Navigating partnerships in a crisis

Do’s and don’ts for smart partnership leaders

CHAPTER 1

Introduction: Lessons from the roller coaster

Although there have been some dark economic days over the past few decades, none have been darker than the global pandemic and economic crisis that began in early 2020, and from which we are still feeling the effects.

When we look back, in each contraction, we saw different sectors hit in different ways and businesses and markets deploy diverse responses. But in each case, we saw the value of partnerships shine.

Consider this:

- **When tech crashed in 2001, a marketing and business mindshift led brands toward a little-known channel called affiliate marketing.** With its ability to drive revenue on a pay-on-performance basis, businesses seeking low risk and measurable ROI elevated affiliate marketing to a key channel with new legitimacy.
- **In the recession of 2008, it was consumers who experienced the mindshift.** With homes lost and savings decimated, every penny began to matter. Coupons,discounts, and loyalty programs grew in popularity, as did referral partnerships that promoted them for brands.
- **As the COVID-19 pandemic continues to unfold, these forces have collided.** Businesses and marketing teams are looking for ways to bring in revenue yet cut costs, while anxious, house-bound consumers need extra motivation to spend. Partnerships offer both: a cost-effective performance-based business model and the ability to incentivize buying with deals and loyalty perks.

When things go south, brands increasingly lean into partnerships

In the midst and wake of each of these major economic crises and the resulting belt-tightening, we see an increased reliance on partnerships. In this e-book, you'll find out why partnerships are on the rise and how businesses can best leverage and protect their partnerships during times of financial adversity.

What is it about partnerships that make them a refuge during uncertainty? Why might you want to put *more* into your partnership channel when cash is tight versus pulling back?

Discover the reasons partnerships have historically become the go-to channel during volatile times and some do's and don'ts for managing partnerships under duress.

CHAPTER 2

A crisis in focus: COVID-19

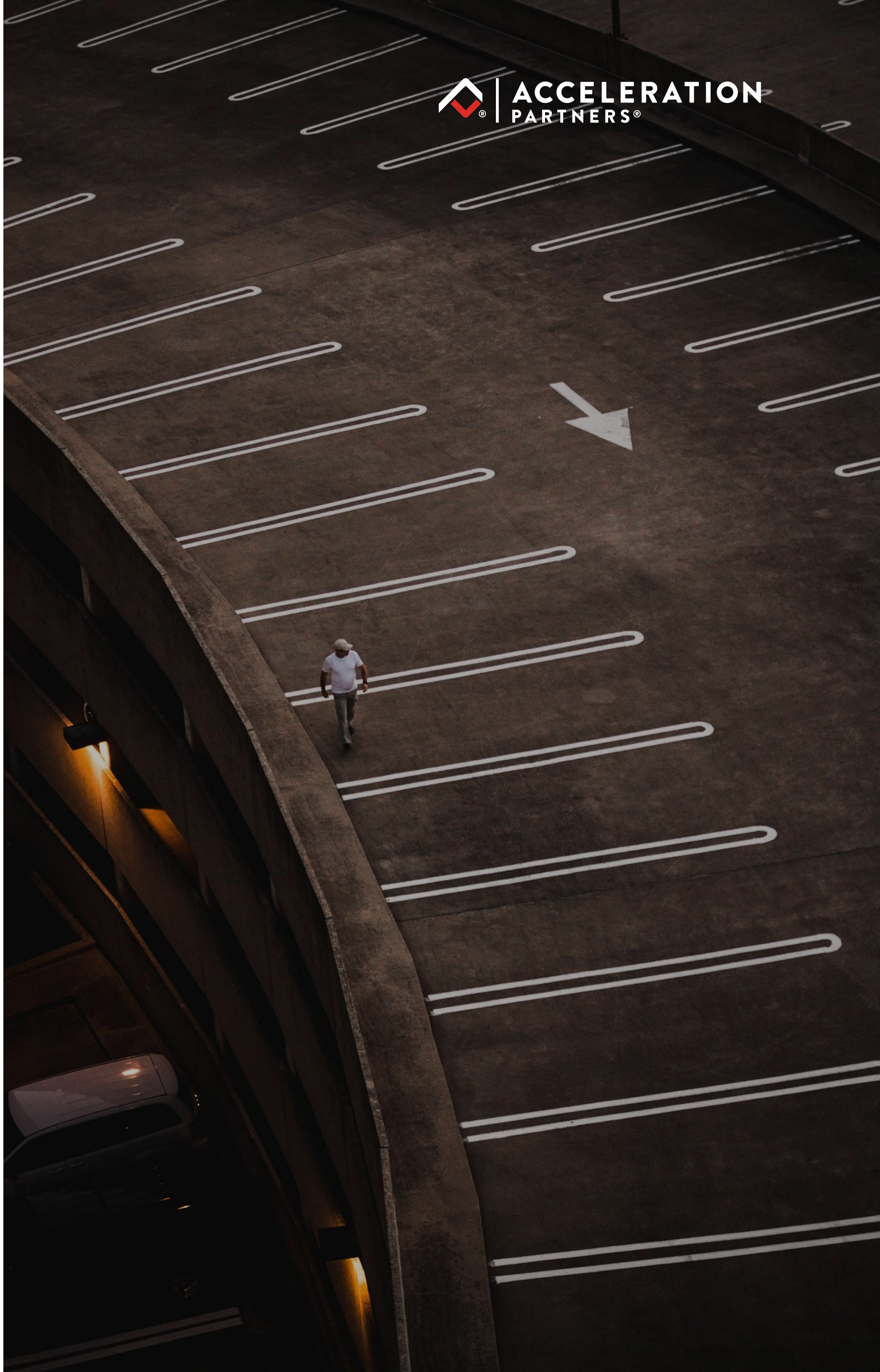
Let's look at some of the specific business impacts of the 2020 pandemic and how they have informed partnership decision-making.

