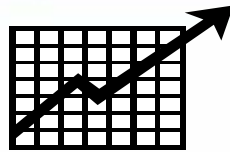


# A Few Ideas about Partnerships

...from the perspective of a Sales-focused CEO



# Who's Jack Derby?



## Corporate Education...

- Becton Dickinson Medical Systems, EVP
- Datamedix, CEO
- Litton Medical Systems, Group President

17 years

## Entrepreneurial Education

- CB Sports, President
- AW Mayer, President

3 years

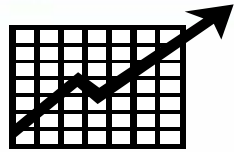
## Management Coach

- Derby Management

16 years



# What's Derby Management?



- Business & Strategic Planning
- Sales Planning & Execution
- Financial Planning & Fundraising
- CEO/Founder Coach

**What we do**

- Venture Capital & Private Equity

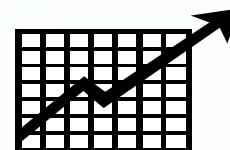
**Our Market**

- New England

**Where**

- 375+ customers
- Raised over \$300 million

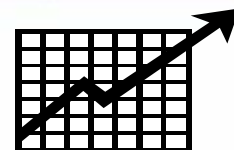




# Creating Effective Sales Partner Models

( ...and why you should care )



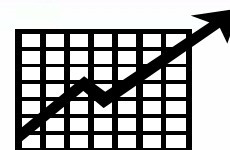


## The Simple Truths...



- Direct sales models are very expensive
- Direct sales models take a long time to build
- Indirect sales models sound like they're easy
  - *They already call on the same customers*
  - *They already carry similar products*
  - *They need our product to build a complete solution*
- **Most** indirect sales models fail !

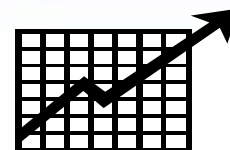




## Why Partner ?

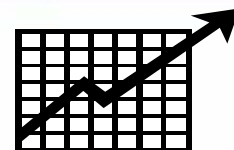
The math of Direct Sales is very ineffective





## *Derby Management's Law of 3,000*

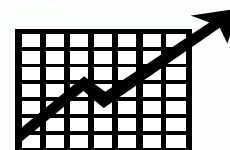




## How hard do you work?

- How many hours a week do you work?
- How about your ***average*** salesperson?



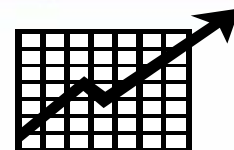


## Jack's Law of 3000- 60 hours



- 3120 hours/week/year
- - 180 15 days vacation
- - 40 5 days sick & personal
- - 80 10 company holidays
- - 180 training, sales & company meetings
- - 15% standard non-utilizable time
- = 2244 total **Available Time to Sell**
- times 50% sales effectiveness
- = **1122/19**
  - . available selling time
  - . available sales management time





## Building Aggressive Sales in 2006



### The Bottom line, assuming...

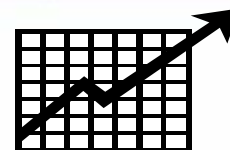
- 60 hours of work time every week
- 50% effectivity
- Equals 1,122 hours =
  - 19 weeks out of 52 paid

Not typical

Not typical

**Ouch!**





# Building Aggressive Sales in 2006

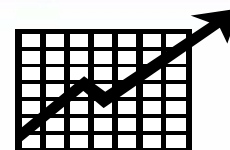
## More math...

