

# Understanding Partnership Marketing

IN THIS CHAPTER, WE WILL discuss what partnership marketing is, why you should consider it as a marketing strategy, how it can work for you, and ten of the most common partnership marketing models currently being used in business today. As you read through the models, start thinking about which, if any, you are already working with in your company, which are not practical options for your business and which models you are really interested in learning more about to help determine if they just might give your business the marketing edge you have been looking for.

While a model may have been successful for one company, it might not be the best model for your business. So what type of partnership *is* right for you? The answer to that question depends on what you can effectively manage and support given the nature of your business, products and services, budgets and how you typically communicate with existing and prospective customers. At the end of the discussion on each model, I have included a few key questions for you to think through as you begin to create, modify or improve on your marketing strategy.

These are the models that we'll look at:

1. Distribution marketing partnerships
2. Added-value marketing partnerships
3. Affinity marketing programs
4. Affiliate marketing networks
5. Content marketing programs
6. Sponsorship marketing
7. Licensing programs
8. Loyalty marketing programs
9. Co-marketing
10. Store within a store and co-branded stores

## **DISTRIBUTION MARKETING PARTNERSHIPS**

Traditional 'distribution' involves purchasing and then reselling a product or service that a given party within the distribution channel will make a margin on. In a distribution marketing partnership, on the other hand, the primary partner brand is the one that owns the product, has the means by which to get it to the end customer and transacts with the end customer and owns that relationship, while the secondary partner brand is responsible for marketing to their customers, which then become customers of the primary partner brand. The primary partner brand then financially rewards the secondary partner brand for distributing the marketing collateral through a variety of revenue models, as discussed in chapter 7.

Let's look at an example from my time at AOL. AOL, the primary partner brand, entered into a distribution marketing partnership with Best Buy, the secondary partner brand, to display AOL CDs in their stores. With Best Buy providing a storefront distribution channel, AOL was able to offer their product directly to their target market—customers purchasing computers. Best Buy needed to make minimal shelf space available for the product, and AOL had a forum to provide a special offer to Best Buy's customers. The costs were incurred by the primary partner, AOL, who paid for the displays, the CDs,

the special customer offers and Best Buy's 'referral' fee for each new customer acquisition.

The partnership is developed between partner brands to leverage marketing capabilities, with the primary partner brand (AOL) taking responsibility for transporting, merchandising and transacting with the customer.

Distribution marketing partnerships typically involve the following:

- Your Partner Brand handles the advertising, emails and other types of customer marketing. It's important to leverage those vehicles to promote your partnership.
- You make unique or compelling offers available to customers as an added value proposition to support and supplement your partner brand's core offering.
- Since you are good at what you do and your partner is good at the business they run, you can leverage what each brand is good at to bring an aspect of innovation to both businesses.
- You develop new products and together plan for product launches, leveraging input from each other from concept to delivery.
- Jointly, you analyze customer data and look for new opportunities to meet wants and needs.
- You work together on primary and secondary market research activities and share your findings with each other.
- You service your customers more effectively by leveraging the insights you might have gained together.

The two main models that can be used for distribution marketing partnerships are bundling and cross-marketing, both of which are explored below.

## **Bundling**

Distribution marketing partnerships are not limited to traditional distribution channels like retailers, e-commerce websites or resellers. Think about the last time you purchased a laptop computer. Did you notice the abundance of

flyers packed in the box with special partner-brand offers on products like computer bags and other computer-related accessories? Perhaps you noticed when you set it up for the first time that the desktop was pre-populated with icons offering free trials on high-speed Internet, Skype or other types of VoIP telephone services. This is a form of distribution marketing partnership, where the laptop computer company, for example, Dell, has partnered with a partner brand, Skype, and bundled their offering to drive sales for Skype's products or services by making special offers available to Dell's customers. As a result, Dell generates revenue from Skype by leveraging placement opportunities for Skype via in-box bundles, package inserts and promotion on the computer desktop as opposed to in-store and online distribution marketing partnerships. The benefit to the partner brand, Skype, is that they have direct access to their target audience, who must own a computer to be able to use their service. The benefit of this partnership model to the secondary brand, Dell, is that they not only provide a value-added offering for their customers but generate some sort of revenue from Skype.

### **Cross-Marketing**

In Canada, American Express and RBC Insurance (RBC) have formed a distribution marketing partnership—two competitors coming together to create a new distribution channel. How can that be? While they might both compete in the credit card market, American Express doesn't actually own their own travel insurance product and RBC does. RBC underwrites the American Express travel product so American Express can offer their customers travel insurance marketed as 'Travel Assurance for Emergency Medical Coverage, Trip Cancellation or Interruption, Lost Baggage Coverage and Travel Accident Coverage at [americanexpress.ca/travelinsurance](http://americanexpress.ca/travelinsurance).' They may compete in the credit card market, but they certainly can work together when it comes to insurance.

RBC benefits from the partnership by gaining access to the American Express credit card base of customers via American Express marketing the product directly to their customers. (Whether RBC gains access to American Express's entire customer base or simply those individuals who respond to the

offer depends on the deal arranged.) RBC delivers the product and American Express brands and markets it. RBC has the opportunity to cross-market the product not only internally within the larger RBC organization, but to new markets as well, by partnering with companies like American Express that make it cost-effective for RBC to market their products and services to a targeted customer base.

Will distribution marketing partnerships work for your company? Here are a few key questions to explore:

- Are the distribution marketing partners that I am considering working with willing to place my offer in their most effective marketing communications vehicles?
- Is the revenue model that I am thinking of presenting to potential distribution marketing partners highly compelling?
- Do I possess the capability to track new customers that are referred to my business by my distribution marketing partner so that I can reward the partner?

