Collaborating with partners to show your best face to the end customer

Showing your best face to the end customer is a challenge every company faces, with or without partners in the picture — but with partners, there is an added level of complexity. The way a product or service is promoted, sold and supported influences how the end customer views and experiences the product or service. By carefully thinking about customer ownership and customer data sharing, companies can make the most of partnerships to reap the rewards.
Introduction

Showing your best face to the end customer is a challenge every company faces, with or without partners in the picture — but when partners are in the picture, there is an added level of complexity. Marketing with partners requires not only that companies determine how to communicate the brand and how to promote the product or service, they must also:

1. Decide on a name — What do we call the new joint entity? How do we communicate it to the customer in a way that is enticing but not confusing?
2. Determine how the end customer will interact with the partners — What will the customer’s experience be like? How will he/she conduct business with the partners?
3. Figure out who will take care of the newly acquired or newly serviced customers going forward — How will valuable customers know to whom to turn for help and additional services?

Key components of back-end decisions also have clear implications for front-end interfaces with the customer. Specifically, decisions partners make around who owns the new customer data and how that information is shared between the partners impact innovation and also impact co-innovation — when partners work together to develop new offerings. Co-innovation can result in new products and services based on information that partners share about customers’ needs and preferences; it also can lead to new service opportunities that can broaden and strengthen customer relationships. Co-innovation impacts the way customers relate with the partnership. The more the partnership knows about its customers, the better it can serve them going forward.

Thus, focusing on marketing as a component of partnerships early, in the up-front stages of partnership negotiations, helps ensure that partnerships show their best face to end customers. The way a product or service is promoted, sold and supported influences how the end customer views and experiences the product or service — ultimately influencing end customer relationships. How partners manage their relationships with their end customers influences whether customers come and stay, come and leave or whether they come at all.
Customer ownership and customer data sharing play a critical role in establishing and maintaining the end customer relationship

Determining customer ownership: Is it best to own, not to own, or to share the end customer in order to show your best face to the end customer?
- Co-branding
- Customer buying experience
- Aftersales customer support

Figuring out customer data sharing: First, who owns the customer data generated from partnerships? How do partners share this data?
- Data ownership
- Councils to exchange ideas and feedback
- Co-contacting or co-visiting the customer
- Sharing aggregate data

Regardless of the type of partnership pursued, from simple, transactional partnerships (like joint promotions), to complex, strategic partnerships (like fully integrated distributorships), customer ownership and data sharing are important considerations. These two components of marketing dictate how the marketplace views the partnership (and thus the types of end customers who are attracted to the products and services offered) and how that information is used to build lasting and lucrative relationships.
Kraft Foods is an example of a company that has many different types of partnerships

<table>
<thead>
<tr>
<th>Simple Transactional</th>
<th>Fully Integrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peripheral to Core Business</td>
<td>Strategic to Core Business</td>
</tr>
<tr>
<td>Specially marked packages of JELL-O® Ready-to-Eat Pudding and Gelatin Snacks contain a “rent one movie, get one movie rental free” coupon</td>
<td>To facilitate its relationship with retailers, Kraft developed a business-to-business site to help retailers increase store sales</td>
</tr>
<tr>
<td>Also, specially marked packages of X-Treme JELL-O® Gel Sticks or Gel Cups contain a “rent one game, get one game rental free” coupon</td>
<td>Kraft Plus helps retailers learn about the latest tools and merchandising solutions available to help retailers easily obtain displays, racks and shippers</td>
</tr>
<tr>
<td>Coupons are redeemable at participating BLOCKBUSTER® stores</td>
<td>Kraft Plus ez-Serv enables retailers to obtain quick and timely sales updates, review proprietary data to help make decisions regarding products and services and tap into general business information</td>
</tr>
<tr>
<td>Oscar Mayer dedicated its fleet of six Wienermobiles for the “Share the Smiles” campaign where it travels to communities across the country raising funds, food and awareness for America’s Second Harvest and local food banks</td>
<td>The Promotion Marketing Association honored Oscar Mayer Foods with the Gold Reggie Award, recognizing superior promotional thinking, creativity and execution</td>
</tr>
</tbody>
</table>

Figure 2: Kraft across the partnership spectrum.


