Online Partnerships

Meaning

Online partnerships refer to the creation and management of long-term arrangements to promote your online services on third-party websites or through email. Different forms of partnerships include link building, affiliate marketing, aggregators such as price comparison sites, online sponsorship and co-branding.

Partnerships are an important part of today's marketing mix. The same is true online. Resources must be devoted to managing your online partners. Many large organizations have specific staff to manage these relationships. In smaller organizations partnership management is often neglected, which is a missed opportunity. These are three types of online partnerships which need to be managed: link building, affiliate marketing and online sponsorship. All should be involved in structured approach to managing links through to a site. The main and most important from all partnership marketing for transactional e-commerce sites is affiliate marketing. Other forms of digital marketing communications, which are often free in terms of visitors generated, can also be considered as partner marketing, for example online PR, link-building and use of Web 2.0 syndication.

Affiliate marketing

The discussion revolves around the value of affiliate marketing in generating incremental sales. It can generate more sales at a controlled cost, however, the question is: whether these sales would have occurred anyway if a brand is well know. For example: Amazon has an affiliate programme but it could be argued that its brand is so well know and it has such a large customer base that it would receive sales anyway. However, Amazon has run its programme for over ten years and although it has reduced commissions, it is still running and is used to promote new product offerings such as music downloads.

Co-branding and contra-deals

Co-branding of sites or emails are closely related to online sponsorship. These contra-deals, as they are sometimes referred to, typically occur where there is an association between two brands and they are complementary but not competitive. For example, one online publisher may offer subscribers the chance to sign-up with newsletters from another company, a process known as 'co-registration'.

Co-branding can be a cost effective form of online marketing, but specific resources such as 'online partnership manager' has to be put in place to set up and manage the relationships between partners. This will often be part of affiliate manager's role.

Online sponsorship

For advertiser, online sponsorship has the benefit that their name is associated with an online brand that the site visitor is already familiar with. So, for users of publisher site, with whom they are familiar, sponsorship, builds on this existing relationship and trust.

Paid-for sponsorship of another site, or part of it, especially a portal, for an extended period is another way to develop permanent links. Co-branding is a lower-cost method of sponsorship and can exploit synergies between different companies. Note that sponsorship does not have to directly drive visitors to a brand site – it may be more effective if interaction occurs on the media owner's micro site.

A great B2B example of online sponsorship is often by Web Trends which sponsors the customer information channel on ClickZ.com (clickz.com/experts). They combined this sponsorship with different ads each month offering the chance to learn about different topics such as search marketing, retention and conversion marketing through detailed white papers and a 'Take 10' online video presentation by industry experts which could be downloaded by registered users. The objective of these ads was to encourage prospects to subscribe to the newsletter and to assess purchase intent at sign-up enabling follow-up telemarketing by regional distributors.

Advantages of Online Partnerships

To do a thorough analysis of the advantages and disadvantages of a partnership, start by looking at all the possible advantages that might apply to your situation. A partnership may offer many benefits for your particular business.

1. Bridging the Gap in Expertise and Knowledge

Partnering with someone can give you access to a wider range of expertise for different parts of your business. A good partner may also bring knowledge and experience you may be lacking, or complementary skills to help you grow the business.

For example, you may be great at generating new ideas, but not so good at selling your ideas. You may be a technology whiz but a fish out of water when it comes to building relationships and taking care of the operations side. That's where a partner with skill and acumen can step in and fill those gaps. This may be one of your first considerations when you examine the advantages and disadvantages of a partnership.

2. More Cash

A prospective partner can bring an infusion of cash into the business. The person may also have more strategic connections than you do. This may help your company attract potential investors and raise more capital to grow your business.

The right business partner may also enhance your ability to borrow money to finance the growth of the business. It helps to keep these money issues in mind as part of the criteria in evaluating a potential partner.

3. Cost Savings

Having a business partner would allow you to share the financial burden for expenses and capital expenditures needed to run the business. This could result in more substantial savings than by going it alone.

4. More Business Opportunities

One of the advantages of having a business partner is sharing the labor. Having a partner can not only make you more productive, but it may afford you the ease and flexibility to pursue more business opportunities. It might even eliminate the downside of opportunity costs.

Opportunity costs are potential advantages or business opportunities that you may be forced to let go while you pursue other avenues. After all, as a one-person band, you have to decide where you choose to focus your time and talents. A partner who shares in the labor may free up time to explore more opportunities that come your way.

5. Better Work/Life Balance

By sharing the labor, a partner may also lighten the load. It may allow you to take time off when needed, knowing that there's a trusted person to hold the fort. This can have a positive impact on your personal life.

6. Moral Support

Everyone needs to be able to bounce off ideas or debrief on important issues. And we may need moral support when we encounter setbacks or have to cope with work and everyday frustrations.