Some businesses are booming:

- Delivery services
- Some retailers
- Online education
- Online entertainment
- Health and wellness
- Subscription services

Some businesses are struggling:

- Travel
- Live events/sports
- Some financial services
- Legacy brick-and-mortar retail
- Nondiscretionary/luxury
- In-location, in-person services (salons, gyms, ride-sharing transport, etc.)



Retail challenges

Retailers in particular have seen a unique set of hurdles arise:

Low demand as consumers stay home and focus primarily on a small range of consumable, remote-workplace, and educational necessities plus products and services in a few self-care and entertainment categories. But with massive job losses and unprecedented uncertainty, most are spending as little as possible.

Disrupted global supply chains leave many retailers with little inventory to offer and/or no way to fulfill orders that do come in. For products they can fulfill, delivery dates are often so far out that they may end up losing the sale.

Physical store closures have not only slashed revenue, but many stores are also stuck with stagnating inventory housed in stores not designed for fulfillment. That inventory sits idle and aging while brands are desperate for cash.

Cash flow issues are dire. Most retailers have disaster recovery plans and cash reserves designed for a single-store or regional event, but not a global public health crisis of unpredictable duration.

How brands respond

During the pandemic, brands hit the hardest have responded with layoffs, reduced hours, discretionary cost-cutting, and aggressive tactics to manage cash flow. Many pushed for longer payment terms from vendors and partners. And any discretionary spending (i.e., marketing budgets) that wasn't delivering immediate ROAS was quickly rerouted.

The impact on partnerships

During the first few months of the COVID-19 crisis, brands with partnership programs responded in one of two ways.

- **Some ducked out.** Understandably, some panicked businesses looked anywhere they could for cost-reduction opportunities, including partnership programs. Some suspended their partnership programs outright. Others squeezed partners to extend payment terms or slashed commissions, either as a way to reduce costs or, for businesses with increased demand, because they saw less incrementality in referrals. The thought was, why keep rewarding partners for sales that are pouring in anyway? *(Amazon's severe commission cuts are certainly an extreme example of this type of thinking.*)* The problem with these knee-jerk reactions is that they overlooked both short-term opportunities and long-term consequences. C-suite decision-makers desperate to make up for offline losses made demands on partnership managers that were actually counterproductive in terms of immediate revenue, cash flow, and long-term business health.

* https://impact.com/partnerships/what-amazon-associates-can-do-to-avoid-losses-after-massive-commission-cuts/

- **Others leaned in.** Other businesses saw partnerships as a lifeline. With consumers looking for deals, coupons and loyalty-based incentives and businesses needing low-risk cash flow, partnerships became the hero. For some brands, partnerships were the only marketing channel bringing in returns, and CFOs took notice. *(See these best practices for creating resilient partnerships during a crisis.**)*

  What's more, ramping up coupons and deals in high-demand categories offered a rare opportunity for online retailers to take market share and customer loyalty away from Amazon, which is not known for discounting or incentives.