Think about the simple, transactional partnership between JELL-O® and Blockbuster highlighted above in Figure 2. How does the end customer perceive the partnership? Who owns the end customer and who owns the end customer data? Do they share end customer data? How does the partnership influence end customer adoption and retention? What about the strategic, ongoing relationships that Kraft maintains with retailers?

Partnerships which are at the highest collaboration level enjoy an average 40 percent revenue increase and a 35 percent gain in customer retention over those that do not collaborate at all. These benefits are attributed to closer, more efficient and leveraged relationships with the end customer.¹
Furthermore, imagine the implications for companies, not to mention confusion for the end customer, as the sophistication of partnerships increases. As companies take on more and more partnerships, the route to the end customer becomes less and less direct. As a result, customer ownership and data sharing decisions multiply in both importance and complexity — the former factor is bolstered by the latter because the more complex the partnership is, the more clear communication becomes absolutely critical to the end customer. If end customers are confused and frustrated by a convoluted partnership they do not understand, they simply will not buy. Potential exists for inconsistent brand messaging, service, support and ultimately, loss of customers — loyal ones and new ones.

**Customer ownership: To own, not to own, or to share**

Determining customer ownership in partnerships is much more than simply co-branding. Customer ownership should be determined based on which partner is best equipped, from initial advertising to ongoing support.
Several components help determine who owns the customer

<table>
<thead>
<tr>
<th>Questions to Consider</th>
<th>Philips &amp; Nike Example</th>
</tr>
</thead>
</table>
| **Brand**            | **Co-brand 50/50? 75/25?**  
|                      | **Single company brand?**  
|                      | **New, jointly created brand?**  |
|                      | **Which partner is better equipped to control how the end customer interacts with the product or service during the buying experience?**  |
|                      | **Both (sold in Nike retail stores and at select Philips retail partners)**  |
| **Customer Buying Experience** | **Which partner is better equipped to provide after sales service and support?**  |
|                      | **Philips (electronics expertise)**  |
| **Customer Support**  | **Own?**  
|                      | **Do not own?**  
|                      | **Share?**  |
| **Customer Ownership** | **Share**  |

Note: Importance of each criterion will differ depending on the partnership.

Figure 4: To own, not to own, or to share.


The importance of each criterion (brand, customer buying experience and customer support) will differ depending on the partnership. In the Nike/Philips (Royal Philips Electronics) example in Figure 4, the ever popular sports brand and leading electronics company have partnered to develop electronics products for sports-minded people. For example, the partners have launched a new line of portable MP3 and MP3-CD players that are comfortable to wear during sport and fitness activities, can be operated intuitively by feel rather than by sight and deliver a high quality audio experience. Both brands bring different customer bases and specific expertise to the partnership. With the exception of customer support, Philips and Nike share the end customer.

The brand name (or names) that a company’s product or service carries greatly influences the end customer’s experience and associations with the product or service. For example, a large global grocery retailer partnered with an online grocer to offer home delivery to existing and new customers. When determining what to call the offering, the partners considered many options, from a name that allotted 75 percent of the co-branded name to the offline grocery brand and a 25 percent “powered by” mention (shown in smaller font) for the online
Partnership marketing

The customer’s buying experience should be simple, as easy as possible and informed. In the grocery partnership, determining what the online buying experience would be like and who would own the buying experience was a challenge. Each company associated customer ownership with the Web site through which the customer purchased; both partners wanted the customer to purchase from their sites. When the offering was launched, the Web sites were linked, so the offline customer going to the store Web site would click through to the online grocer site to buy.

Customer support is the last and most memorable opportunity to serve the end customer — until the next purchase occasion. The grocery partners learned that it was important to educate customers about the methods of obtaining service and to ensure the service was easy for customers to use. Ongoing support was owned and serviced by the online grocer because it was best equipped to deliver top-notch service. When customers went to the offline store for help, they were assisted in contacting the online grocer and helped through problem resolution. In general, customers take away an overall assessment of an experience with a company that is based on three factors: the high and low points, the trend in the sequence of pain or pleasure and the ending. Surprisingly, it is the ending that is remembered most!²

To own
At the supermarket chain, The Kroger Company, about one third of its private-label items are produced to strict Kroger specifications by more than 300 outside manufacturers and then labeled with the Kroger brand. The responsibility for consistent quality lies solely with the manufacturers.