At other times, it's simply the need to celebrate after having achieved a goal, or even the need to vent from time to time. Avenues for doing this may not be so readily available to a solopreneur or a small-business owner. Running a business on your own can be lonely. A trusted partner can be a valued business companion.

7. New Perspective

It's easy to have blind spots about the way we conduct our business. A partnership can bring in a set of new eyes that can help us spot what we may have missed. It may help us adopt a new perspective or gain a different outlook about what we do, who we deal with, what markets we pursue and even how we price our products and services.

A partner can inspire us and even move us from apathy, or the status quo, to the exhilaration of exploring new possibilities. We cannot attach a price on everything and inspiration is one of these intangibles that may be priceless.

8. Potential Tax Benefits

A possible advantage of a general partnership may be a tax benefit. A general partnership may not pay income taxes. Instead, as indicated on the IRS Partnership website, a general partnership "passes through" any profits or losses to its partners.

Disadvantages of Online Partnerships

In examining the advantages and disadvantages of a partnership, it's important to pay particular attention to any possible disadvantages. Let's take a look at some of the downsides of a partnership.

1. Liabilities

In addition to sharing profits and assets, a partnership also entails sharing any business losses, as well as responsibility for any debts, even if they are incurred by the other partner. This can place a burden on your personal finances and assets. Basically, you may be responsible for decisions your partner makes in connection with the business. In looking at the advantages and disadvantages of a partnership, this may be one of the top issues to consider.

2. Loss of Autonomy

While you likely enjoy being in total control of your business, in a partnership, you would now share control with a partner and important decisions would be made jointly.

When you start exploring the advantages and disadvantages of a partnership, ask yourself this: Are you able to compromise and relinquish certain ways of doing business, if you have to? This may require a change in mindset, which may not be easily maintained over the long haul. If you've worked on your own for a long time and are used to being independent, you may find it stressful when you can't continue to do things your own way.

3. Emotional Issues

A host of issues can surface that may make working with a partner difficult. For example, conflicts can arise from differences of opinion or from unequal effort put into the business. One partner may not pull his or her own weight. Relationships can sour. Don't discount the emotions in weighing the advantages and the disadvantages of a partnership.

But you may be able to prevent emotional problems by carefully choosing who you partner with, looking for someone who shares in your vision, who has values similar to yours, who has the same work ethic and where the chemistry is right. This can go a long way towards preventing unexpected problems.

4. Future Selling Complications

As circumstances change in the future, you or your partner may wish to sell the business. This could present difficulties if one of the partners isn't interested in selling.

You can deal with such an eventuality by including an exit strategy in the partnership agreement. For example, you may include "a right of first refusal" should your partner decide to sell his or her interest in the business to a third party. This ensures that you retain the right to accept the offer, thus preventing a stranger from joining the business. An exit strategy can address many other issues such as a partner's bankruptcy, disability or desire to move out of the country.

5. Lack of Stability

When balancing the advantages and disadvantages of a partnership, you also need to consider if you're able to cope with unpredictability. Even if you have a solid exit strategy in your partnership agreement, the change triggered by a partner's situation can cause instability in the business. Is riding the wave of instability one of your strengths?

In analyzing some of the advantages and disadvantages of a partnership, you may conclude that the advantages outweigh the disadvantages. What's more, some of the disadvantages of a partnership may be overcome with due diligence, proper investigation and a detailed, written, business prenup.

Ultimately, make sure that you're comfortable yourself in a partner role. Ask yourself what growth goals can a partnership help you achieve that you could not do alone. What expertise can you attract in a partner that may be a competitive differentiator?

Carefully evaluate all the advantages and disadvantages of a partnership in relation to your financial situation and mindset. Above all, take your time to evaluate your prospective partner to ensure that he or she is a good match. A business partnership is a marriage. And as with any long-lasting marriage, it's based on finding the right person, someone you trust, and enjoying being together within four walls.

Examples of Online Partnerships

1. Trip Advisor

In July 2017 Trip Advisor announced that it was partnering with Deliveroo. The partnership was a big enough story to feature on the BBC and meant a unique offering to users where they could order via Deliveroo from their favorite restaurants featured in Trip Advisor.

It really is seamless and a very complimentary partnership which connects more than 20,000 restaurants to the service.

For a content-only site Trip Advisor has steered away from the overuse of adverts, instead deciding to expand its consumer offering and revenue streams to integrated partnerships. The integration of Deliveroo via its API is just one example – Trip Advisor has also partnered with Open table to offer direct table booking services in-app, another really useful proposition.

2. IMDB

One of the longest running sites still in existence and going strong for that matter is IMDb. Starting in 1990 and otherwise known as Internet Movie Database, it was purchased by Amazon in 1998 for the core reason of up selling Amazon products, mainly DVDs and video.

It continues to partner with its parent by up selling Amazon Prime and suggesting to purchase products via Amazon store. It has also synced cinema showing times with the ability to purchase tickets in-app.