- **Understanding Effective Sales Models**

- You need to calculate...
  - Hiring rate                      time to recruit & hire
  - Sales ramp #1                to first sale
  - Sales ramp #2                to full effectivity
  - Attrition rate                % leave
  - Average cost                base + plan + benefits +expense
  - Sales cycle                “hello to close”

- All of which create **“time to cash break even”**

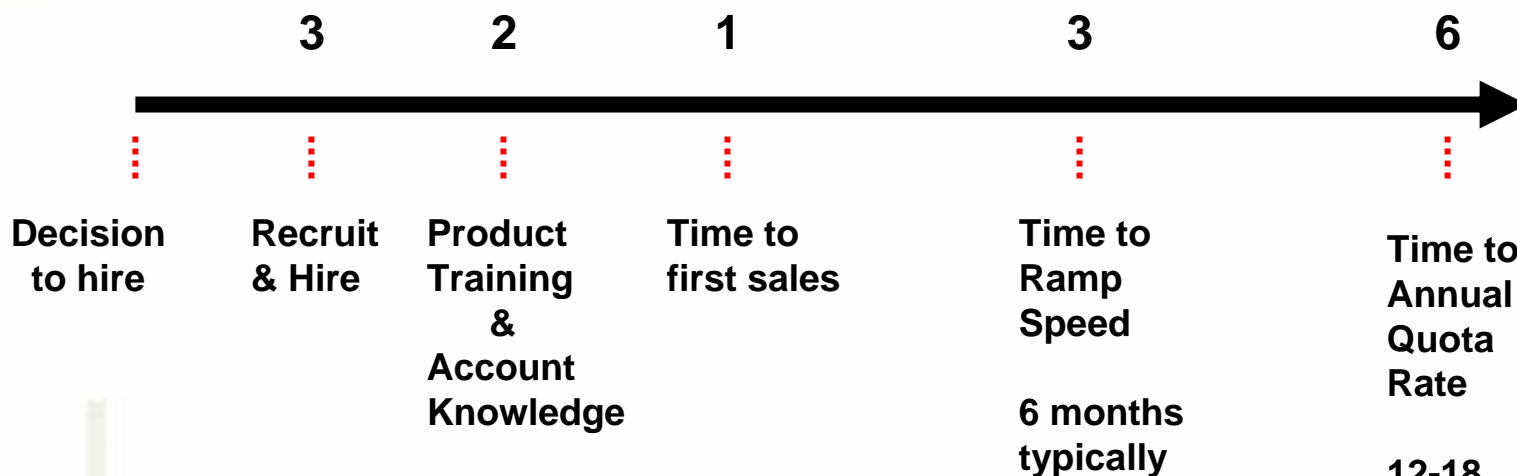




## Hiring- What's typical...

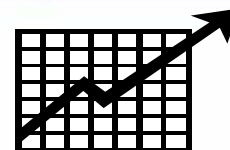


- Assumes 3 month sales cycle
- Assumes “standard” relationship sale
- Assumes B+ hires

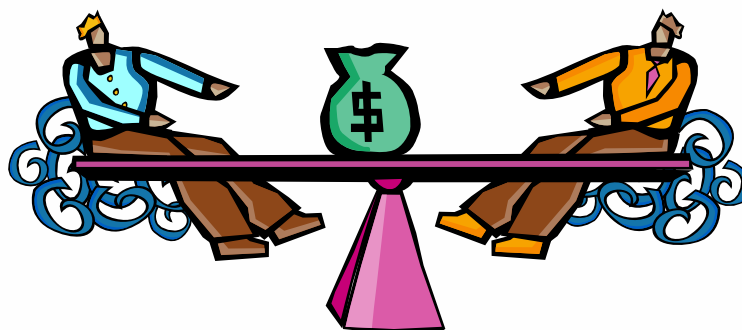


It takes 12-18 months to reach “Time to Cash B/E”





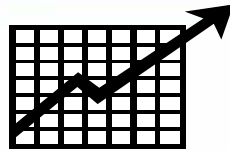
# Creating Sales Effectiveness



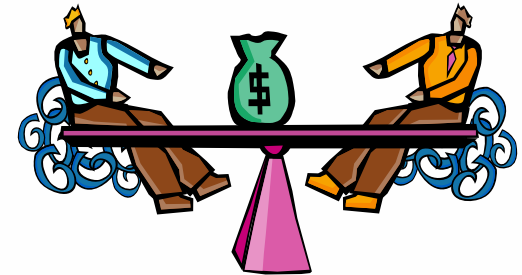
## Creating Leverage



# Leverage Models...



- Partnerships
- Alliances
- Win/Wins

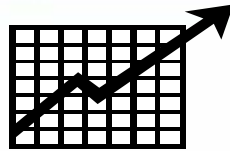


## **Part-ner-ship** (noun)

A relationship between individuals or groups that is characterized by mutual cooperation and responsibility, as for the achievement of a specified goal.

