

## Strategic Alliances for Cost Savings, Financial Stability and Buying Parity

Three important money areas where developing strategic alliances will serve you well are: Cost Savings, Financial Stability and Buying Parity. Cost Savings Cost savings is an important area for most organizations. I'm not suggesting that you only play the game of business from a defensive position, yet not wasting money is important for any business in an effort to increase net abundance. In manufacturing elements of your product or entire product that could be built in plants (owned by others or in joint venture) with up to date technology, cost savings can be great. Sharing resources, or outsourcing, rather than owning and operating a manufacturing plant, will allow a synergistic partnering agreement allows you concentrate on your core strengths. This is the idea behind the Donnelly Corporation and their venture with Applied Films Laboratory, Inc. for manufacturing and supplying the world market in display coated glass for liquid crystal displays (LCDs). Strategic alliances in the world of distribution allows access to orders that can be economically and efficiently produced also that generates reasonable profit through collaboration. Cost savings has been realized by many organizations through shared locations such as Bank of America and many other banks across the country are that are locating branch offices in suburban and rural supermarkets. They are saving resources while simplifying the lives of their consumers by reducing the amount of their consumers' daily running around. Wal-Mart has a partnering alliance with Ronald McDonald. In many of their units across the country, proudly displayed, are signs on the store's entrance doors announcing, McDonald's inside and a life-size plastic Ronald, who sits inside on a bench to greet customers. Stores within stores have become commonplace through alliance relationships. Another common location sharing situation seen across America is at truck stops. It is now common place to visit a truck stop and have a choice from two or three nationally franchised fast food chains. This also successfully achieves cobranding there by increasing the appeal of the particular location. Financial Stability Partnering in a poor economy or recession makes good sense especially, when sales are flat and prices are deflating. A while back, Continental Airlines accessed optical industry consumers by partnering with Swan Optical, Inc., an industry supplier, to increase business through an air travel discount certificate program for purchasers of optical frames supplied by Swan Optical. Access to capital is a primary reason for smaller organizations developing alliances with larger ones. An example, Bruce Bendoff, CEO of Craftsman Custom Fabricators, Inc., Schiller Park, IL, a 275-employee sheet-metal bending company learned how to grow through trusting a corporate behemoth—Motorola. More potential profit is generally the outcropping of shared resources. Achieving economies of scale is also possible in alliance relationships when partners share facilities, equipment and employees as mentioned above. In strategic alliance relationships, prompt payment per agreed terms is increased, especially in customer/supplier alliance relationships. Alliance relationships allow partners to share the financial risks associated with developing new products and entering into new markets. Buying Parity with Giants In the distribution industries, cooperatives, alliances and marketing groups are serving individual distributors well. In these relationships they can generally buy at prices far closer to the 800 pound gorillas than they could on their own. Today, most of the distribution industries have at least one of these kinds of organizations to help their members level the playing field. Various collaborative organizations deliver additional discounts and services for in depth marketing and technical expertise. Win/win pricing becomes more possible in this kind of long-term buyer/seller alliance relationship. To increase the health and potential growth for your business, consider alliance relationships to improve your cost savings, financial stability and buying parity.

### About the Author

Light Reading has prepared a guide to the future of optical networking, with the goal. First, we look at the fundamental reasons why optical.

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