45 BENEFITS OF STRATEGIC ALLIANCES

Jay provides an invaluable list of 45 benefits of strategic alliances that are guaranteed to reshape your view of what is possible with your business.

1. You can use it to achieve advantages of scale, of scope, or of speed. You can take advantage of other people's infrastructure. You can take advantage of other people's reach. You can take advantage of other people's responsiveness that you, as a single proprietor, one-man or -woman band, a smaller business couldn't do. You can plug into all this intellectual capital… all this reach.

2. You can increase market penetration. You can do it locally. You can do it regionally. You can do it nationally. You can do it internationally. You can do it all kinds of different ways.

3. You can enhance your competitiveness in local, national and international markets because now you're in association with somebody who's a dominant force… somebody who's already built a market… somebody who the market already trusts.

4. You can enhance product development. You don't have to sit there and try to develop new products yourself. You don't have to try to allocate an unavailable portion of your meager profits to try to do R&D and come up with breakthroughs for the future. Now you can just go out and find other people who have already done it and don't know what to do with it. You can put it through your distribution. You can get control out of it. You can put your products with theirs. You've got all this flexibility. It's like a two-way valve.

5. You can develop new business opportunities through products and services. As I said, it's a two-way valve. You can take your product through as many different other distributions channels as you like --- publications, non-competitive complementary providers of products or services, people outside your market, new applications of your product. You can even go through competitive ones… The first seminar I ever did, I went and found people who sold advertising and marketing seminars at the $495 and below level. Their average was $295, their premium was $495. Mine was $5,000 to $50,000. It was the perfect mix. The first thing we did together, we both made $500,000, and they were exhilarated. I went through another company that sold training programs to people on how to be a utility auditor, and they also sold training programs on how to be a real estate property tax abatement specialist, and they would get tens of thousands of inquiries every year, and sell maybe 1,000 of them a $10,000 or $20,000 course. And they wouldn't sell 95% of them, but everybody that inquired was interested in learning a skill. It's just that theirs wasn't right for them. I got them to send the letter I wrote and paid for to all their non-buyers, and we got $10 million of business by mining that complementary group.

6. You can create new businesses at will by understanding that you're not limited to just your own company product. You can get control of other people's distribution. You can get control of other people's products. You can match people together in the middle. You can create businesses at will. You can do process licensing. One of my clients owned a lumber mill. He would get raw lumber, cut it, cure it, and he would turn it into board, and then he would sell it. The key to all that --- the most critical function --- is the kiln drying, because if you do it wrong it goes from A-grade to reject. If you do it wrong you spend tens of thousands of dollars a week on energy, on gas or electric. You do it wrong, and it's just a mess. You do it right, and you save a lot of money and you get a premium for your lumber. He did it right. He was a fanatic about it, and he had the best kiln-drying techniques around. The problem in the lumber business is the product being so heavy. He could give his lumber away to somebody 3,000 miles from him, but it would cost so much to ship it that it wouldn't be worth it. So from a practical standpoint, his market is 400 - 600 miles. I showed him how to take his kiln drying methods and license other lumber yards outside of his 600-mile competitive radius - all over the world. He started making $2 million a year just from recycling what he'd already done.

7. You can get control of tangible and intangible assets. We had a person who realized that certain companies that had big telephone sales rooms sold to consumers. Others sold business to business. People who sold business to business are marketing during the day. People that sell to consumers are normally marketing from late afternoon and into the evening. He was able to find business to business rooms that had invested millions of dollars and were empty after 4:00, and lease them on a performance basis --- not on a cash basis, but on a share of the revenue. He was able to go to consumer sales people who wanted to leave their employer and start their own companies. He was able to get equity in their business and a share of the revenue just for being able to make this money connection.

8. You can use strategic alliances and joint ventures to reduce costs. There are a lot of things that you can't afford to do, but if you joint venture them and you only pay for them in direct proportion to the revenue that comes in, they're no longer a cost. They're an income stream. They're a profit center.

9. Strategic alliances and joint ventures, once you understand the dynamics and mechanics, are easily established.

10. They only add to your own selling efforts. All you have to do is figure what you do, and then figure what you don't do and you want to do, and who already has access to that, and it's like a playground. You say, "Oh, gosh, I wish I had a sales force but I can't afford it." So the first thing is, who's got a sales force going out to the same people to the same market you're after and you can joint venture with. Number two is "How can I get sales people to do this as a joint venture with me instead of me paying them a fixed salary or benefit?" Just keep thinking through all those points. Let's say that you wish you had a warehouse but you can't afford it. Who's got a warehouse that's only using a part of capacity? It just goes on and on.