## ADDED-VALUE MARKETING PARTNERSHIPS

Let's face it—we can't do it all on our own. Most businesses typically possess one core competency and if they are good at what they do, they likely are enjoying high degrees of business success. A baker can bake bread, croissants, pastries and bagels, but can he manufacture toys for kids aged seven to twelve? Not likely. A garage that sells tires and can fit them on your vehicle is probably not all that good at brewing coffee. At least, I don't suspect that they would be. That's OK. Not everyone can be great at everything and a company's strategy should typically focus on their core competencies.

An added-value marketing partnership is one where a primary brand has the ideal product or service to complement a secondary brand with an attractive value proposition, which will allow the primary brand to reach underserved audiences through the secondary brand's ability to target them effectively.

Jason Wagner, President of TrackItBack, a lost-and-found recovery service for mobile devices, keys, luggage and other personal belongings, regularly leverages added-value marketing partnerships to acquire customers for his recovery tracking labels. TrackItBack recently partnered with US Airways to provide their offering to customers of the major airline. “The mechanic was pretty simple,” says Wagner. “US Airways sent their customers an email encouraging them to visit [TrackItBack.com/US](http://TrackItBack.com/US) where they could buy TrackItBack recovery tracking labels and would earn free US Airways Dividend Miles with each purchase. For every sale that was made, TrackItBack rewarded US Airways with a commission.”

Wagner highlights two main benefits behind the partnership: 1) The brand awareness that TrackItBack received by getting their product in front of the four million US Airways dividend miles members and 2) the sales that this program generated for TrackItBack. TrackItBack leveraged the credibility they earned with the US Airways partnership, and won two additional partnership marketing programs with new partner brands; one is a major loyalty rewards program and the other a leading insurance provider. In this case, the added-value component or ‘gift with purchase’ is the free US Airways Dividend Miles that the cardholders would receive after purchasing TrackItBack products.

You might be asking yourself, “What is the difference between added-value and distribution marketing partnerships?” The main difference is that added-value marketing partnerships typically offer a true unique value-add to the end customer in the form of a gift with purchase that they can’t get anywhere else, while distribution marketing partnerships do not have that component.

Aside from that, there are more similarities than differences between these two types of partnerships. This is because there is a strong component of distribution in developing the added-value marketing partnership. The key differentiator, however, is that while you can have a distribution marketing partnership without offering added value, you cannot have an added-value marketing partnership without an element of distribution.

In the above example, TrackItBack was able to gain access and opportunity to promote and sell their products to a large customer base made available by their partner, US Airways. The distribution component of this partnership involves US Airways making the element of distributing an offer available to TrackItBack through their various customer communications vehicles. The unique offering of the program is the added value offered to US Airways customers to earn free US Airways Dividend Miles for every dollar spent on TrackItBack products. That is perceived as added value by the customer making the purchase and gives them a little something extra from the partner brand that is communicating the offer to them.

1-800-GOT-JUNK?, a primary partner, entered into an added-value marketing partnership with The Beer Store, a secondary partner brand. The offering involved customers that used the 1-800-GOT-JUNK? service with a minimum order receiving a \$20 gift card to be used at The Beer Store. The Beer Store included in-store coupons advertising the customer offer, and promoted the offering online on their website. That was all they had to do to earn revenue. For the primary partner, while costs are incurred—in this example, the funding of the \$20 gift card—the program is focused on a specific customer target market.

Another example of an added-value marketing partnership that includes the distribution component involves XM Satellite Radio, which equips automobiles like Acura, Lexus, Toyota and GMC with a free three-month introductory trial (i.e., gift with purchase) for customers to try their service in their new car. The partnership allows XM to leverage their relationships with the auto manufacturers to acquire new customers for their service, through the auto manufacturers' distribution channels, and for the auto manufacturers to include a unique added-value product offering with their core product. In this example, if XM Satellite Radio had the same partnership with the auto manufacturers, but without a special unique product offering in the form of a 'gift with purchase,' and ran their standard offer made to any customer who wants to purchase their service, then customers would have to pay for the XM service in full and this would be considered a pure distribution marketing partnership.

In Canada, when you turn on your laptop at Starbucks, you will be greeted with an added-value offer. The retail coffee giant has partnered with Bell to offer free wireless Internet service to anyone who opens a Starbucks-Bell wireless account at the Starbucks website. For customers that are loyal to Starbucks, this is a truly added-value offer; however, for those not committed to the brand, this Internet offering just might make the difference between a customer going to Starbucks or any other coffee-serving establishment. Furthermore, the partnership has the opportunity to meet a further objective for Starbucks. Instead of acquiring new customers, the partnership may be keeping existing customers in the store longer by having them use free wireless Internet service during their stay and gaining more opportunities to increase the number of transactions or quality of the transactions that they make at the counter. As a result, they are increasing the transaction revenue per customer, per store visit. For Bell, this partnership provides access to a discrete customer base (a large segment of Starbucks customers) that is already looking to use the Internet while spending time at Starbucks locations, resulting in a highly targeted marketing opportunity for Bell to potentially target Starbucks customers with offers of their own.

Added-value marketing partnerships can feature a 'gift with purchase' in many forms. It could be a free trial offer beyond what is offered as standard in the market, like free digital HDTV service for a year when you buy a new TV. It could be a unique piece of content, like a video game, screensaver or ringtone for your mobile phone when you buy a new mobile phone, or a unique product, like a free muffin when you buy your coffee or a free T-shirt when you buy a pair of jeans.