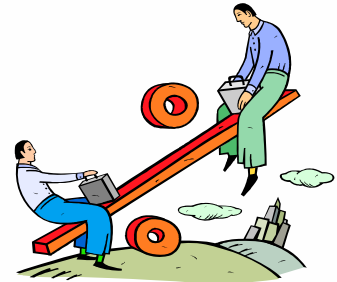


# Leverage Models...



- **Observation #1**

- Most leverage models don't work !
- The win/win typically becomes: **WIN**/<sub>win</sub>



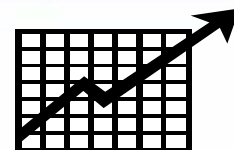
- **Observation #2**

- Most companies do not take time to clearly define objectives
- Most partnerships only become “handshake deals”

- **Observation #3**

- Most companies expect one type of partnership fits all





So, given all that...



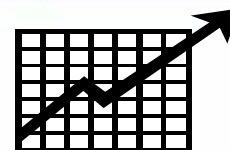
How do I create winning Sales Partnerships that...

- Build cost effective sales over the long term.
- Build long term customer relationships
- Build trust and comfort for both sides

**Solution...**

Approach the process quantitatively



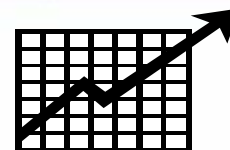


## Leverage Models...

**Clearly understand your objectives...**  
(One model does not fit all)

<b>Field sales</b>	Regional industry rep firms
<b>Customer Retention</b>	Large in-place national dealer networks
<b>Distribution</b>	Market aggregator with national distributors
<b>Complex Distribution</b>	Core product plus added products & services
<b>Product Integration</b>	Integration for total solutions
<b>OEM's</b>	One product into another, which self-brands
<b>Marketing</b>	Lead generation





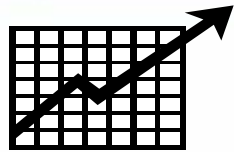
# Leverage Models...

Clearly understand the time to create *initial* impact...