Consumer data (e.g., statistically measured taste panel results) are used to ensure that the products meet Kroger standards. The Kroger name is prominently displayed on the products, and Kroger controls the customer buying and support experiences. Kroger owns the customer in these types of private-label partnerships.³

When a company owns the end customer, it stands to gain much from the partnership.
A high end global apparel company licenses its name to a manufacturer for a finite period of time. The apparel company sets design, distribution and service requirements that the licensee must meet. It oversees the design work, meets with partners to ensure that designs are on target and treats the licensee as a subsidiary of the company. To enhance the licensee’s understanding of the end customer, the apparel company shares retailers’ aggregate customer data. The high end global apparel company owns the end customer in licensing partnerships.

Not to own

Over ninety percent of a top tier networking and technology infrastructure company sales are through channel partners. Branding is shared; the networking and technology infrastructure company reaches the customer through the retailer. While the buying experience is ultimately controlled by the retailer, in order to become a partner, a retailer must meet specialization requirements set by the infrastructure company. The partner’s salesforce sells the product based on the infrastructure company’s requirements, and the infrastructure company directly surveys end customers to ensure that partners meet customer satisfaction requirements. Customer support is delivered through the reseller. In this situation, however, the partner owns the customer because it manages the relationship, even though that relationship is governed by the networking and technology infrastructure company’s specifications.

Circles, a leading provider of loyalty management programs and concierge services, private-labels its services with a partner’s brand to serve as a seamless extension of the partner’s company.4 The partner re-brands the loyalty and concierge company’s services as its own offering to its employees.

The loyalty and concierge company provides service and support to the end customer. Even though the loyalty and concierge company is actually providing the service, the partner maintains ownership because the service is brought to the end customer by the partner.

To share

Fidelity Investments and Intuit Inc. offer packaged versions of Intuit’s Quicken and Turbo Tax software packages for 50 percent off the retail price when customers register through Fidelity. Branding is shared because the offering is brought to the customer by both Fidelity and Intuit. Fidelity is able to offer more to its customers through this partnership, and Intuit is able to offer its services to new customers sent from Fidelity. The experience is influenced by both Fidelity and Intuit – customers come through Fidelity’s Web site, and Intuit’s offering is part of a greater offering brought to the customer by Fidelity. Once Fidelity customers arrive at Intuit’s site to use Quicken and Turbo Tax, Intuit controls the experience and support. While Intuit provides post-sale support for the Quicken and Turbo Tax offering, the partners share ownership of the end customer.5

Often times, when a company relinquishes customer ownership, it stands to gain just as much from the partnership.

Sharing the customer, while difficult, can be the most beneficial arrangement; long-lasting partnerships often lead to long-lasting customer relationships.
A start-up healthcare information technology company integrates its software with a partner’s practice management software. The software package is brought to the end customer from both companies; however, the partner identifies the accounts into which to sell. The partner and the healthcare information technology company then co-market and co-sell the healthcare company’s offering. The healthcare company is responsible for implementation and ongoing support and takes the lion’s share of the revenue, though the partners share ownership of the end customer.

How ownership translates into loyalty

You would think that, if ownership is shared, customer loyalty would be shared as well. Sometimes this is true, but not always; in fact, how customer ownership translates into loyalty is not clearly defined. A partnership between a luxury retailer and a couture apparel brand illustrates how it can be difficult to decipher the translation from ownership to loyalty.

In this partnership, partners share ownership of the end customer. The end customer shops at the luxury retailer and purchases the couture apparel brand. The couture apparel brand meets with the luxury retailer’s salespeople to educate them on its history and style (current fashion trends, designs, colors, fabrics, etc.). The luxury retailer’s salespeople are able to use this knowledge to help customers make educated purchases. Customers go to the luxury retailer for support; if the support requires involvement on the part of the couture apparel brand, the retailer will be the liaison between the customer and the brand.