Will added-value marketing partnerships work for your company? Here are a few key questions to explore:

- Do I have a compelling and competitive added-value offer to bring to another brand?

- Is the brand that I have identified to partner with a good strategic fit and will the offer being made available increase sales traction for my product?
- As the brand making the added-value offer available, how much money can I dedicate to such an offering while still staying within the company-targeted cost per acquisition (CPA) to acquire a new customer?

## AFFINITY MARKETING PROGRAMS

Affinity marketing programs are typically used by associations to create value for their members. An affinity marketing program involves leveraging partner brands where the owner and operator of the program makes special offers available from their partners to their members as a member benefit and the partner brands agree to join the program in exchange for the marketing and promotion to the members that they receive because they made that special offer available.

Unlike an added-value partnership, affinity marketing programs will offer no gift with purchase. Rather, they typically involve a straight discount or perk, and it's possible to get the same discount or perk through other channels.

As outlined below, an affinity marketing program can be used to achieve a number of different business objectives. Its focus can be to retain members of an association (e.g., the American Automobile Association). In other instances, there are organizations that members must join to be in good standing in their profession (e.g., the Canadian Institute of Chartered Accountants) and therefore such a partnership does not focus on retaining members but rather providing a perk to its members. As well, many companies now are joining and, in some cases, creating such programs as part of their employee rewards program.

There are two main types of affinity marketing programs that you can get your business involved in: customized and generic.

## Customized Affinity Programs

Affinity programs exist everywhere. From auto associations like the AAA in the U.S. to the CAA in Canada and the AA in the U.K. associations partner with various brands to give discount offers to their members on hotels, car rentals, holiday packages and even prescription drugs. One of the larger membership organizations in the world is the American Association of Retired Persons (AARP) based in Washington, D.C. The AARP offers its more than forty million members discounts on restaurants, entertainment, health products, travel and more. The AARP has partnered with companies like Expedia, where they have created a Travel Center for their members to take advantage of special discounts and targeted offers. Given that 'travel' is a key vertical for the AARP, it's a great way for brands like Expedia to access their member base and make special offers for holidays and excursions. This customized program enables Expedia to gain access to a discrete base of customers within their target audience, with endorsement from the AARP.

Another customized program involves the Canadian Institute of Chartered Accountants (CICA), which offers their 85,000+ member base special discounts from Hertz, Dell Computer, John Wiley & Sons Publishing, RIM (BlackBerry), Starwood Hotels, and Bose to name a few. John Tabone, Manager of Member Value Research for the CICA, says that "the program is not designed to drive revenue or build the brand for the association but to offer members valuable and unique offers on products and services that they are interested in and the program is designed to make members feel like they are getting more from their association."

The CICA, with such a large member base, and given the average income and socio-demographic makeup of their members, is an attractive association for both B2B and B2C brands to want to target. Tabone explains that the CICA is very careful about the brands that they partner with for their affinity marketing program, and has done the research to find out what the members want. When it comes to looking for the right partners, the focus is on partners that will provide highly compelling offers for CICA members, that have national reach and that can easily support the offer in order to create a positive member experience.

Partner brands joining the affinity marketing program and looking to make a special offer available to the members of the program typically will not exchange payments with the owners of the program, but simply fund the offer in exchange for the opportunity to target their members. In some cases, the partner brand may pay to have access to members beyond the planned marketing activities of the affinity marketing program and to be able to email or mail these members directly.

### **Generic Affinity Programs**

There are a number of generic affinity marketing programs that you can consider having your company participate in. Next Jump, as an example, presents companies with a corporate perks program offering employees discounts on merchandise. Next Jump's mission is to be the most valuable, flexible and convenient rewards program worldwide and they currently have more than twenty-five million employees from over 90,000 corporations using their program. Furthermore, Next Jump offers corporations the opportunity to upgrade the platform to a private label version for their employees.

• • •

Both approaches to affinity marketing programs have their benefits. If you choose to create your own, it will be more labor intensive, yet you likely will be able to target offers that are more appealing to your member base. As well, you are much more in control of marketing the program and its offerings to your members and/or employees, because the messaging can easily be integrated into your existing communications and other marketing programs. The benefit of joining a generic affinity marketing program, or 'network' so to speak, is that someone has already done the work for you in acquiring the partner offers and has the turnkey solution ready to go, even if the partner offers are not exactly what your audience is looking for. Such a program still provides a level of value to your member base, yet is clearly not as customized. The decision of which program is right for you will be based on your current objectives, budget and available resources.

Will affinity marketing programs work for your company? Here are a few key questions to explore:

- Do I need to offer my members or employees an affinity program with special perks?
- As a partner brand considering joining an established affinity program, will my message get across if it is grouped together with several other marketing offers? What is the frequency and reach to my member base throughout the year?
- As a partner brand solicited to join an established affinity program, should affinity marketing be part of my strategy? Does my company normally make special offers and discounts available to special groups of potential customers? Do we want to?

## AFFILIATE MARKETING NETWORKS

Affiliate marketing networks allow e-commerce or online sellers of goods and services the opportunity to tap into their partner network of thousands of websites with even more potential customers who are visiting those websites. The model for this mass partnership marketing program involves the customer visiting an affiliate website (also known as a publisher), and that website then referring the customer to a partner website (advertiser). If the customer takes a specific agreed upon action, such as filling out a form, making a purchase or subscribing to a service, from the partner website (advertiser), then the partner website pays a commission to the affiliate (publisher) for that customer referral. All of this is carefully tracked online with accurate reporting in real time.