  Those who embrace this more strategic view of partnerships during a crisis not only sustain a low-risk, performance-based revenue stream, they also maintain relationships that are valuable. However, once damaged, not easily repaired.*** They also overlooked an all-important difference between partnerships and other marketing channels. Unlike keywords and display ads, *partners are people.*

** https://impact.com/partnerships/6-strategies-for-resilient-partnerships-through-the-coronavirus-crisis/

*** https://www.accelerationpartners.com/blog/message-to-cmos-how-you-treat-affiliate-partners-will-have-long-term-repercussions

CHAPTER 3

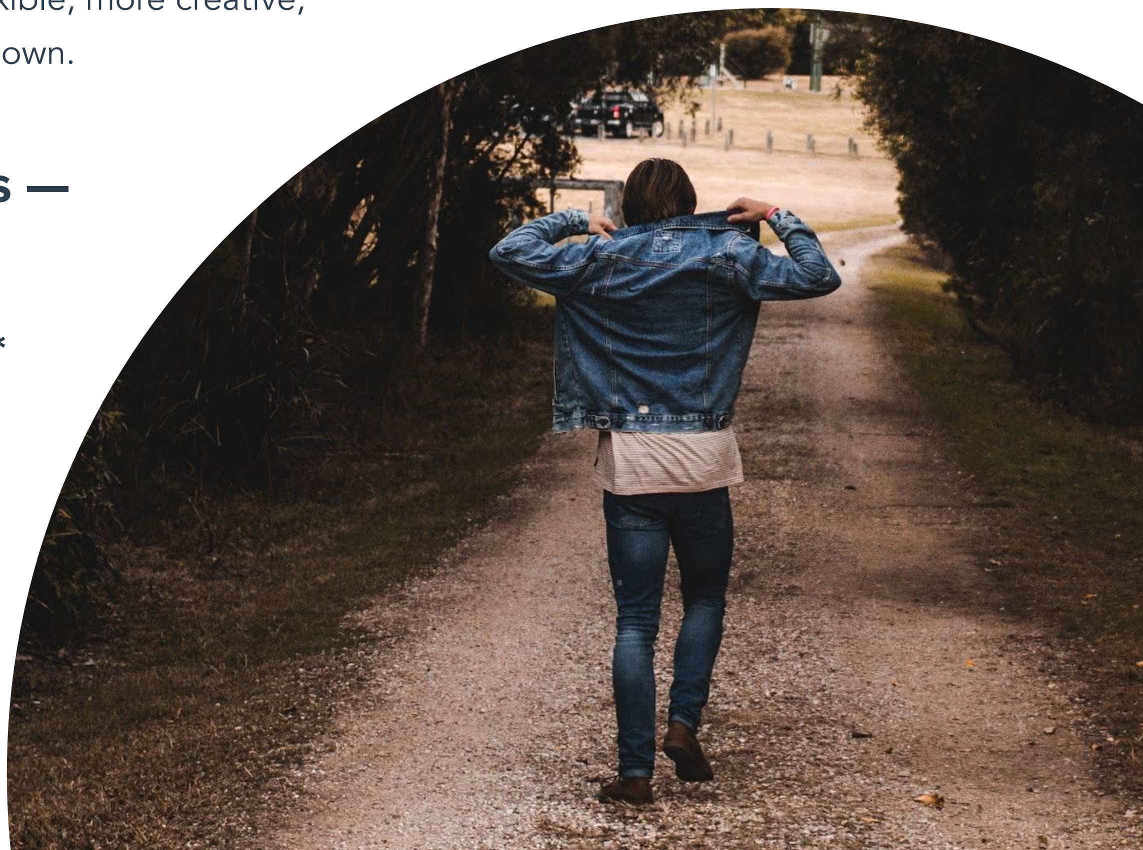
Do's and don'ts for partnership preservation

1. Do focus on loyalty

A great brand reputation is a powerful tool for attracting good partners. But if your partnership program doesn't live up to that brand, that value is lost. As with customers, how you treat partners and communicate with them, especially when times are tough, will nurture loyalty.

Partners loyal to your program brand will be more flexible, more creative, and more likely to stick with you when the chips are down.

The same holds true for customers — when a partner stays loyal to customers, those rewards pay off.*



* https://www.accelerationpartners.com/blog/message-to-cmos-how-you-treat-affiliate-partners-will-have-long-term-repercussions

2 Don’t be a jerk

Be sensitive, mindful, and transparent, even when you have bad news to share. A curt one-line email telling a partner you’re pulling the plug is both insensitive and short-sighted.

