How To Setup Partnerships

It all started back in 2017 when Andrew Barnes, Co-founder and CEO of Go1 received a cold outreach message on LinkedIn from the founder of a global learning management system (LMS). Up until that point, Andrew hadn't given much thought to partnerships. But this message piqued his interest. It said, "In some ways, we compete. But Go1 has a great library of content, and as an LMS, we can act as its bookshelf. Wouldn't it make sense to put the books and the bookshelf together?".

It was a lightbulb moment for Andrew and the team. As Go1 was building a marketplace, the question of whether they needed to differentiate on both the demand and the supply side had been on Andrew's mind. The message triggered the realisation that to serve their customers better, partnering with a LMS allowed them to focus on their respective strengths and realise a much bigger opportunity than if they went at it alone.

Fast forward to 2022, and Go1 has cemented itself as a leader in the world of online learning, aggregating and curating content from dozens of partners such as Skillsoft, Blinkist and Harvard Business Publishing. Over 5 million learners are taking courses on the platform, with a lesson completed every 1.3 seconds.

These numbers are enough to make any founder or operator want to immediately dive into the deep end and find partners to help scale their business to achieve the same level of success as Go1. Before you jump, however, you should know that not all partnerships are created equal, and there's a right and wrong time to think about partnering.

Andrew sat down with us as part of our Stacking the Odds series, to discuss how startups can build successful partnerships. We've pulled out the highlights and key points from the session. Here's what you need to know most.

Set your foundations

Building a content marketplace has been core to Go1's strategy since day one. Situated between supply-side players like Coursera, Pluralsight and Skillsoft and demand-side partners such as Accenture, PWC, and LMS and HRIS systems, Go1's aims to be a neutral player in the space. To achieve this, Go1 focuses on what differentiates their platform–being the content layer–rather than creating a competitive offering to their partners.

“We don’t want to be competing with our partners,” Andrew says. “On the supply-side, we’re not creating content, and on the demand-side, we’re not pushing a user to our system over theirs.”

Go1 doesn't just pay lip service to this approach. “Our stance on not creating content is an easy thing to say. But in practice, it becomes quite difficult when you’ve got an enterprise customer saying, ‘We’d love to use Go1, but we want your help to build out A, B and C for us.”

By genuinely taking the position of a neutral player and sticking to it, Go1 gained the trust of its partners. “If you behave consistently in that regard for a number of years, the partnerships continue to grow and add value to everyone involved.”

Before you enter a partnership…

You need to have the basics worked out. Andrew breaks this down into 3 components:

- Product-market fit
- Your messaging
- How to sell the product yourself

Realistically, a partner will dedicate about 5% of their time and resources to a partnership, so you can’t expect them to figure out these challenges for you. A partner channel isn’t going to do the heavy lifting for you. It’s there to enhance, not replace. “It’s a multiplier. If you’re going from zero, then you’re still going to get zero,” says Andrew.

“A useful heuristic for when you can layer on a partner strategy is you’re close to double-digit millions in revenue. You’re demonstrating product-market fit, and you understand how to message and go-to-market.”

Once you’ve got your house in order, make sure your partner does, too; don’t let them outsource their problems for you to fix. “If they haven’t been able to make their business work, you’re not going to be able to do that for them. If you can, you should be running their business.”

Build, buy or partner?

If you're evaluating the potential longevity of a partnership, Andrew suggests thinking through the framework of build, buy or partner:

- Build: A company uses its talent and resources to expand in-house capabilities.
- Buy: A company acquires or merges with another business to expand its offering.
- Partner: A company joins forces with another business on a joint solution.

Dropbox CEO Drew Houston famously turned down Steve Jobs' offer to acquire the company. Where Dropbox saw Apple as a partnership opportunity, Apple only saw Dropbox as a feature, not a product. Because they couldn't buy it, they built it–hello, iCloud!

To avoid being squeezed out of a partnership, startups need to consider the inherent defensibility of their features, products and platform. "The moats around your business will dictate the next best alternative for a partner you're working with," says Andrew. "We consider what we do and don't expose to a partner. We want to provide great value, but we don't want to be commoditised in that process over time".

If partnering is the best solution to what both parties want to achieve, consider the impact on your product and go-to-market motion:

- Go-to-market: Is the partner referring, reselling or co-selling business to you?
- Product: Will you have zero integration, some form of integration or an OEM-style model?

A partnership may start low-touch, with the partner sending you referrals and no product integration required. Once the partnership involves reselling or co-selling, it becomes more of an intentional exercise involving your product roadmap and strategic priorities.