LinkShare (linkshare.com), Commission Junction (commissionjunction.com) and Share a Sale (shareasale.com) are some of the more common online affiliate marketing networks. Specifically, LinkShare provides advertisers with an online marketing channel for finding new customers, by acting as the third party that brings together advertisers and publishers. LinkShare's value proposition, according to their website, is that by choosing LinkShare, you tap into deep online marketing knowledge and experience combined with unique and patented technologies that help turn traffic into sales. What makes affiliate

marketing networks interesting is that they cater to virtually any type of business that is communicating with their customers in an online forum. This is because you can join such a program as either a publisher or an advertiser.

Generally, there is no cost for a publisher to join the program. The advertiser, however, has to pay to initiate their programs and usually has to reach minimum targets for transaction revenue or pay a monthly fee to the publisher if that minimum is not reached.

Affiliate marketing networks can be an effective way for online sellers to leverage a group of affiliates to drive traffic to their website. The key is to be sure that you, as the advertiser, are converting a fair number of the visitors that the network drives for you into paying customers, especially if you are paying any additional fees beyond a commission (for not meeting minimum targets) to the affiliate to be in the program. Costs can escalate, resulting in a wasted opportunity and in a negative return on the investment that was made. Keep track of those costs and see if you can have a trial run on the networks before participating over a longer term.

Joining an affiliate marketing network is more of a mass partnership marketing strategy depending on who you choose to go with. As an advertising partner in the network, you are not in control of where your advertisement ends up. You could be placed within any website within the network. You could be a brand with products that target moms and kids, yet the publishers within the network that you join might not target those audiences at all. As a result, the networks can favor the publisher and this could be risky for the advertiser. A brand like Amazon.com, which has a wider target market, tends to have more success in these types of programs. Be sure not to get into a longer-term partnership agreement without testing the waters first.

Will joining an affiliate marketing network work for your company? Here are a few key questions to explore:

- What are the barriers to entry? (Many programs charge entrance and monthly maintenance fees for the advertisers to participate. These costs should be factored into your decision.)

*(continued)*

- Because of the potentially high fees incurred, as discussed above, is the forecasted CPA in line with company targets? How sensitive is my model, factoring in volume of customer acquisitions?
- Do I have the resources to dedicate to managing this program?
- Will the network offer me a trial run at a reduced cost before I have to make a commitment to the program?

## CONTENT MARKETING PROGRAMS

Publishers, online portals, directories, associations, member clubs and online retailers to name a few, need content and a real reason for their customers and members to engage with them. Content marketing programs involve developing attractive content that is highly relevant to your users, readers, members, customers and your target audience such that it might drive a customer action from it, like trigger a purchase. There are two main ways to develop such a program: either create the content yourself or partner with another brand to leverage their content and redistribute it to your customers.

If you visit websites like Yahoo!, MSN and other online portals you will see that much of the content in their channels is pulled from localized sources in their various operating markets like CNN in the U.S., BBC in the U.K. or CBC in Canada. News segments, blogs and stories are published and then redistributed to various portals, communities and Web properties for other readers to enjoy. The truth is that certain storylines will always dominate the interest of online users. So is it really necessary for every publisher or Web property to hire its own writers or bloggers to cast its opinion on a certain topic that is newsworthy, when you can leverage that same content from experts who are already playing in the space? The aforementioned portals do have unique and proprietary content as well, but choose to use a mix of both.

Content marketing exists in TV programming as well. We see more 'product placements' in our TV programming than ever before due to the emergence of personal video recorders like the TiVo, through which you can watch your favorite TV program at a convenient time for you (not necessarily at the

specified broadcasted time) and can fast-forward through the TV ads. This has forced advertisers to get creative in placing their products in the actual TV programs. Successful TV programs that will be looking to generate more revenue from their prized asset are primed for content marketing, and it's not all that unusual to see a situation where a significant percentage of the program's script features content from partner brands.

The main questions to consider when determining whether you are looking to build your content in-house or to license or leverage it somehow from others are as follows:

- How will my users interact with my content? Is it static or interactive? Is there a social media element (blogs, podcasts, etc.)?
- What portions of my site will need updating and revising, and how often will I make the changes?
- Do I have the resources in-house to meet the demands of my content strategy or do I need help in this area?
- Are there authorities already in place on the subject matter(s) of my website and can they contribute to what I am doing?
- Can I afford to license or leverage content from others (content owners like publishers, etc.) and do I have reliable prospective licensing partners to choose from?
- Does licensing content from others make sense from a search engine optimization (SEO) perspective? Is the already-written content (which I will be featuring on my site) well optimized?

Based on your answers to the above questions, if you believe that licensing content from partners to leverage their expertise to support and supplement your proposition is the right approach for you, make sure that you

- find out where else the content that you are going to feature on your site will appear;
- are dealing with reliable sources for licensing content and work with experts and proven authors in related fields;

- ensure that the content is well optimized for each topic if it's in fact meant to drive SEO for your website (you can do this by using a content optimization expert with a proven track record);
- are OK with the idea of promoting co-branded content to your users or customers;
- ensure that the content is compatible with the key messages that you are communicating to users of your brand (offline and online), and ensure that it doesn't conflict with or contradict anything that you are currently or already have communicated;
- have a formal agreement with the company that you are licensing from to ensure that all costs, rights, usage and ownership of the content are clearly outlined;
- ask your users/readers if they like the new content that you are featuring and track articles, etc., to ensure that (for the most part) they are enjoyed by those who read them.

