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Cross-Promotion Can Help Compatible Businesses Build Client Base

By Finance New Mexico

Sharing customers seems incompatible with a competitive marketplace, but examples of such cross-promotion are everywhere: the bank or coffee shop that occupies its own niche inside a supermarket, for example, or the fast-food chain that promotes a blockbuster movie with theme-related food offerings.



But the large corporations that take advantage of these strategic arrangements don't have a franchise on cross-pollination. In fact, many small businesses have found that collaborating with a compatible business or businesses can be mutually beneficial: It can help all parties expand their outreach into new sales channels and build a client base while saving marketing costs.

Such networks can be especially critical to a startup that hasn't developed a stable clientele.

Picking a Good Partner

A well-planned cross-pollination partnership can increase revenue — and profitability — for all participating businesses. But picking the wrong partner can have the opposite effect, which is why businesses should be selective about potential cross-pollinators.

Most entrepreneurs engaged in such alliances look for a business that's offering a related product or service but not one that presents a direct conflict with their own interests. For example, the electrician who recommends a plumber isn't competing against herself; she's helping a colleague in a related trade with hopes of reciprocity. The same goes for the event planner who recommends specific florists and musicians and venues.

The relationship can be as informal as an oral agreement to refer customers to one another's businesses or a bundled offering from compatible service providers. Or it can be a formal partnership, in which business owners hold each other to specific promotional promises. In this case, a letter of intent clarifies expectations and objectives. More specific and binding agreements might be required if the collaboration evolves into a true joint venture.

Cross-Promotional Ideas Include:

Referral programs: With a cross-promotional referral program, companies reward their customers with special discount codes or coupons when they buy products from partner businesses. Some reward cooperating businesses as well with referral fees or complimentary services.

Co-branded initiatives: A partnership can promote multiple products or services in one commercial advertisement at a fraction of the cost of going it alone. Or the businesses can host a contest featuring prizes from each partner.

Social media mentions: Businesses can post positive comments or guest content on each other's social media platforms or websites, and they can include links to their own sites.

In-store displays: A home-improvement store might agree to let an interior decorator or contractor place brochures inside the store in exchange for an agreement to purchase a specific amount of materials from the store. Businesses that share mall space can profit from that proximity by promoting neighboring businesses that return the favor.

Sharing space: Partner businesses can make temporary or long-term space-sharing arrangements that benefit all parties. They can share a booth at a trade show, or a larger business can rent space to a smaller partner so the smaller business can be more visible to potential customers.

Whatever the arrangement, the relationships have to be mutually enriching to be sustainable.

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