11. It increases your sales massively, and thus your profitability. If right now you're only operating in a linear,

single or with few marketing activities or market areas, and you're making a living but through joint ventures, strategic alliances/endorsement, host/beneficiary deals you could open up twenty new distribution channels… eight new markets… that could increase by a function of five, ten, twenty times your business. And if you can't handle it, you can joint venture with somebody who's got capacity, but doesn't have sales. There's no problem… there's no need… there's no asset… there's no skill set… there's no issue in this whole process that you could imagine you want that you can't get through creativity. One of my dear friends, who is one of the preeminent executive coaches in the country, made a statement right at the turn of the century --- right at Y2K, and he said, "The defining factor between mediocrity and making millions… between greatness and 'also-rans' in the 21st Century is going to be your ability to creatively collaborate, because no one has infinite pockets. No one has infinite skills. No one has infinite assets. No one has infinite access. But you can get all of that - all you have to do is show people how you can give them what they want --- and most people don't even know what they want.

12. It lowers the barrier of entry. Let's say you wanted to reach the legal market, but you've never done it. Well, you can call cold on attorneys. Or, you can find a company selling products or services or advice to attorneys that are not at all competitive, but have worked for the last 20 years building an access, building a reputation. Go to them and make a deal where they put your offer through their distribution. Either their people take it to their attorneys, or you do it for them through letters, emails, or salespeople.

13. It boosts your market presence. You can do joint ventures with tons of different organizations, entities, distribution. Even if they don't all make you a lot of money, they hit the market with credibility and implied or expressed endorsement, and it makes whatever you do more powerful. I used to do seminars with lots and lots of endorsers. I found that every time (like in the financial newsletter, which I did a lot of) if there were 20 people sending an endorsed letter, the first one pulled "X." But when they reached the second market, there was a lot of duplication. Those people saw the credibility again from a third person. It would pull "X-plus." The next would pull "X-plus two." And I kept doing it. And then, when I finally went into the market myself, the market was so favorably predisposed to my brand, because 2 different respected people had put their full faith of their reputation, their trust, their credibility, access on the line for me/my business. That's what you're dealing with here, for no hard bucks at all. I never paid for the effort. I always paid the endorsers on the results their newsletters produced for me. The biggest cost is the ingenuity, the capability of realizing how to harness and command it.

14. It provides added value to customers. We had a martial arts club that realized if they gave certain retailers certificates good, not for one free lesson, but for six months, which was worth $500, it had very high perceived value. So the retailer could say to their customers, "If you spend $200 with me, I'll give you a $500 membership to a martial arts club." The retailers loved it, because the certificates cost them nothing. And approximately one in every four people who came into the martial arts club with the free $500 certificate would extend to a $2,000 membership.

15. It contributes substantially to perceived customer or client benefits. Again, you give somebody something worth $50. You can give an endorser or a host, a partner, a product, a sample, an experience that has perceived value. It may make them a hero, but it sets you and your business up for the back end profit and future sales.

16. You can enter emerging markets instantly. Let's say there's a market that you want to be at the cutting edge. You don't know anything about that market, but you want to be the leader. All you've got to do is figure out who already has presence in that market. Let's say that you've got a piece of software that's a breakthrough for bakeries, and you don't know anything about bakeries. Well, you don't have to find a breakthrough company in bakeries. Find a bakery supply company… find a bakery consulting company… find a bakery equipment company and do a joint venture with them. That's how you can instantly usurp all the other people trying to enter that emerging market.

17. It expands your horizons. When you realize the limitless array of ways, places you can go with this it completely changes your business outlook. If you don't have infrastructure, and you don't have capital… It's OK. You know why? Because you can access it on other joint ventures. Whatever you need, as long as you can show people that they'll get something great out of it, you can always find somebody to provide it. You need copywriting --- somebody will do it for a percentage. You need delivery --- somebody will do it for a percentage.

18. You get to speed your access to wide varieties of new markets. You can penetrate ---we've used this to take my brand to Asia, to Australia, to Europe, to Canada. We've used this to take my brand to the real estate market, to the chiropractic market, to the martial arts market… All with me basically having a smaller infrastructure. I used to have a large infrastructure, but I don't need it anymore. I can get anything I want on a performance, or a soft dollar basis. Why do I need to have a huge overhead, an HR department? But let somebody else do that and you get the leverage off of it.