Evan Carmichael of [evancarmichael.com](http://evancarmichael.com), a leading website for entrepreneurship, has developed an interesting model around building content for his site and partnering with contributors who author the content for him. According to Carmichael, "One of the big things that helped my company grow is when I stepped away from doing the content creation on my own." Carmichael explains that for a long time, he was writing the content and articles himself, and then realized that he was spending a disproportionate amount of time on content creation, which was distracting him from growing his business. "I then decided to come up with an author contributor program," says Carmichael, "where I went out and started attracting business experts, coaches and practitioners and offered them the opportunity to write for my site. In return for their contribution, I would give them exposure and key placement as an 'expert author.'"

For Carmichael, the model was simple: leverage his expertise in SEO and his ranking as a popular destination for current and would-be entrepreneurs and make it available to business experts to write articles that would be helpful to his users—a partnership where no actual revenue or dollars was changing hands and exposure was purely traded for content. Since the

inception of the program, Carmichael has partnered with over five thousand authors who have helped him to build out over eight-four thousand pages of content, ranking him as one of the top destination websites for entrepreneurs in the world. Carmichael calls it a ‘win, win, win’ partnership where his users win, the authors win and his business wins.

Will content marketing programs work for your company? Here are a few key questions to explore:

- Why do I need content marketing?
- Do I have the skills in-house to create great content and is that how I should be spending my time?
- Do I own content assets that other brands may want to leverage and can I generate revenue from lending those out?

## SPONSORSHIP MARKETING

Sponsorship marketing traditionally has been used as a strategy or tactic to drive brand awareness and expose the name of a given brand to the public by affiliating with another brand and their product. We see this type of partnership marketing strategy on a daily basis, at the events that we attend in person, view online or watch on TV.

There are a number of different forums in which you can use sponsorship marketing partnerships. For example, sponsorship was seen at the 2010 Winter Olympic Games in Vancouver, where companies like VISA were positioned as the official credit card, Coca-Cola as the official soft drink, and Sleep Country Canada as the official supplier of bed frames, box springs and mattresses.

Sponsorship marketing has been a part of professional sports for years, not just in North America but all over the world. In the British Premier League, Danish brewer Carlsberg sponsors Liverpool FC and receives placement on all Liverpool communications, including direct placement of their logo plastered on the front of the team jerseys.

Sponsorship marketing is also used in many cause-related marketing campaigns. For example, Home Depot has partnered with Habitat for Humanity

and supports volunteer homebuilders in communities worldwide by supplying them with building materials and tools to build homes for low-income families who cannot afford them. Sleep Country Canada, as discussed above, has been able to integrate a cause-related component to their sponsorship partnership. Once the Olympic Games were over, the beds were provided to families in need and charitable organizations across Canada, through Sleep Country Canada's Donated Bed Program.

Sponsorship marketing can be equally effective when applied at the local level. I recall playing ice hockey as a child in Ontario, Canada, and having the Tim Hortons brand featured on my hockey jersey. Taking that a step further, Tim Hortons leverages the endorsement of professional ice hockey superstar Sidney Crosby of the NHL's Pittsburgh Penguins to promote the game of ice hockey across Canada in support of minor league ice hockey programs. This cause-related sponsorship program and affiliation allow for the quick-service restaurant to further integrate within the communities in which their businesses operate. They benefit from the association with Canada's national sport at the grassroots level and affiliate their brand to hockey families from coast to coast.

What we have seen in recent years is that sponsorship marketing (when done through smart collaboration) can do a lot more than just create awareness. It can increase reach, drive traffic, support and supplement a community initiative, drive sales and commercial activity, and ultimately, enrich a brand's social and commercial capital.

Will sponsorship marketing work for your company? Here are a few key questions to explore:

- How do sponsorship programs fit with other advertising that I am already doing?
- Can I afford to enter into a sponsorship agreement and is that the best way for me to use my available budget?
- Are the sponsorship programs that I am considering going to reach the target audience that I am after?

## LICENSING PROGRAMS

In 2008 the worldwide licensing industry was worth approximately US \$170 billion in retail, with the U.S. generating approximately \$110 billion (approximately \$5.8 billion in royalties) and Europe \$34 billion (sources: EPM Communications for retail and LIMA for royalty information). The U.K. brand licensing industry is worth around £7 billion in retail and £368 million in royalties (source: Licensingpages, with reference to LIMA and EPM figures). If you have a base of customers that typically adore your brand and associate themselves with it as part of their persona, like the loyal fans of a given British Premier League Football team or National Hockey League team or Major League Baseball team, and they are willing to wear that brand on their sleeve, then you likely have a brand worth licensing.

Customer loyalty is hard to build, especially in the hypercompetitive world we live in today, and consumer admiration, passion and affiliation with a brand is almost impossible to create from nothing. What's even more impressive is that the dedication that certain people have is often undeserved or unsubstantiated. Look at the passion for the NHL's Toronto Maple Leafs, who have not won a Stanley Cup Championship since 1967 and have the largest professional ice hockey following in North America as well as the highest valuation of any NHL club. How about the Chicago Cubs, who have not been crowned World Series Champions in over one hundred years, yet whose following extends well beyond 'Wrigleyville' to across the U.S. and around the globe, with one of the most loyal fan bases in all of Major League Baseball. It's hard to believe that such underperformers would attract such a strong and loyal following and hold on to it for more than a lifetime in some cases.

Having passion for a product is highly emotional and hard to pin down, so if your product has earned it, then capitalize on it. Some brands are doing this by working with partners or experts in other areas to extend their offering beyond their core products by licensing products and services and accumulating assets to offer their fans or customers.