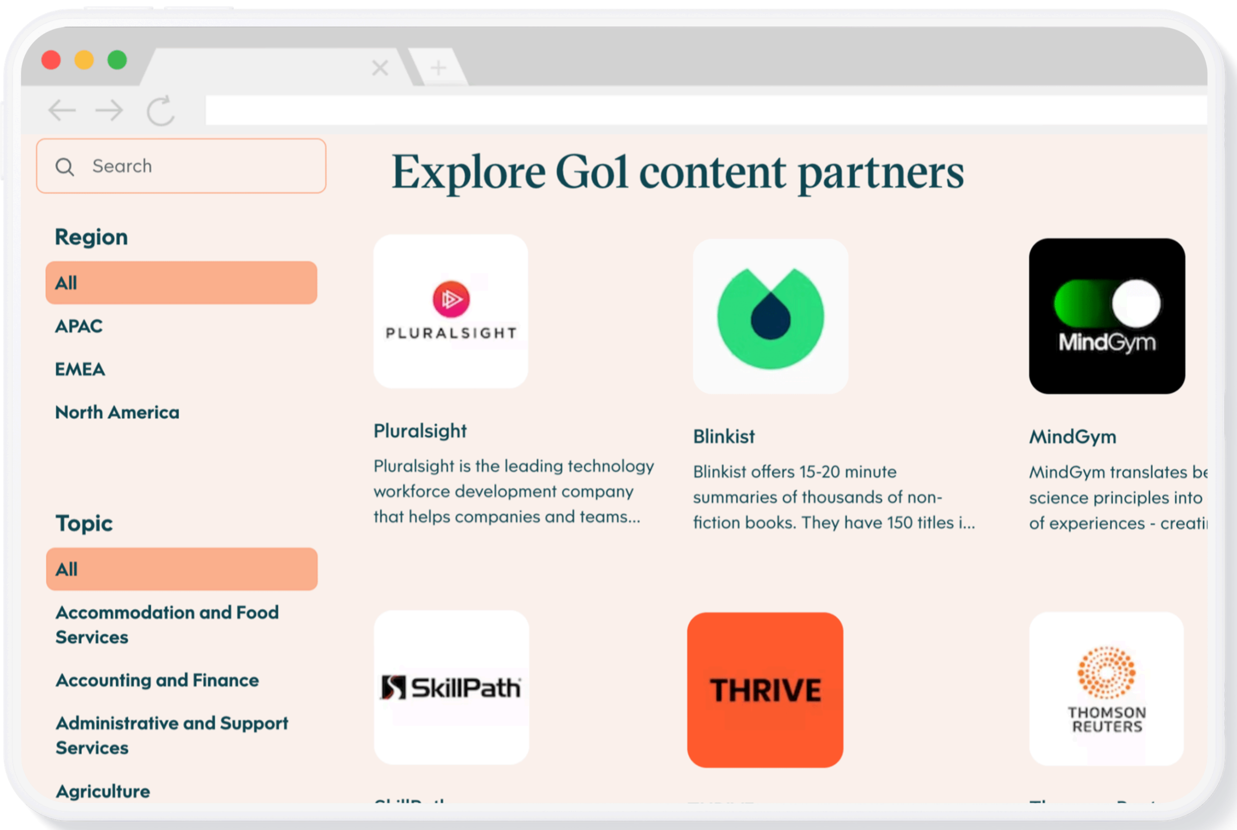
Andrew gives the example of a low-touch vs high-touch partnership between Stripe and Shopify:

Imagine Stripe aims to get more merchants and retailers to use their product for payment processing. They agree to partner with Shopify, allowing anyone using Shopify to process their payments through Stripe.

A simple, low-touch approach would be a referral agreement, but very little volume would come through to Stripe.

A high-touch approach could involve integrating on an OEM basis so that anyone using Shop Pay automatically uses Stripe to process the payment. Extra effort is involved, but a huge amount of volume would come through to Stripe because they've lowered the barrier to entry and removed friction for the customers.

Make it win-win



Go1's content partner hub

Why should a partner work with you? It's a simple question that requires a compelling answer. That answer can't be one-sided in your favour; it's got to be a win-win.

For Go1's supply-side partners, they focus on the incremental demand Go1 can unlock for them. "Coursera and Skillsoft have sales and marketing teams focusing on the enterprise segment. But getting access to SMBs can be expensive and difficult, which is what we can offer," says Andrew.

On the demand side, partners add Go1 to their offering to drive incremental revenue or enhance retention. They include Go1 as a value-add to existing customers.

Once you've aligned on the value for both parties, you need to get clear on what success looks like.

