

Achieving Strategic Alliances

by Ron Harris • Rainmaker Strategies Int'l.

If the laser printer aftermarket is to sustain and thrive in the MPS world, much of this partnering of sorts will be done by the participants using strategic alliances. Strategic alliances are a way for companies that sell narrow product lines to bundle and expand their array of products and services to meet this new market demand. Sure there will be acquisitions and mergers. But due to the current economic conditions, the majority of aftermarket companies aspiring to develop MPS programs and divisions that include TCO will have to develop strategic alliances, with complimentary and sometimes competitive companies to beef up their value propositions, defend or grow their market share and maximize profit.

Strategic alliances (formerly co-ops or cooperations) are agreements between companies to reach objectives of a common interest. Alliances and co-ops are among the various options that companies can use to achieve their goals; they are based on cooperation between companies. The description "strategic" limits the field to alliances that are important to



the partners, call for specific roles to be played and are part of a plan to reach predetermined objectives.

Strategic alliances are agreements between companies that remain independent and are often in competition.

Two or more organizations (business units or companies) make an agreement to achieve objectives of a common interest considered important, while remaining independent with respect to the alliance.

The organizations contribute, using their own resources and capa-

bilities, to the development of one or more areas of the alliance (important for them). This could be technology, marketing, expanded product offering, production, R&D or other areas.

Why has there been a recent increase in this type of activity? What do these increases mean? They reflect a turbulent economy. They are an attempt to give stability to the environment hit with market globalization, technological innovations that break down barriers between sectors and ever-intensifying competition.

When each partner recognizes the need to have access to capabilities and competencies, it cannot develop internally. Alliances become useful tools for growth and even sometimes survival in this type of economic climate.

The drive to create alliances has evolved quickly over the last few decades. But now markets are global and we are in the midst of a global economic crisis and finding money to finance new ventures is more difficult than any other time in history. At the same time, consumers have less money to spend, buyers are becoming savvier regarding value and businesses are more conscience about the bottom line. As in MPS where emerging new technologies come on the scene, driving the bundling of products and services causing the convergence of different channels and sectors.

Alliances include a wide variety of goals, which companies are completely or partially unable to achieve when confronting competition on their own. These goals include setting new global standards, confronting competition, overcoming protectionist barriers, dividing risks, economy of scale, access to a market segment, access to a geographic market, access to technology or bridging a gap.

Many alliances deal with specific functions. Two or more companies decide to cooperate in one or more functions: R&D, creating an improved product mix, marketing, production, distribution, etc.

Research and Development

R&D is collaboration for the development of new products and technologies.

Production

The advantages of an alliance in production are mainly in the econ-

omy of scale and the possibility of absorbing excesses in operational capacity during periods of declining demand.

Marketing

After combining forces, a new go-to-market strategy must also be developed. In many cases, the new offering is branded on its own by either or all of the companies involved. This allows each company to sell the combined offering to their existing customer base, open new sales channels and/or prospect independently or collectively to the world. The alliance is developed in most cases to defend market share, fill a market demand or to establish new sales territories and markets. The marketing strategy must deliver a clear message to the intended market segment the alliance was designed for.

Distribution

Distribution is one of the most common and oldest forms of alliance. It gives a company the possibility of broadening its range of products and services offered on the market, and adding the products and services of another company to its own.

Knowing the value of the opportunities that can be achieved with the alliance is an essential factor in the planning and development. Often alliances change the landscape of competition. They signal a shift in a market moving towards value added services, in the case of MPS more of a total cost model. Strategic alliances answer various long-term strategies of a company. Not only the decision of whether or not to choose a strategic alliance, but also what type of alliance to choose depends on these strategies: the sector, the competitive

position in the market, and the specific objectives the company wishes to achieve.

Why is it imperative for aftermarket companies to develop strategic alliances?

MPS is the value added proposition that is lurking around the corner. In order for the laser printer aftermarket to participate and deliver all options from monitoring to full TCO, companies will have to find ways to include the additional products and services that create this comprehensive offering. For the laser printer OEMs all that is needed is the new technology, monitoring and assessment tools. For the copier dealers, it's the technology, and a source for laser printer supplies and parts.

The aftermarket is segmented into competitive companies selling supply, maintenance components, fusers, maintenance kits, service or selling remanufactured hardware to a common customer. Each needs many more pieces to complete this MPS puzzle. For each partner, the alliance is a means to overcoming a weakness. Each wants to bolster its own capabilities, in technology, finance, marketing and the products or services offered, to align itself with partners that are strong where it is weak. Each company must not only add the products and services it needs to deliver comprehensive MPS solutions, but must learn to develop those new products and services as additional revenue streams, encompass them into a package to defend and compete for market share against their more established competitors. **R**

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