It used to be that if you were a fan of the National Football League's New York Giants, you could demonstrate your support and adoration to others by wearing a replica of their team jersey and baseball-style hat. Nowadays, you can purchase table lamps, armchairs, T-shirts, coats, jackets, pillows, sheets, rugs, doormats, barbecue accessories and over one hundred different varieties of their team baseball-style hat! Affiliating with brands that are adored can only result in a great opportunity to generate revenue for partners who manufacture and distribute the aforementioned products and it's the power and loyalty for those brands that help them sell even more and for more profit than the same non-branded product.

Popular weight-loss brand Weight Watchers has a line of digital scales that is produced for them by Conair (Conair licenses the Weight Watchers name and puts it on the scales). Leveraging the Weight Watchers brand provides Conair with access to a massive base of Weight Watchers members that they normally would not have access to and can even get them extra shelf space in retail stores. Both Weight Watchers and Conair have a dedicated page on their respective websites and the affiliation with the brand allows them to keep even more market share away from their competitors.

If you have a brand with a very strong following, you can develop a series of uniquely branded products that will appeal to your customers via a licensing program that typically consists of a three-way relationship encompassing the following players:

1. Brand owner/licensor

You are the brand custodian. You own the trademarks for the Guinness Brewing Company, Boston Red Sox baseball club or Ford Motor Company and its products and services are your intellectual property.

2. Manufacturer or distributor/licensee

You are the manufacturer or distributor that sells products to retailers or e-commerce websites where you have obtained the rights from the brand owner or licensor to do so. For example, you are a manufacturer of bottle

openers and you have obtained the rights to Budweiser; you sell bottle openers with the Budweiser brand on them to retailers.

### 3. Retailer/e-commerce site

You are the channel that ultimately sells the product to the end consumer. In some cases, retailers can be the licensees as well, especially if they are large multinationals with major buying power and distribution, such as Wal-Mart.

According to Samantha Taylor, an expert in licensing programs and licensing manager for Mattel in Canada, there are three key factors to look for when assessing the right partner for a licensing agreement.

#### 1. Market opportunity

An assessment must be done to determine the value of the product category in your geographic market. Is there a gap? Who else is competing for that product category in that geographic market? Taylor encourages you to select strong licensing partners who have experience in a given geographic market so they can capitalize on the market opportunity where possible.

#### 2. Right fit and strategic partnerships

Does the licensee understand what your business is about? Are they able to develop a product that will speak to the consumer in the same way that your brand does?

Which prospective licensee has the right fit for the particular brand you are looking to license? For Taylor, the answer to these questions and therefore the approach would be different when considering licensing opportunities for one brand versus another, as it is not likely that one licensee would be able to support them effectively across all of these brands.

#### 3. Your licensees' understanding of the market you are working in

If you are looking to use a U.S. licensee, how do they intend to operate in Canada? Do they have a local representative and relationships with the

buyers? In the case of Canada, do they have an understanding of the two-language (English and French) requirements of the Canadian market?

Similarly, a licensing strategy can be used by brands who sell to businesses as opposed to consumers. This is very common with startup software companies who develop the proprietary code for a given software application, but want larger, more established software giants to sell and market it to their customers for them. They too would have to be selective in who they partner with to ensure that the licensee has access to the right customers and could effectively get it into channel. For them, it's less about extension into new product categories and more about how they plan to get their core product to the target audience.

Overall, Taylor's approach is to look for market leaders in certain product categories, or licensees who are able to show a fresh and new approach to product development. The objective is to have your licensed products on shelf appear as an extension of your core products, like a child's backpack is to a doll, for example. The customer is buying a branded product and expects the same level of product quality across all categories. Therefore, finding the right licensee who can truly exemplify the brand is critical.

Will licensing programs work for your company? Here are a few key questions to explore:

- Do I have a brand that my customers adore?
- What kind of licensed products can be created for my brand?
- Have I established the criteria that describe the type of licensing partner I want to have?

## LOYALTY MARKETING PROGRAMS

I like to define a loyalty marketing program as “a partnership that will help you to attract customers, build frequency of interaction, increase transactional value and therefore revenue and, ultimately, reduce customer acquisition costs.”

Tim Moulton has extensive experience building loyalty marketing programs. Moulton believes that a partnership with a loyalty marketing program

is a strong marketing tool that enables partners in the program to align brand power to better understand customer segments, product preferences and purchasing behavior. Most program partners provide an established membership base ideal for brands like yours to target them as customers. The value proposition and marketing vehicles that fuel programs allow partner brands to influence customers to choose their brand more often and spend more when they transact, and provide meaningful promotions and communications when positioning new products. These programs also allow partner brands to speak directly to their customers for ad-hoc promotions enabling up-sell or cross-sell opportunities.

The two main types of loyalty marketing programs that a business can implement are

1. a proprietary program, which focuses on an in-house program that may have some coalition partners that directly partner with the issuing business.
2. a coalition program, which involves a strategic partnership with an existing program such as a reward miles program;

A proprietary program design is a very flexible structure that allows the program team to align with strategic partners that complement the value proposition to help increase new customer acquisition. These partners may be vendors or participating strategic partners (e.g., Lays 'ChipTrips' and Marriott).

The pros of a proprietary program center on owning the assets and marketing collateral (the materials used to promote the program). In this case, the brand will own the customer data, brand and program structure. This flexibility allows a retailer, for example, to be nimble, timely and effective with their promotions and program offers. Costs are incurred only when the customer feels value through redemption of points or whatever 'currency' is to drive the program (usually between one percent and three percent return). If the program is executed properly, the majority of program costs should be passed through to vendors, program partners and, in some cases, the franchisees.