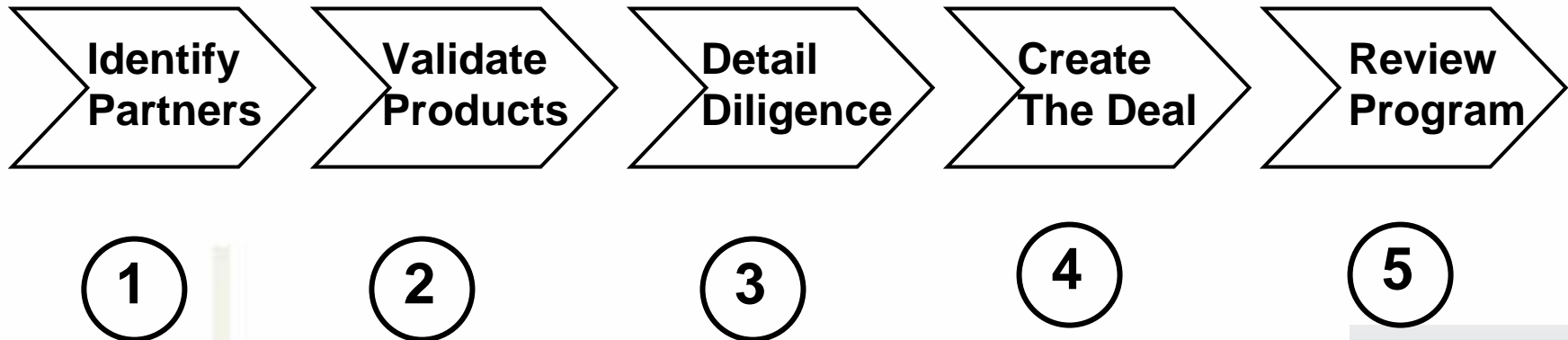


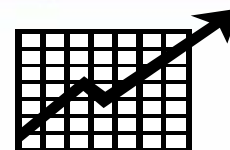
<b>Field sales</b>	Regional industry rep firms	3-4 months
<b>Customer Retention</b>	Large in-place national dealer networks	6 months
<b>Distribution</b>	Market aggregator with national distributors	6 months
<b>Complex Distribution</b>	Core product plus added products & services	8-12 months
<b>Product Integration</b>	Integration for total solutions	8-12 months
<b>OEM's</b>	One product into another, which self-brands	12 months
<b>Marketing</b>	Lead generation	2-3 months

# Leverage Models...



## Follow a 5 Point Development Cycle...



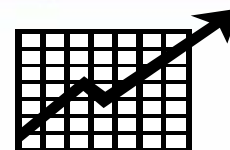


# Leverage Models...

**Understand that most failure is due to... *The Fears...***

- Executive Management fear of imbalance
- Fear of “not being good enough”
- Fear of divulging too much
- Fear of “The Fatal Mistake”
- Fear of Product Validation Process
- Fear of sharing financial information
- Fear of Business Development Manager lack of success





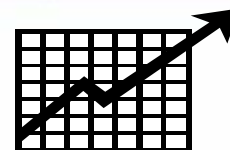
# Leverage Models...



## Create a Six Step Partnership Planning Process

1. Create a Partner Map
2. State clear objectives
3. Identify & assign values to a potential partner
4. Assess & assign risks to a potential partner
5. Determine potential revenue
6. Define clear means of measurement





# Leverage Models...

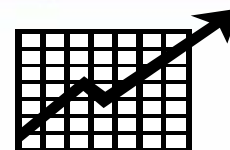
## Create a Partner Map...



Stage	1	2	3	4	5
State of Idea/Products	Idea	Business Model	Positioning Messages Benefits	Templates Methods Models	Product Available
State of Financing	Angel	2 orders	New order / Self-funded	New order Customer Supported	Profitable
Desired Partner Objectives	\$\$\$	Embedded	Design Wins	Marketing	Distribution

Circle 3 criteria that accurately represent your firm





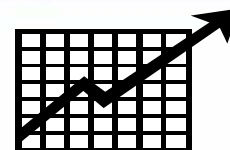
## Leverage Models...



### Create a Partner Map...

- If you have a straight line...
  - Top 5% of companies with necessary attributes
- If you have a jagged line...
  - Ok, but need to detail misalignment or realism
  - Must detail action steps to realign the attributes





# Leverage Models...

## Create Value Worksheets...

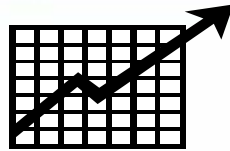
On a “10 to 1” scale..

- Assign values on..
  - Speed to market: months
  - Sales Resources: # of people
  - Co-Marketing: available dollars
  - Sales Channels: # of industries
  - Non competition: # of industries
  - Market Share ownership: %'s of share
  - Equity investment Size of investment
  - Gross Margin Percentage
  - Service Capabilities rank
  - Technology resources Yes/No/Type



# Leverage Models...

## Value Attribute Example...



How the impact on your company will be measured

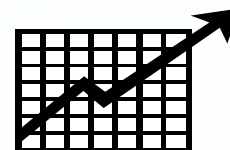
1. Speed	
Months	Ranking
0-3	10
3-6	7
6-12	5
12+	0