"If you can demonstrate success, then it's happy days. If your definition of success differs from theirs, that creates tension."

What does winning look like to different stakeholders?

Andrew points out an additional layer of complexity to defining success: it can be different for different stakeholders in the same company. Here's an example:

A VP of Sales is looking to partner with you to increase revenue.

The CEO wants to maximise engagement and loyalty of their end users.

Their motivations are incompatible because if the CEO's goal is prioritised, they'd bundle it into the existing offering. But the VP of Sales will likely want to charge an incremental price to hit their bonus targets.

During the early days of Go1, the team did not have a consistent approach for managing conflicting goals among the different stakeholders on the partner's side.

In the early days of partnerships at Go1, the team didn't have a consistent approach to managing conflicting goals amongst different stakeholders. Now, they have a template where they map out who the stakeholders are and what success looks like for each of them. They also have a quarterly review with each partner covering:

- What does success look like in the next quarter?

- What pipeline can we expect?
- What will both partners do to ensure the best chances of success?

“As you get more mature about partnerships, you can start taking it to the next level. We view our partners as an extension of our team.”

Managing expectations

A common denominator in partnerships that haven’t worked for Go1 is a lack of excitement. “If the partner isn’t excited, you’re just pushing it up a hill,” says Andrew.

After a partnership integration with a big shiny logo sat on the shelf and wasn’t utilised, Go1 put in place new processes such as pre-commits, to avoid a similar situation from happening again. “We want to make sure we’re on the same page, and both parties have skin in the game,” says Andrew.

On the other hand, too much excitement can lead to unrealistic expectations. “We’ve had partners who are really excited, but their definition of success is to build a rocketship and do the impossible,” says Andrew. “If we haven’t managed expectations of what success looks like–and are comfortable that we can achieve it–that’s where partnerships have failed.”

Think about your unit economics

Unit economics in the context of a partnership will look a lot different compared to your other acquisition channels—and that’s okay!

Before you dive in and invest a lot of effort on both the go-to-market and product integration side, you should evaluate the annual contract value (ACV) that will come in the door and how you’re incentivising partners.

For example, if a partner resells your product, you don’t need to worry about paying them a commission; they can add a margin on top. But if they’re referring your product, you may pay them the same commission you’d pay an Account Executive. While you may be paying the partner a 10-20% commission, it's a more efficient channel because you don't have the labour cost that would otherwise be part of your sales and marketing spend.

Similar to how you'll have a different propensity to invest in acquiring individual customers vs an enterprise customer, there may be a much higher fixed cost and longer lead time when it comes to partnerships. "Our sales cycle is 90 days on average," says Andrew. "But you won't see a partnership stood up in 90 days. It can take anywhere between 6-18 months."

Streamline partner feedback

If you've locked in a valuable partner, it's natural to want to make them happy. You say "yes" to a feature request in one meeting and agree to move a button on a page in another. It can quickly fork your product roadmap.

To avoid this, Andrew takes a disciplined approach to partner feedback by thinking through the generalised versions of partner requests that map back to Go1's product strategy.

"You need to identify the underlying patterns that matter for customers and partners. These are things you can prioritise on your product roadmap and make your partners feel like you're listening to their feedback and acting on it."

If you're building something out with a partner, take a long-term view of their feedback. "Their request may sound like they want you to fork the code base, but that's not what they mean because they'll want you to maintain it and ensure there are SLAs behind it."

Go1 developed a set of APIs that system integrators can use as a foundation for their own projects. This gives partners the customisation they want without Go1 having to take on any integration legacy or code to maintain.

Structure your team accordingly

Your org structure also plays a role in effectively managing your partners and your product roadmap. When Go1 had Product Managers (PM) for partners, they found PMs were incentivised to do whatever the partner wanted. Now, they have Product Managers for end audiences: learners, creators, HR managers and partners.

“Instead of the partner speaking to their dedicated PM, they speak to a PM who cares about all the end users in that base,” says Andrew. “Giving the PMs a broader aperture of what they need to think about when shipping a feature helps with generalising feedback requests.”

5 key takeaways

1. You need to have product-market fit and know how to message and sell your product before you partner with another organisation.
2. Evaluate the potential long-term success of a partnership for both parties through the framework of build, buy or partner.
3. Define what success looks like for both parties and ensure it’s a win-win for everyone.
4. The unit economics and sales cycle of partnerships look different to other channels but don’t let that put you off from partnering.
5. Aggregate partner feedback, identify the common themes and make those a priority on your product roadmap. This mitigates splitting the roadmap into different directions while ensuring your partner feels heard and appreciated.