The cons of a proprietary program include the time it takes to educate the customer base and enroll customers to a critical mass; it can take up to three years to have a mature enough program to affect wall-to-wall sales in a meaningful way.

The industry is trending towards proprietary programs. Many consulting companies are entering the market to facilitate these types of program constructs. For many years, brands have concentrated on the one-to-many marketing communications strategies, focusing on mass media, but now they are shifting to a one-to-one strategy. Customer centricity and customer-centric retailing are the new buzzwords and many businesses realize this is an effective natural way to sustain or increase sales as well as provide protection/differentiation over the large competitors and new hypermarket structures. By providing relevant, timely offers to customers that want them, brands are realizing that they can protect their market positions and grab a measurable share of household spending at the same time.

The reasons for this shift are many. In the coalition structure, businesses do not own or have access to program information other than basic program reporting and standardized promotional tools. This makes it difficult for their marketing and CRM (customer relationship management) departments to truly understand their customers and drive partner offers that are more relevant to them. By moving to a proprietary loyalty program, companies do away with programs that incur significant costs (between one percent and four percent) and offer little ownership of or return on collateral. Proprietary loyalty programs are a significant initiative and touch every aspect of a business's operation from marketing and store operations to MIS (management information systems) and vendors. As a result of the impact on the business an education or change management strategy is required to be sure all stakeholders are aligned.

Before deciding to undertake a loyalty marketing program, a company should consider brand fit, alignment of the coalition partners (do we share in similar customer bases?) and cost impact. It is essential to develop a measurement plan—consisting of the metrics that you are going to measure, such as change in sales, number of new customers or transactions per customer—before you launch your program and cross-promote with other partners. An

exit plan is helpful to ensure you may divest your partner relationships and wind down the awards program while maintaining customer base loyalty when the loyalty marketing program no longer provides a measurable impact.

## Components of a Successful Loyalty Marketing Strategy

A successful loyalty strategy includes six key components. To better understand these components, let's look at how AIR MILES has been able to successfully apply these factors to their loyalty program. AIR MILES is a reward program that offers its members the opportunity to earn points ('reward miles') from the purchase of everyday products and then to redeem those reward miles for valuable merchandise. As the largest reward program in the world, AIR MILES has built a large partnership network to provide its users with a number of opportunities to earn reward miles and with compelling offers to convert the miles into exciting rewards.

### 1. Strong value proposition

A clear, strong value proposition and message is necessary to attract people to the program. Many programs tailor specific messages to customer segments or individuals that promise them an award for their spending habits (a discount or currency that can be used for product), special promotional offers (customer recognition days) and unique vendor promotions. There are many types of rewards that can be issued to customers to influence behavior, such as a currency, point systems (proprietary or coalition) or a discount program that enables customers to track their behavior and eventually earn a meaningful reward. As noted above, AIR MILES offers its members reward miles when purchases are made at participating stores (AIR MILES Sponsors). Members can then make purchases with these reward miles for various types of merchandise from AIR MILES participating partners (AIR MILES Partners).

### 2. Customer acquisition

How will you acquire members to join the program? What type of messaging will be distributed to inform consumers or businesses that such a

program exists? How can the registration process be made as hassle-free as possible to encourage people to join? You can join the AIR MILES Program on their website (or by finding a link to the AIR MILES website when visiting the site of one of the AIR MILES Sponsors), by completing an application that takes no more than five minutes to complete.

### 3. Customer tracking tool

A company requires a tool to identify their customers at each touch point, such as a membership card or some kind of unique identifier. AIR MILES uses a membership card to track behavior. Members simply must present their membership card at participating AIR MILES Sponsors to collect their points. The card number is then used as the member's unique identifier. AIR MILES also has partnered with some credit card companies, where miles are earned with each credit card transaction. This is another tool used to track customer activity.

### 4. CRM infrastructure and program measurement strategy

A solution to capture the data (i.e., data warehouse) at the various customer touch points, such as the point of sale and online, is the backbone of the program. Data is the key when building and running a loyalty marketing program. The data allows the program to identify and track active customers, behavior and brand preferences. The data is the most significant asset to the company running the program and the vendors participating in the program when it comes to identifying key trends and to measuring program success via flags and reports.

### 5. Communications plan

A loyalty marketing program should be as much a part of a brand's communication strategy as catalogs, flyers and e-communications. The more sophisticated a business becomes with their data capture and analytics, the more relevant and tailored their programs can become in targeting individual customers. For example, AIR MILES encourages their coalition partners to promote their program through their marketing vehicles.

## 6. Exit plan

In the event that the program does not drive the behavior desired by the business or the program plateaus, it is important to have a way to eliminate the program with minimal customer and vendor impact. Without this component the program becomes a margin-chopping cost of doing business.

Businesses that implement a loyalty marketing program seek to better understand their customers so they may acquire more customers, maintain their base of customers, understand their customers' decision-making methodology and life cycle, and provide meaningful offers and messages that build an affinity and solidify the long-term commercial relationship with the customers.

Will loyalty marketing programs work for your company? Here are a few key questions to explore:

- Does my company/business need a loyalty marketing program to achieve its customer acquisition and retention objectives?
- Do I want to develop the program on my own and attract coalition partners and issue my own reward currency, or do I want to partner with a major loyalty marketing program provider?
- If I were to develop a proprietary program, would it be worth my while to outsource the data warehousing and management?
- If I were to offer a loyalty marketing program to my existing customers, what sort of impact would it have on my business?

## CO-MARKETING

Co-marketing is a type of marketing partnership where two or more companies create and jointly develop a new product, service or brand and then use joint marketing efforts to promote it to the target audience.