19. You can expand beyond your geographic boundaries, right now limited to your facility, your staff, your delivery. Use it. But now, with the blinders off, and with the permission I'm giving you, the business world should be a 3D movie and you've got the only pair of glasses.

20. You can gain a foothold in international markets. You can do anything you want. When infomercials were just starting out here, I used to go to Australia and the U.K. and do seminars, and I taught a direct response guy how to go to all the infomercial people here who were limiting their horizon to just the United States and get the rights on a joint venture to use their infomercial to buy their products at incremental cost plus profit, and use it in Australia and New Zealand. He made $20 million a year, and he wouldn't have made a dime if he hadn't created his own infomercial. He got access to infomercials that people were spending $400,000 to manufacture, to create. He got access with rights that people had spent millions of dollars to develop. All he needed to do was share the profit. He just had to be able to exploit that. We had another colleague who

would traveled the country/USA and find all the people here selling products - books, courses geared to direct response, through ads, through letters. He would get the rights and take it to Australia, to the U.K., South Africa. He made millions of dollars just seeing that creative arbitrage.

21. You can control other people's markets. Years ago, before the Internet was ever developed, the way to communicate with people was through a lot of financial or specific generic type of advisor letters, newsletters. I realized that a newsletter was the perfect vehicle to access segments of the market. I went out and I tied up the rights to put inserts into other people's newsletters for no fixed cost, but for a modest share of the revenue. The first offer I made to the first newsletter I tied up didn't cost me a cent, because I said to them, "I'll just use your printer to print it, and they'll send me a bill." The person I did it with had 90 days deferred billing, so I got $30,000 worth of billing for my inserts that I didn't have to pay for 90 days. My first insert made me $500,000. I had to pay $150,000 of it, give 30% back to the person who owned the rights, but they didn't see the opportunity. And I tied up the biggest asset they had because they didn't see it and I did.

22. You can gain a competitive advantage. If you have access to markets and you have a direct, implied or explicit endorsement and your competitors don't, three things happen: It shortens the selling cycle. It reduces the cost of access. It enhances the response rate. That means you're going to sell more, you're going to sell faster, it's going to cost you less, you're going to make more money --- even if you pay back a portion of that revenue to the endorser or the joint venture partner. When you understand this concept of lifetime value, even if you pay very generously on the first sale, but you get all the profit on the second and third, etc. one. And if you have no other products to sell, that's not a problem. Let me tell you why: We made somebody a million dollars who had no time, no understanding, no product, and no money. We taught her how to go out on the Internet, find people who had non-fiction --- business or skill-type of books, and that's all they had --- match them with people who had training, expertise, coaching in that skill, and take half the profit on both sides. She put a few people together that way, and just by making what I'll call the "money connection," she was making a million dollars a year.

23. You can rapidly overpower the competition.

24. You can joint market with people and share the cost. Let's say you really wish you could penetrate new markets, and you can't find any one person to do it, so you've got to find a salesperson, but the salesperson wants $100,000 and you don't have it. If you're the one who's got the idea, you can go out and find three or four other people who want to reach the same market that are non-competitive, and put the whole deal together where they share the cost, give you a great ride, and you could build a sales distribution cycle all over on their dime.

25. Joint selling or distribution. You can do things at will. Instead of having to buy equipment… instead of having to rent an office… instead of having to hire people…All you have to do is get the paperwork done on the joint venture or the strategic alliance, and you're off and running. Then you just have to be masterful at

programming, at leading, at directing.

26. You can collaborate to design new products or combinations with other people.

27. You have total flexibility in the way you operate. We normally have control of 50 different products, services that we're doing deals on in different forms in at least three continents, and I have eight people on my staff. If we had to do it ourselves it would take tens of millions of dollars. It would take staff. It would take specialists. Whatever we need, we just take someone who wants to be a performance-based, a joint venture, a profit-sharing partner, and then we just go through the motions. If the first one doesn't do it, the second one does, or third. If the first one turns you down, always say, "Why?" And if they give you an answer that I had never thought about, I figure out a preemptive way to overcome that on the next one.

28. It's less risky. The downside to you… You're in Los Angeles. You want to open an office in New York? OK. You have to lease an office. If it's a nice one, you might have a three to five-year lease. You have to hire people. You have to train them. You have to buy the equipment. If you have a lot of money, that's no problem. If you don't, that's a problem. What if you find somebody who is distressed, meaning they aren't using their opportunities fully, their relationships fully, their past clients fully… and you can make a deal with them that's incremental, so it's variable-based? You could be in not just New York. You could be in Atlanta, and New York, Sydney, Australia, Toronto… And your downside is very little. If it doesn't work, you unwind it or you adjust it.

29. Requires less cash.

30. Acquire a technology license. You can license other people's technology. Someone looks at buying a franchise. But most franchises don't have the critical element, which is marketing. But I say to somebody, "Let's look at the top 1,000 franchises. For every Subway and every McDonald's, there's a Handyman, Inc.," which is just basically giving you a system of being a handyman. I said, "Go to every major market and look up in the Yellow Pages or on the computer who's got an independent handyman operation (to use one illustrative example). Find out how well they're doing, and go to them and ask THEM if you can license THEIR systems and THEIR approach and THEIR advertising for every market other than the one they're in, because most of them aren't that ambitious. Now you're in a business you can re-license/ joint venture with all kinds of other people and be a franchiser/licensee, multi-unit owner.

31. You can get research and development done for you free. The biggest problem in most businesses is you have to keep developing innovative, breakthrough ways to make your current model obsolete. Well, that requires technology, or commitment, or staff, or capital, or experimentation. But guess what? In this fast world, you can go online and search any category and find 5,000 - 25,000 websites of people who have already come up with a breakthrough. The problem is they don't have marketing. You can get control of their breakthrough product/technology, etc., and the lion's share of it is profit, for no out-of-pocket to you, paying only on

performance.

32. Access knowledge and expertise beyond company borders. There are so many consultants out there. There are a lot of excellent ones. And they really can make a difference for most small/medium-sized business owners. Most people here, they can't afford them. Well, what if you could afford ALL the experts you ever wanted? You CAN afford them three ways. #1, specific expertise, you can, instead of paying for it, you can acquire and convert their compensation to a share of your results… or to an interest in your company… or to an ownership in certain kinds/categories of clients or sales that you make, or products you sell. We've also made deals where we took prestigious experts. We put them together as a board of advisors for a company, and we made a joint venture with them where they had no liability. But by lending their implied endorsement to our client, it gave our client preeminence and competitive advantage, and we produced multiplied revenue that came from new sales that used that advisory board in the credibility part of the sales and marketing, and we gave the "advisors" a share, and we've sometimes actually tripled and quadrupled businesses.

33. It can strengthen your expertise in an industry as a result of the association. In the chiropractic industry I did five joint ventures. I was joint ventured by three magazines. I was joint ventured by a leading-edge technologist. I was joint ventured by the leading chiropractic company. If I send a letter myself to chiropractors beyond the scope of that, they'd now see me from five different, high credible impact points. My credibility, my stature, my attributes, my relative worth has already been established by plugging into the cumulative efforts, the relationships of all these other people.

34. It extends your product offerings. Let's say that you're a company that has one or two products, and nothing else to sell. Well, you can have a static, a linear nowhere to go sort of business, OR you can decide to massively monetize all this valuable time and effort you've already spent on the opportunity costs of identifying and creating goodwill to companies or to an individual you sell to. I always want to find as many other related complementary or extended products, or even more advanced or expanded versions of what I originally did or sold my buyers – tie up rights to offer those offerings to my buyers, then sell them, and share richly on the profits, or vice versa. You find all kinds of other businesses… all kinds of other service providers… all kinds of other publications or associations that have a limited number of services or products. And when they're done selling their buyers all they have to offer, that doesn't have to be the end. It should actually be the beginning of a never-ending profit stream.

    Nightingale Conant, for example - one of the biggest providers of audio-based information – originally saw their model as merely selling $39 programs to the market, and their back end was merely selling more $39 programs. But I would go to their list, and I would sell $5,000 and $15,000 information programs and products. And I said, "Don't you see that you're making a modest amount on what you do. If you got your toll from other people's $15,000, $5,000 programs, you'd make a lot more. "Then, at one of my programs I did a little survey, because the owners of Nightingale Conant were there. And I asked for a show of hands, and I said, "Show me how many of you in this room who came from Nightingale Conant went to one of the authors whose $39 CD sets you bought from Nightingale and retained that author to consult?" 30% had. Average engagement was $25,000 per consultation. It was about $3 million of lost opportunity sales Nightingale never recognized, and had Nightingale offered that service too, they would have made $1.5 million just incrementally, even if they split with the expert. So it's seeing connections, and providing them both ways.