2. Salesreps	
People	Ranking
15+	10
10	6
1-5	3
12+	0

3. Co-Market	
Dollars	Ranking
\$100K	10
\$25-100K	7
< \$25K	0

4. Channels	
Industry	Ranking
Fin, Health	10
Finance	7
Health	5
Consumer	0



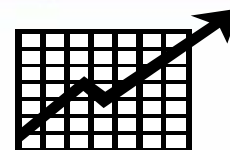


# Leverage Models...



Value Attribute Example			Candidates								
			Products			Services			Company		
Criteria	Obj/ Sub	Definition	1	2	3	1	2	3	1	2	3
1. Speed	Sub	Implementation Time	10	10	6	6	6	6	10	10	10
2. Sales Resources	Sub	People for sales People for service	10	3	3	6	6	6	10	6	6
3. Co-Marketing	Obj	Make an investment of \$xxx	10	7	0	0	7	8	10	10	5
4. Channel	Sub	Degree of focus in our core markets	10	8	5	8	6	0	10	8	8
<b>Totals</b>			40	28	17	20	25	14	40	34	29





## Leverage Models...

### Create Risk Worksheets...

#### On a “10 to 1” scale...

- Assign values on..
  - Stealing
  - Staffing requirements
  - Quality
  - Product ready
  - Product performance
  - Complexity of organization
  - Industry overlap

Product intelligence

# of people

Benchmark metrics

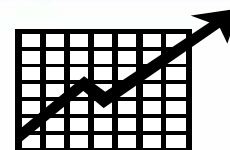
Ship on time

Expectation ranking

Time investment

Likely / not likely





# Leverage Models...

## Relative Risks Example...

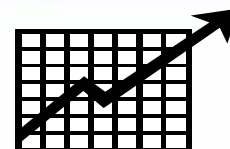
What is the relative risk of...

<b>1. Stealing</b>	
<b>Product IP</b>	<b>Ranking</b>
Very likely	0
Don't know	5
Not likely	10

<b>2. Staffing</b>	
<b>People</b>	<b>Ranking</b>
3 people	10
2 people	5
1 person	0

<b>3. Quality</b>	
<b>Benchmark</b>	<b>Ranking</b>
Very likely	0
Don't know	5
Not likely	10

<b>4. Industry / Channel</b>	
<b>Confusion</b>	<b>Ranking</b>
Very likely	0
Don't know	5
Not likely	10

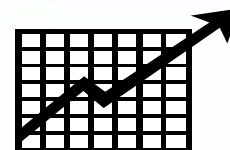


# Leverage Models...



Relative Risks Example...			Candidates								
			Products			Services			Company		
Criteria	Obj/ Sub	Definition	1	2	3	1	2	3	1	2	3
1. Stealing	Sub	Reverse Engineer	5	0	5	5	5	0	0	5	5
2. Staffing	Sub	How many FTE's to support	10	3	3	6	6	6	10	6	6
3. Quality Benchmark	Obj	Public metrics available	10	7	0	5	5	5	0	0	0
4. Channel Conflict	Sub	Confusion internally	5	5	5	10	5	0	10	5	5
<b>Totals</b>			25	15	13	26	21	11	20	16	16





# Leverage Models...

## Two Decision Approaches...

1. **Analytically look at the results**
  - Partner Map
  - Value Map
  - Risks Map
2. **Present 5 slides to your internal team**
  - Bosses, Peers and Salespeople
  - Clear definition of the strategy
  - Clear definition of the returns over timelines
  - Rank the Dependencies, Risks and Options
  - Clearly define all responsibilities



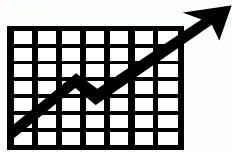


# Leverage Models...

## Remember...

- Creating Leverage is very hard work
- Most partnerships fail
- You need to take a balanced approach
- There are other types of leverage





## Leverage Models...



**Partnership leverage is not the only leverage...**

**Continue to create direct sales leverage...**

There's another type of partnerships...

- Proactively leverage your existing referrals
- Aggressively leverage your prospects-invert the funnel
- Dynamically leverage your network