A few years ago, I worked with Cardinal Watches on a program to create new products for their company using a co-marketing strategy. We were able to gain interest in a concept we developed for Pearl Drums called the

'Tymekeeper.' With the purchase of selected Pearl Drums Kits, customers received for free a value-added gift pack worth approximately \$150. The Tymekeeper included a stainless steel watch branded with Pearl-Cardinal, mini flashlight, drum key, carrying case and Pearl-branded lanyard. The flagship in the gift pack was the stainless steel watch featuring NiteLite technology, a rugged nylon strap and a belt clip making it ideal for drummers. The advertising copy on the in-store marketing vehicles read, "Next to a great kit, the most important thing a drummer can have is The Gift of Good Time, so Pearl Drums and Cardinal Watches have teamed up to give you just that."

Obviously, much more goes into developing a new and unique product through a co-marketing relationship than goes into a couple of partner brands engaged in partnership marketing to market an existing product. After deciding on the product, the partner brands have to decide who is sharing and owning costs from either side and how they are going to market to customers. In the Pearl-Cardinal example, it was decided that since Pearl was the brand offering the Tymekeeper as the value-add to their customers who purchased a new drum kit, they would pay for the cost of the gift packs. To benefit from economies of scale, they ordered a decent number of them. Cardinal Watches would pay for the retail point-of-purchase display units that would be used to advertise the Tymekeeper in music stores as well as the Tymekeeper website. The brands decided to split the cost of advertising in certain music and drum magazines for additional promotion. It is essential to draw out the estimated costs as well as the contribution each partner brand is expected to make to ensure that all is accounted for in advance of finalizing the partnership, as this is critical to ensuring the program meets both partners' objectives.

Pennsylvania-based snack company Herr's is another user of co-marketing. They have formed a relationship with another Pennsylvania-based brand called Heinz to produce a product called Herr's Heinz Ketchup Potato Chips, where the two highly trusted brand names leverage each of their core competencies to develop a new product for the snack food category. The goal is to achieve twice the market impact and twice the customer pull, and to create a highly compelling value proposition that will give the snack company—Herr's—an advantage in their category and provide Heinz with a new marketing vehicle

with front-and-center placement on the packaging and messaging that tells the customer that Heinz tomato ketchup is one of the key ingredients in the new product, making it even better than before.

Companies like American Express have partnered with big-box retailers like Costco, where they have created a Costco-American Express credit card. This gives American Express the opportunity to offer exclusive incentives to Costco members, incentives like cash cards, special promotions and discounts. In turn, Costco markets the card to members, helping American Express acquire new customers. Costco benefits from their preferred partner status with American Express, as the exclusive provider of the Costco credit card.

Nike has partnered with Apple to develop the Nike-iPod sport kit. This wireless sensor, inserted beneath the insole of your Nike shoe, turns your iPhone or iPod into your own personal trainer by sending information to your Apple device. What's great about it is that you can track your time, distance, pace and calories burned during your workout. When you are back at your computer, you can sync your iPod or iPhone to transfer your workout data to iTunes and nikeplus.com, where you can evaluate performance history, set goals and even challenge others to a virtual race.

Will co-marketing work for your company? Here are a few key questions to explore:

- Do I have an idea for a product that I would like to create, but don't have the missing ingredient to create and develop it?
- Is there another brand out there that would provide credibility and be able to co-market the new product that I want to create?
- If I am going to create this new product, what benefits or product features will it have that my existing products do not have, and what impact will it have on my business and my partner's business?

## **STORE WITHIN A STORE AND CO-BRANDED STORES**

A store within a store is a partnership in which one retailer leases a section of their store to another brand to run another retail operation from. This

agreement is popular among gas stations and supermarkets. Bookstores like Borders have leased space to Seattle's Best and have created Seattle's Best Cafes in many of their store locations to give book shoppers a place to sit and enjoy a beverage while reading a book.

A brand can leverage store-within-a-store partnerships to cost-effectively enter new markets and gain access to footfall traffic. This is exemplified by Wal-Mart, which has allowed McDonald's franchisees to open and operate restaurants within their stores. Or Lowe's hardware stores, which often feature Subway restaurants. In 1995, Starbucks formed a partnership with Chapters bookstores to grow the brand in Canada and since then, riding on the success of the store-within-a-store program initially launched, they have opened more than seven hundred company-operated stores.

Rocky Mountain Chocolate Factory and Cold Stone Creamery operate co-branded stores, which differ from store-within-a-store relationships. The stores are fully co-branded to both brands and marketed as such. We have seen this with FedEx and Kinkos; UPS and Staples used the co-branded store strategy to create a presence together in China.

The store-within-a-store and co-branded store concepts are specific to retail markets and offer multiple benefits, including the ability to share costs in an effort to lease prime real estate and the ability to cross-market products from one brand to the other on-site, as well as the targeting of incremental traffic that might be there for another purpose.

Will creating a store within a store or a co-branded store work for your company? Here are a few key questions to explore:

- Do I want to partner with another brand to share my retail space?
- Am I looking for retail space and don't want to incur the associated expenses on my own?
- If I were to partner with a brand to co-brand a store, which brands would best supplement my brand?

This chapter outlined the various types of partnership marketing programs that are commonly used today. These partnerships can be applied in different ways and can overlap each other, with more than one form of marketing partnership being featured in the partner relationship. Chapter 2, Leveraging Partnership Marketing Assets, will show you that you may have more to leverage in a marketing partnership than you think.

<http://www.pbookshop.com>

<http://www.pbookshop.com>