into the market with a more indirect model, just looking to dip their toe in the water, so to speak. So they're looking at distribution arrangements and outsourcing in order to get a man on the ground who will see what kind of orders are getting placed...

"Certainly, setting up a presence immediately is not necessarily the ►

right answer. It's a case of testing the market first in order to decide whether it's going to work well for you."

Whatever the nature of the partnership, it's essential that both companies know how they are going to operate together. **Neil Ward**, VP and General Manager of Business Operations at internet communications platform Skype, comments: "The real nub of the matter is to keep the core of what you want to achieve in your own hands..."

"A good example would be a company called Lithium, which provides our community model. They've built the data infrastructure, so the actual platform on which the community lives, while we host the user experience using our own people, policies and procedures."

7 Tips for Effective Cross-Sector Partnering

1. Understand where the mutual opportunity exists for both parties
2. Think about how you'll promote your brand to a different set of customers
3. Decide how you will work together – a good relationship between the two management teams is vital
4. Ensure that everyone is aligned on objectives and outcomes
5. Know which aspects of your operations you want to keep separate
6. Agree a suitable timeframe for the partnership
7. Don't forget to scrutinise the commercial and reputational risk that partnering presents for your business

“Do not underestimate the responsibility that goes with partnering”

Partnerships work best when know-how is shared while autonomy is retained. **Laura Haynes**, Chairman of brand consultancy Appetite, comments: "Partnering can be more attractive than M&A because it enables you to seize a commercial opportunity without losing brand integrity or independence of business operations. That might be to fulfil the needs of customers in particular markets, or trial something that might be appropriate only for a short period of time."

DEVIL IN THE DETAIL

As with any arrangement, there will be risks that need to be managed. **Dominique** says: "Either party might have different dreams and not fully understand the other side's position. Furthermore, you have to understand the long-term consequences of your relationship, because the context will change [over] time."

"What worked when you set up the agreement might not provide the same benefits to both parties a couple of years down the line."

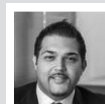
Laura says: "Don't underestimate the responsibility that goes with partnering. The reputational risk and commercial

risks in terms of delivery are still high because you have very little control over what the other party's brand is doing outside your arrangement."

The details of the agreement need to be scrutinised so that both parties are clear about what's expected. Get that right and there's no reason why a partnership can't be the catalyst for some much needed fresh thinking among both sets of management teams. ■

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