The luxury retailer may believe it holds customer loyalties because it offers a variety of quality merchandise, excellent service and an elegant shopping environment, but the couture apparel brand contributes to the luxury retailer’s quality merchandise, excellent service (through education of the retailer’s salesforce) and variety. On the other hand, the couture apparel brand may believe that customer loyalties lie with the brand, regardless of where the customer shops, but the retailer provides the elegant buying experience, and the service and support for the brand’s products. Both the luxury retailer and the couture apparel brand are able to offer more to the end customer when they are working together. The bottom line is that partnerships allow you to offer more to the end customer — and the more satisfied your customer is, the more loyal he or she will be.
Customer data sharing

Once customer ownership is determined, partners must figure out who owns the customer data generated from the partnership and how the data will be shared. Determining which partner owns the data is tricky; however, it is important to figure this out in the initial stages of the partnership.

Sometimes, the partner who owns the customer also owns the customer data generated from the partnership. General Mills, Inc. partnered with DreamWorks SKG to co-market a DreamWorks movie with a General Mills cereal. General Mills owns the customer and the customer data generated from co-marketing cereal box sales.\(^6\)

Other times, the partner who does not own the customer relationship owns the customer data generated from the partnership. For example, while one networking and technology infrastructure company relinquishes customer ownership to its resellers, it requires that resellers record information about the customer, so it can conduct end customer satisfaction surveys.

Sometimes it’s the partner with the best customer relationship management (CRM) system or the most power that owns the end customer data. A leading global financial services company does not share any customer data in its partnership with a leading interactive services company, however information does flow from the online services provider to the financial services company because the financial services company has a world-class CRM system. In this partnership, the Internet company transfers marketing information to the financial services company, and then the financial services company uses its strong CRM analytics engine to process the data.

How companies share customer data

Sharing customer data can help partners identify new ways in which the partnership can offer more to the end customer and serve him or her better. It helps partners identify and target new markets, which often results in reaching and retaining new customers. Sharing data enables partners to develop rich customer profiles that facilitate marketing and support, and ultimately allows companies to better serve and retain customers. Sharing data also empowers partners to develop new products and services. It drives innovation and service improvements based on customer feedback, needs identification and behavior. According to a recent research study, “Co-promotion successes are rooted in the ability of partner sales forces to capture vital customer data and share it with their counterparts.”\(^7\) Using collaborative technology and connecting (or even sharing) databases can greatly enhance company-to-company data sharing – as relationships become more and more strategic, this technology will become integral and more important.
As an initial step toward sharing customer information, companies we interviewed established partnership councils to exchange ideas and feedback.

A leading consumer electronics company with many divisions thought there needed to be some sort of binding glue among its divisions selling to a leading retail partner in order to present one face to the end customer. After forming a council that included a representative from each of the electronics company’s divisions who sells through the retail partner, the electronics company has been able to easily discuss areas of intersection among divisions. The council discusses potential joint efforts that the divisions could propose to the retail partner to leverage those intersections and co-market. The council periodically meets with the retail partner to exchange customer feedback and to develop joint marketing efforts. A Vice President from the electronics company explained, “We wanted to figure out how we could come together to benefit the retailer. . . ; we wanted to identify common areas and integrate to our mutual benefit.”

Co-contacting or co-visiting the end customer to better understand what’s working and what’s not can be an easily implemented, informal means of sharing customer information; for partnerships struggling with sharing customer data, it’s a good first step.

A few hypothetical case examples illustrate the ease of instituting co-contacting or co-visiting approaches and the value derived from doing so.

A department store and shoe designer/manufacturer conduct focus groups together with end customers to understand what customers like and dislike about different shoe styles, colors and fit. The shoe designer/manufacturer better understands customer needs and is able to deliver desired products and quality services. Partners are able to better forecast demand for certain products and serve the customer better.

A kitchen appliance manufacturer and retailer visit end customers in their homes to better understand customer use of kitchen appliances while cooking dinner. Partners observe customers in their homes to better understand how customers use products, which features are most important to them and which features they desire. The manufacturer develops products to meet customer needs, while the retailer understands how these appliances fit into customers’ lives and can offer better in-store service.
To get around privacy issues, many companies we interviewed also share aggregate customer data (cleansed) with partners.