An open, thoughtful explanation of your decision, a show of authentic appreciation and regret, and ideally a personal phone call are both more humane and more likely to preserve your relationship for better times.

Most importantly, you leave the door open for ideas and creative solutions your partner may have for keeping the partnership operating.

Your phone call handled with grace and empathy could turn into an opportunity.*

* https://www.accelerationpartners.com/blog/how-to-best-communicate-with-partners-if-pausing-affiliate-program

3 Don’t be short-sighted

Cutting commissions too severely or pushing payment terms too far right now will be damaging to your program’s reputation and relationships.

Think long and hard before you reduce your payouts.

- If you are in a healthy category that is seeing strong sales, keeping your commissions high says you value your partners. That will pay off down the road in loyalty.
- If you’re struggling, sustaining commissions will incentivize partners to be creative and drive sales. Margins may be squeezed, but your partners will give you their all.

4 Don’t be exploitative

In any crisis, you need to strike a careful tone with customers and with partners. Avoid fear-based language or communications that come across as exploitative. You need to acknowledge the situation but not appear to exploit it for your own ends.

For example, don’t just throw out a deadline for a publisher partner to take down links or, worse, imply they should keep links up for free. Be respectful, give them a runway, and even walk them through how to disable the links. (They may offer to leave them as-is.)

5 Do fight for your budget

That unspent media budget? Don’t just hand it back over to finance.

Rerouting it into performance-based channels puts it to work to bring in the incremental sales your business badly needs. You’ll need to do some educating, but stand your ground.*

* https://www.accelerationpartners.com/blog/why-fixed-budget-for-affiliate-marketing-makes-zero-sense

6 Do shift budget from in-store to online

Use your partnerships to reroute offline shoppers to your online outlets. Partners with geotargeting capabilities can help capture sales from consumers close to shuttered storefronts or promote curbside pickup options.

Your deep discount partners are your ticket to converting idle in-store inventory into cash (see #8).

7 Do push hot products

Use your partners to elevate the categories consumers need most. Move those products to the front of your site even if they are not your usual sweet spot.

If inventory is low, use your partners to start first-come waiting lists (you may not have to pay commission until you ship).

Capture demand and market share while you can.

8 Do liquidate brick-and-mortar inventory

Aging inventory stuck in closed stores is money left on the table. Deal-oriented partners can be very effective at moving shut-in inventory out of your stores.* Even if you are selling at or below cost, cash is cash, and last-seasons SKUs won't move any faster next year.

Call on those discount sites that specialize in moving inventory fast to consumers looking for bargains. Your CFO will thank you.

9 Do provide a reason to spend today

When customers are being deliberate with every dollar, you'll need to provide a reason to spend now versus later. Use your content partners and deal-based partners alike to promote coded discounts, free shipping, flash sales, limited-time offers, and double points to encourage buying.

Also consider flexible policies like extended, no-risk returns that let consumers buy or book now with freedom to return or cancel later without penalty.

* https://www.accelerationpartners.com/blog/brands-facing-unwanted-inventory-affiliate-marketing-is-solution

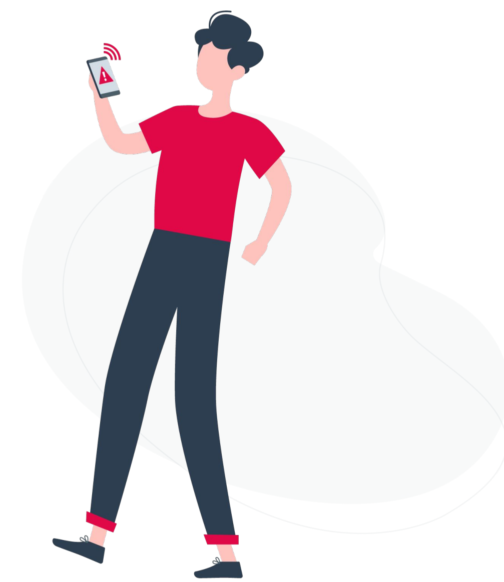
10 Do embrace your community

When communities are in need, establishing social-good partnerships can help nonprofits or small businesses stay afloat, and it can provide your customers with a reason to buy. And it goes both ways.

A crisis may be the time that the relationships you’ve built with partners and consumers see you through. If you show understanding, communicate with empathy, and maintain the values of your brand in how you deal with partners, they may just generate creative ways to support your business.

