LIPPINCOTT MERCER
Design & Brand Strategy Consulting

Choose Your Partners Carefully

Companies frequently look to develop alliances and partnerships as a low-cost way to pursue new customers and markets, as well as realize value from their brand (by licensing the use of their brand to other companies).

Yet there are significant risks with being too broad in pursuit of partnerships. First, there is the risk that a partnership fails to contribute to—or worse still, detracts from—brand equity. Second, our research of publicly available information has highlighted that expanding the number of alliances may in fact negatively impact shareholder value.

Two or three years ago, alliances and partnerships were seen as effective, low-cost ways to quickly build scale in an expansive economy. However, in today's challenging economy, having too many alliances and partnerships may distract management's attention from the core business, or have limited contribution to actual financial performance.

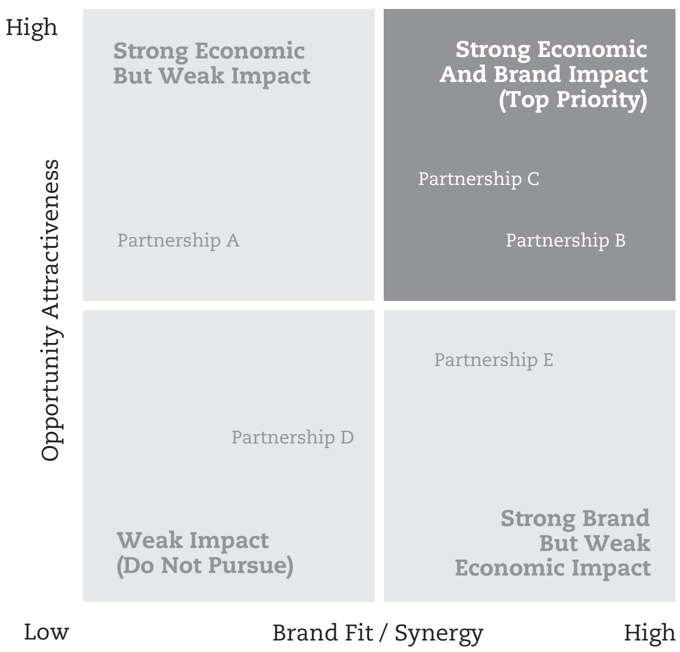
Put simply, in today's market, quality outweighs quantity of alliances. Going forward, companies need to approach alliances and partnerships with greater discipline to answer the following three questions: (1) How do we measure perceptions of quality for alliances? (2) With which alliance partners should we deepen our relationship to enhance our brand image? (3) How can we communicate the quality (not quantity) of alliances?

To maximize the impact of alliances, companies need to have a robust set of criteria that evaluate existing partnerships from both a brand and economic perspective. Typically, there is a much stronger focus on the economic terms of the partnership. From a brand standpoint, the partner needs to be able to support the company's current positioning and/or create differentiation. Linking existing brand tracking research to measure changes in perceptions against key equity elements is often a useful first step for measuring the impact from a brand perspective.

The next step is to incorporate these criteria into a structured set of tools that can be applied to evaluate future deals. This gives management a structured approach for analyzing future partnership candidates and reevaluating existing relationships on a regular basis.

Contributed by Michael D'Esopo, a partner at Lippincott Mercer

Potential partnerships need to be assessed from both brand and economic perspectives.



For more information
+212 521 0000
lippincottmercer.com
info@lm.mmc.com

MMC Marsh & McLennan Companies