

## Partnerships based on service, not size

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*J. Emilio Flores for The New York Times*

*Luggage Forward is a white-glove shipping business. A courier collects David Zuckerman's bags in Santa Monica, Calif.*

The eXpresso Corporation, a start-up company in Palo Alto, Calif., followed a well-worn path in technology by aligning with Microsoft, Cisco, Salesforce.com and other big-name companies to market its services.

"All of these major corporations, at some point, have a need for new, innovative products and services because they can't develop them all in-house," said John Howard, vice president for business development at eXpresso, which offers an online service that allows people to store, edit and share Microsoft Office documents.

"They look to start-ups for the next great things they want to add to their product offerings."

In turn, the smaller company can tap into the expansive reach of its bigger partner, which is critical in a downturn, Mr. Howard added. "We can piggyback to some extent on their marketing power."

These small-business/big-business partnerships have spread beyond technology and now can be found in every industry, said Steve King, a partner at Emergent Research in Lafayette, Calif.

In the service industry, for example, Luggage Forward started a white-glove shipping business in 2004 with the help of larger partners like FedEx. This year, it has enjoyed double-digit quarter-to-quarter shipment growth, even in the middle of the economic downturn.

"We realized it made a lot more sense to acquire customers with partners than go out and get them one-off," said Aaron Kirley, a co-founder.

In addition to FedEx, Luggage Forward works with U.P.S., DHL and smaller shippers as well as other big global partners like Starwood Hotels. "We are organically growing the entire shipping industry," Mr. Kirley added. "It's not like we're taking boxes from U.P.S. and giving them to FedEx."

FedEx, in turn, has featured Luggage Forward in a direct-mail flier sent to 300,000 small business customers that promotes its rewards program. "We really do have a tight relationship with them," Mr. Kirley said.

Denise Yunkun, the FedEx director of small-business marketing, said, "There's that perception that big companies don't care about small-business customers, and that's not the case."

"Especially the times we are in right now," Ms. Yunkun added, "a lot of huge companies are having problems. Companies are quite aware of the potential and the power small business brings. This is a way that we both grow together."

In addition to its rewards program, FedEx has an online center for owners to go for resources and information. Other companies like Intuit, with its Small Business United campaign, and American Express, with its Open Forum, have done the same, according to Anita Campbell, editor of Small Business Trends.

"We've seen this explosion in small community sites and small-business help sites these large companies are putting up," she said, with free tools, advice and news.

"The whole attitude has changed," Ms. Campbell said, "instead of selling to, marketing to the small business and that being the end of it, now it's much more 'we're standing side-by-side to help you.' "

Mr. King of Emergent Research credited Procter & Gamble with spreading the word about strategic partnerships with smaller companies. "They were so successful with it that lots of companies are doing it," Mr. King said, citing Unilever and Kraft, among others.

Procter & Gamble, an \$83.5 billion company, began its Connect and Develop program about eight years ago, according to Jeff LeRoy, external relations manager.

The idea, he said, was to look for outside innovators like OneCare, which owned the technology used in the Bounce Roller, a scented lint roller. Butler Home Products took the Mr. Clean Magic Eraser and developed the Magic Eraser Mop. And Sederma helped in developing an anti-aging technology found in Olay Pro-X skin product.

"We have 9,300 global researchers, including about 1,100 Ph.D.'s," Mr. LeRoy said in an e-mail exchange. "A few years ago, we estimated there are 1.5 to 2 million scientists and engineers globally in the same fields that we work in. Why not collaborate? That's across 150 areas of science.

"So the search has been on to find them, their companies, their universities, and accelerate our own innovation," he said. "It's been a great success. We have about 1,000 active contracts under management now and in 2007 opened a new Web site for innovators to contact us — [www.pgconnectdevelop.com](http://www.pgconnectdevelop.com).

To be sure, there will always be David versus Goliath when it comes to small concerns pitting themselves against industry giants, but larger companies tend to migrate toward innovators.

"In the next decade, small businesses will embrace innovation even more broadly than they do today," according to the Intuit Future of Small Business Report released in March. Mr. King co-wrote the report with Carolyn Ockels, managing partner at Emergent Research.

And innovators may well lead the country out of recession, they wrote. "Small businesses react quickly to changing economic conditions and their owners have a can-do attitude, enduring and even creating opportunity out of adversity," they said.

Still, Mr. LeRoy of Procter & Gamble said, the hurdles are high for those innovators to tap into its huge network.

"We get about 300 submissions a month," he said, "About 40 percent of those pass the initial screening level for interest. Less than 5 percent, however, will end in deals," he added. "It's about finding the right partner, the right culture fit, the right needs."

What's more, trying to score a big-time deal is "a high-risk, high-reward strategy," Mr. King said. "If you win, you win big, but you have to be ready that it will not work out at all."

Mr. Howard of eXpresso said timing and patience were crucial to making the partnership pay long-term dividends. Most big companies have programs aimed at smaller partners, he said. His company was selected for Microsoft's Accelerator start-up program, for example.

"If you can get in early enough to that partner program, where you stand out and you can help them with some high-value application or niche that they haven't built yet, it's worth looking at those programs," Mr. Howard said. If you wait too long, you lose that chance to be noticed.

Once a small company is in the right program, he added, then it is a matter of adjusting to working in a larger bureaucracy. "You have to set your expectations differently. As a start-up, we're used to running fast, turning on a dime, making decisions quickly."

Integration can take a toll on a smaller company, Mr. Howard added. "You can't expect to produce revenue in 60 days. You have to mentally prepare yourself for that."

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