11 Do create your own opportunities

While instinct may tell you (and your finance team) to crawl back into your shell and avoid risk at all cost, a crisis may actually be the ideal time to try something new or test a fresh idea.



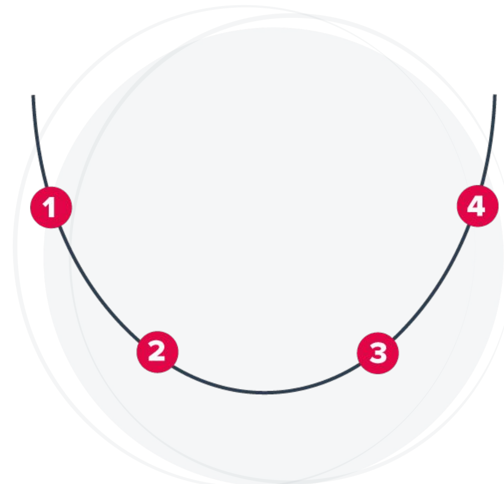
Nothing ventured, nothing gained — look for ways to make your own good news.

11 Do create your own opportunities *(con't)*

- **Pick up the phone** to communicate with partners. Any given conversation might lead to an innovative win-win solution.
- **Deliver non-monetary value.** Fast payment can be a huge value to smaller partners with tight cash flow. Consider negotiating lower commissions by guaranteeing faster payouts. Remember, a missed payment may be seen as a red flag that you are going under, and your partners may scatter. But faster payments, even if reduced, send a signal that you are firmly in the game.
- **Consider *increasing* commissions** — even for a day or two. More money in might mean more out as motivated partners put the pedal to the metal. Plus, the optics are pretty powerful for your brand.
- **Renegotiate fixed fees.** Your fixed-fee partners might be open to new CPA terms, especially if the alternative is curtailment. It doesn't hurt to ask (nicely).
- **Explore brand-to-brand partnerships.** That struggling travel site might be open to promoting staycation supplies like wine delivery or streaming services. Business for you can mean needed cash for a complementary brand.
- **Get bullish.** Partnerships are proven revenue drivers, so a downturn may be the time to go all-in. Why not negotiate a run-of-site deal with a publisher at a discount or ask your large partners where they think investment would pay off? If your partners see you're not cutting commissions or pushing payment terms like other brands are, you can bet they will have great ideas for driving volume.

12 Do plan ahead for the upswing

Create your reopen plan well before you need it. Historical data indicates that the most gains are made at about point #3 in this U-shaped crisis model and that #4 is too late to catch the rebound.



Plan ahead, and bring your partners into that plan, so you can hit the ground running together.

The heart of the matter: Keywords don’t have feelings

Search campaigns and programmatic media buys can be stopped and started on a dime. But partnerships are relationships with other human beings. The rules are different, but so is the potential for creative, collaborative, and compassionate problem-solving when things get tough.

About Impact and Acceleration Partners

Impact created this ebook in partnership with Acceleration Partners as part of a webinar series. (See the webinar here.) Check out Impact.com and AccelerationPartners.com for more timely resources to help develop your company's partnership channel to its full potential.

impact

Impact is transforming the way enterprises manage and optimize all types of partnerships. Impact's Partnership Cloud™ is an integrated end-to-end solution for managing and growing an enterprise's partnerships across the entire partner life cycle in the emerging partnership economy.

To learn more, reach out to us at grow@impact.com or find out more at impact.com.

ACCELERATION PARTNERS®

Acceleration Partners is the premier global partner marketing agency. By focusing on Better People, Better Process, and Better Performance, our team sets the standard for how brands efficiently grow and refine their marketing partnerships anywhere in the world.

To learn more, please visit https://www.accelerationpartners.com or reach out to us at partners@accelerationpartners.com.

About Partnership Cloud

Impact's Partnership Cloud™ provides an integrated, end-to-end solution for managing all of an enterprise's partnerships throughout the world.

From discovery, recruitment, and contracting to tracking, protecting, and optimizing — through the entire partner life cycle — the Partnership Cloud helps you drive revenue growth from every type of partner, including traditional affiliates, influencers, strategic partners, app-to-app partners, premium publishers, and more.

To learn more, please visit https://impact.com/partnership-cloud/ or contact grow@impact.com to schedule a free demo.

Follow us for all the latest news and insights: