

# Strategic Alliances

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# Why a Strategic Alliance

## For the Start-up:

- Larger company can validate the technology
- Large company determines industry direction
- Access to New Markets
- Not sure if you could be a big company without a large partner
- Increase Revenue

# Why a Strategic Alliance

## For the Large Company:

- Access to New Technology
- Enhance current product offering
- Access to new markets
- Wall St. Credibility
- Increase Revenue

# Types of Strategic Alliances

- Joint Development Agreement
- Licensing Agreement
- Distribution Agreement
- Value Added Reseller (VAR) Agreement
- Original Equipment Manufacturer (OEM) Agreement
- Strategic Investment

# Joint Development Agreement

- Share the responsibility and cost of development
- Generally done if you lack the expertise in a particular area of development
- IP ownership of the resultant IP
  - Jointly owned
  - License agreement

# Licensing Agreement

- Standard agreement for distributing product
  - Can be a particular niche, market or geography
- Need to define the scope of what a licensee is able to do with the license
- Exclusive rights

# Distribution Agreement

- Using a larger company's established channels to sell, promote and/or support your product
- Stock your product, put it in their catalogue
- Do not create demand, just fill orders
- Driven by their own margin
  - You may be the better product, but they make more on a competitor's product

# Value Added Reseller Agreement

- Your product is a piece in a broader solution
- Company will do customization and install, along with maintenance
- Most common use is a system integrator building a best-in-breed solution
- Essentially a license agreement with access to source code



# Original Equipment Manufacturer Agreement

- Your technology is incorporated into the design and/or construction of a new product
- Your brand is invisible
  - May not get the market recognition
- Royalty or per-unit payment
  - Creates pricing pressure because you are COGS

# Strategic Investment

- Equity investment in your company
- Can be stand alone
- Generally done in conjunction with another form of alliance
- May include Right of First Refusal on purchase, on license, on exclusivity

# Keys to Successful Strategic Alliances

- Commitment to Shared Objective
  - Plan, Plan, Plan
- Mutual Benefit
- Executive Sponsorship
- Committed Resources
- Mutual trust
- Cultural Synergy
- Flexibility