The healthcare information technology company’s partner uses the healthcare company’s handheld devices to ask doctors questions and record data, such as a patient’s symptoms and why the doctor chose to prescribe a particular drug. The company plans to, in the future, give devices to doctors free of charge and generate revenue from selling data to pharmaceutical and medical equipment companies. The data will not contain any personal patient information, but will be aggregated to identify needs, trends and opportunities. Both companies know more about the end customers — the physicians — and could potentially market it to others.

Most companies that share customer data are doing so on a partner-by-partner basis and on an industry-by-industry basis due to industry-specific privacy rules; sharing aggregate customer data will become the norm with partnerships in the not-too-distant future, as companies realize the value of collaborating and become more comfortable with sharing.

To share successfully, trust and security are key. Only 25 percent of respondents from a corporate survey said they are “successful” or “very successful” at overcoming distrust and sharing proprietary information.\(^8\)

At a leading global communications company, the partnership manager and the partner create a partner-specific strategy for sharing end customer data. The strategy varies with each partner — some people are open to sharing and others are not. An interviewee from the global communications company explained, “It’s different for each partner because partners are people. The number-one issue that holds companies back from collaborating more closely with one another is lack of trust … gaining the confidence of other organizations that sharing of proprietary information won’t be abused.”

A leading global financial services company partnered with a financial account aggregation company to offer free account aggregation services to its customers. Between 10,000 and 12,000 of the financial services company’s customers are using this service. An employee of the company explained, “Customer response is overwhelming!” The information that customers enter into the system is encrypted; however, users can opt to make their information available to the financial services company. Currently, one third of the users are allowing the company to look at their data.
Industry-specific privacy rules limit the extent to which companies can share customer information.

In the pharmaceutical industry, companies must abide by Health Insurance Portability and Accountability Act (HIPAA) legislation, therefore open sharing of customer data between partners is not possible. However, a certain amount of information is necessary to do business, and this information is shared between partners.

At financial services institutions, data sharing is a particularly sensitive topic. A leading financial services company will not share data with partners. The financial services company believes, “Data to us is religious. We are extraordinarily strict.”

Summary
Determining how to show your best face to the end customer is not easy. Figuring out customer ownership and customer data sharing should be two key elements in your partnership planning phase. Customer ownership and customer data sharing play a critical role in establishing and maintaining the end customer relationship in partnerships, regardless of the type of partnership pursued. Determining customer ownership in partnerships involves not only the brand, but the customer buying experience and customer support as well. Once customer ownership is determined, partners must figure out who owns the customer data generated and how the data will be shared on a partner-by-partner basis. Sharing customer ownership and customer data helps ensure that all parties benefit and encourages partners to identify new ways in which the partnership can offer more to the end customer and serve him or her better.

About the authors
The Customer Dynamics team at the IBM Institute for Business Value created this executive brief based on their study entitled “Building Customer Relationships Through Successful Channel Partnerships.” To learn more about this study or discuss the potential impact on your business, please contact Jennifer McKinley at jmmckin@us.ibm.com or Melody Badgett at mbadgett@us.ibm.com.

The IBM Institute for Business Value develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. Clients in the Institute’s member programs – the Business Value Alliance and the Institute for Knowledge-based Organizations – benefit from access to in-depth consulting studies, a community of peers and dialogue with IBM strategic advisors. These programs help executives realize business value in an environment of rapid, technology-enabled competitive change. You may contact the authors or send an e-mail to bva@us.ibm.com for more information on these programs, or visit our Web site at

ibm.com/services/iibv
Methodology
A dozen forward-thinking companies with whom we spoke shared their approach to partnering with us. Perspectives included:

- Leading global communications company, US
- Leading global communications company, Europe
- Top tier networking and technology infrastructure company
- Start-up healthcare information technology company
- Leading global financial services company
- Leading investment management business
- Leading global financial institution
- Specialty finance company
- High end, global apparel company
- Leading consumer electronics company
- Leading pharmacy benefits manager
- Digital business unit of a top U.S. newspaper.

References
2 Richard B. Chase and Sriram Dasu, “Want to Perfect Your Company’s Service?,” HBR, June, 2001
4 “doit.circles.com”
6 “General Mills Company Press Release”