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CUSTOMER DISCOVERY: Module 4, Episode 1 – Creating Context

TITLE:

Setting the Stage

DESCRIPTION:

Why bother with building corporate partnerships? Because large companies need you, and that gives you an incredible, untapped opportunity

[LEARN@LIFT Episode Intro]

On this episode, we're going to dig into two foundational concepts that will set the stage for the remainder of your bootcamp experience as we dive into corporate partnerships. These concepts will create all the context that you need to understand how the other half of your future corporate relationship thinks and operates.

First, I'm going to convince you why, in spite of appearances, large companies NEED you. Then, we're going to unpack the benefits and how you can scale your startup by working with corporate, enterprise partners.

So let's start here. Large companies are incredibly skilled and efficient at many things, despite their general reputation for being slow. In fact, some of the most innovative companies in the world aren't Silicon Valley startups. Solving difficult, technical problems in fields like media, energy, aerospace, and medicine — just to name a few — requires both expertise and financial commitment that is more easily attained within a large organization. By definition, large companies also have well-established and massive distribution channels. You don't get to multi-billion dollar annual revenues without sophisticated sales and marketing operations, not to mention robust and scalable supply chains. What's more, large companies have mastered complicated, multinational regulatory pathways — which is especially important but can be painful for startups to navigate when entering heavily-regulated industries.

One thing large companies haven't proven to be as skilled at, though, is creating successful startups.

There are a variety of reasons for this, which we'll dig into in more detail later in this course, but generally speaking, this is something they look outside of their organizations for. But why can't large companies just do everything internally? After all, they have the money, the distribution, connections, name recognition, and technical expertise — what more do you need?

The answer to this lies in a concept known as The Innovator's Dilemma, and this is something we'll unpack later in the bootcamp. For now, all you need to know is that large companies face a paradox: to innovate, they need to be willing to allow their successful businesses to compete with newer, unproven technologies or business models. But internal incentives typically are optimized to maximize stability and steady growth of their proven businesses. This mismatch between incentives and what's needed to innovate creates a massive and often untapped opportunity for you — the startup founder or operator.

Another area in which large companies struggle is leapfrogging their competition, by releasing products and technologies that are 10X better than anyone else in their industry. All of the large players in any given industry will have already discovered and developed similar roadmaps for the most obvious improvements over the next 5, 10 and 20 years. For example, if you're an auto manufacturer, like Ford or Toyota, you know that the market is headed toward electric, zero-emission vehicles. That means the incremental, core-business-focused innovations are table stakes with massive teams and lots of resources invested in them.

By contrast, corporates are increasingly looking to you — the startup — to help them cast a series of external "bets" on breakthrough technologies and new business models. That can be in the form of an investment, joint partnership, or commercial relationship. And that's great news for you as an entrepreneur.

You see, as a startup, you're in the business of working on difficult problems. Building a product is difficult, finding customers is tough, and recruiting a team is hard. Selling to large companies — whether your goal is to create a new customer, partner, or investor — is no different at all.

This begs the question: with all the hard things you do as a founder or operator, why bother working with large corporates? Aren't there easier ways to build and scale your business?

While not every business needs to work with large companies, these relationships can be a major catalyst for your future growth, mostly due to the immense resources and scale that corporates bring to the table. And, likely, those are resources that you as a startup lack. The most obvious of those resources is cold hard cash, but it likely also includes things like legal expertise, distribution, scale, supply chain, and more. The right corporate partner can unlock a level of growth that might be all-but-impossible to develop on your own.

When it comes to doing business with Comcast NBCUniversal, specifically, there are lots more advantages that go beyond access to revenue and customers. For example, Comcast NBCUniversal, through LIFT Labs and other Startup Engagement initiatives, helps entrepreneurs in their portfolio raise brand awareness for their companies - through the development of essential marketing assets, storytelling and cross-channel amplification. They've done amazing work helping young companies build a brand story that becomes widely known, and it can make a massive, massive difference to your company's success. You can check those out at https://lift.comcast.com/stories/

There are multiple models for working with large companies, some more involved than others. The most common relationship is a simple customer-vendor relationship, where you supply a technology, product, or service to your corporate partner, and they pay you for it. There's also a spin on this relationship, which is a commercial license, where the corporate partner pays for the right to use your technology in something they're building to bring to the market.

However, the example that most everyone's mind goes to when discussing startup-corporate relationships is an acquisition. While acquisitions are an integral part of the startup-corporate landscape, they're relatively rare, at least when compared to a customer relationship.

But when you're engaging with a corporate partner in your industry, it is useful to do a bit of thinking about how the corporate partner might benefit from acquiring you — even if this is just a thought exercise to start. Large companies acquire startups for a variety of reasons, including their technology, business model, customer traction, and talent. We'll dive into all of these reasons later in the bootcamp, but if you're unfamiliar with the world of acquisitions and what's called "corporate development," you can check out the running list of acquisitions that TechCrunch keeps on its website. You can find a link to that on the Resources page.

That said, startup-corporate relationships aren't all smooth sailing. In fact, because of the mismatch in scale, there's a shortlist of common problems that you'll consistently face.

For example, the most common issue centers around timing. Unless your startup is a rarity, and profitable from Day 1, you are not in "default alive" mode — meaning, you have to find a way to bring in more cash before you're depleted, and go out of business. This cash could be in the form of an investment or customer revenue, but you need to keep the lights on somehow. That lack of cash gives you a sense of urgency that gets deals done quickly. Conversely, large companies generally aren't short on cash, and they can therefore take their time and evaluate their options. This mismatch in timing and sense of urgency is the root cause of major problems between startups and large companies.

We'll dive into all of these problems during the next lesson, and for now, remember this. Large corporations need you, the startup, to help them innovate, and that creates an incredible opportunity that can help you grow your business.

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