35. Widens your scope of innovation --- Innovation and optimization are two totally contrarian concepts. Optimization is maximizing the performance, the viability, the possibility of everything you do. Innovation is making what you do obsolete, and coming up with totally new applications, markets… You can do both through joint ventures, safely, rapidly, successfully -- and that's very exciting.

36. You can secure your position as front runner in your market.

37. You can provide marketing or selling, or have someone else provide marketing or selling. Let's say that you've got a killer product, but you don't know how to market or sell. You joint venture with somebody who does.
A company was in the aerobic attire business. They had really hot-looking clothes for people who would work out. They only had two or three products, their sales were starting to slow down, and they wanted to figure out a breakthrough. But I realized they had 5,000 or 6,000 retailers. They had a famous hosiery company that had 700 outlets. They had Nordstrom. They had just a bunch of other great, huge retail chains. They were frustrated, but they weren't creative. They had developed these two products, and that was it. I said, "Your biggest asset ISN'T your product. It's your distribution channels and your relationship with the store's buyers. You can use that very advantageously. Go on a road trip to the hot cities --- Chicago, L.A., South Beach, New York… Go to all the health clubs, and in the health club in the little snack shack there's always maybe some creative man or woman who's created a design for tennis shoes, or sweatshirts, or headbands that's selling four of them there, and nothing else. Find those. Go to the creator. Get a royalty deal on the product. Take it outside." They immediately went into linear interpretation mode and said, "We don't want to be a distributor." And I said, "Don't. Tell that person who created the original product that you want to now sell them that. They can keep all the sales from their one or two health clubs, and you want to give them a 5% royalty on all the other distribution channels you open up," and they were able to tie up ten really cool products. Oh, yes, and generate millions more in sales than they originally did. It's a mindset. It's about understanding posture, power, leverage, control, value of intangibility. It's non-linear, 3-D thinking.

38. You can easily establish purchasing and supply relationships. You can get access to products incrementally that no one else would ever let you have access to by tapping into your partners' supplies, relationships, buying power, etc. You don't have to buy any (or many) goods, yet almost at will, can create formidable buying power instantly for yourself and for others.

39. You can set up instant distribution networks all over the… fill in the blank --- country, industry, nation, continent, world, galaxy!

40. You can capitalize on all kinds of hidden assets and overlooked opportunities.

41. You can make much higher ROI's and ROE's on alliances than from your core/main business, because with your core main business you're burdened with the full overhead. When you go to a joint venture, you can make a deal where everything is incremental. You're not laden with their fixed overhead. You're not laden with their payroll. You're not laden with any of the cost. You figure out a G&A that you pay them, but it's incremental. It's performance-based. You can make three or four times as much profit on those transactions as you do on your own.

42. You can stay focused on your own core business while expanding, exploiting and harnessing the whole. Years ago when I started setting up joint ventures for specific clients, I was linear-minded. But after I'd set up lots of them, I realized I was only using it for one client. What I really was creating was a distribution channel that I immediately broadened, and used the distribution for all kinds of other non-competitive, and even complementary competitive products/services, and I made millions more than I was making just doing it for one client. That distribution is a pipeline you can put all kinds of other complementary products or services through. And you can sell your main business and keep the pipeline, or sell the pipeline.

43. It lets you maximize and multiply and stretch your own management, economic, technical and operational resources. People ask me, "Jay, what's your theory of management?" And I say, "Don't manage. Do joint ventures with people who have several tiers of management. They have consultants - just plug into whatever you need, and they provide whatever you're missing. All you have to do is be the big thinker, and the deal-maker, and the strategist, the catalyst and the visionary.

44. You can outsource every non-core competency, and get it performing at many times higher level of capability and results, and only pay for it in direct proportion to its results to your bottom line.

45. Reduce your overhead through shared costs and outsourcing. You're buying all this outside sales for a much lower cost of sales. But by outsourcing and starting it from an expensive cost of sales, you should wish you had to pay a sales trainer $100,000 this month because of the extra sales he taught you how to get. You should wish you had to pay a technical expert $30,000 for the savings he or she made you, because that means they made you probably $100,000, or $150,000, depending on what the deal is. It's a mindset. It's a very big shift in mindset.