

ENTERPRISE
ENGAGEMENT ALLIANCE

**ENTERPRISE ENGAGEMENT ALLIANCE
CURRICULUM SERIES:**

CHANNEL PARTNER ENGAGEMENT

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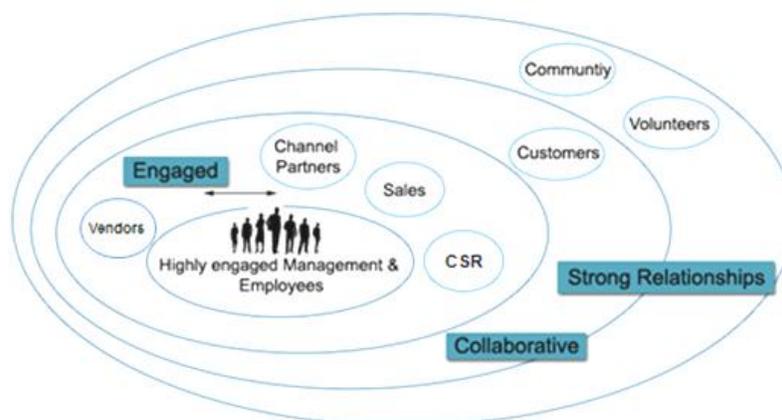
I. INTRODUCTION

Not every business has distributors or resellers but every business has collaborators, advisors and others who help them succeed in ways that complement the activities of customers, employees and vendors. While this segment of the curriculum refers mainly to sales and marketing partners, the advantages of engaging the key constituents to your success, including partners, are universal. Whatever the role of a partner, they are an important part of your success and must be engaged like all other constituents.

In many industries and businesses, channel partners are key links between employees and customers- a weak link if they are ignored, an important source of strength if they are engaged. The stakes are high. Channel partner impact can be enormous in terms of sales volume, market share, brand reputation and “share of customer”, i.e., in engaging customers. Indeed, channel partners are often the sole link to the customer. But channel partners can also impact employee engagement, especially when they fail to deliver. Conversely, channel partner engagement is directly affected by the employees who manage them and who produce the products and services.

In short, most businesses succeed only to the degree that symbiotic relationships exist between employees, customers, channel partners and vendors. This is the basis upon which “Enterprise Engagement” is built. In this paper, we focus on channel partners as a key constituent of organizational success and we offer practical strategies and tactics to engage them.

Figure One: Enterprise Engagement



II. WHY CHANNEL PARTNER ENGAGEMENT (AND PARTNERS IN GENERAL) ARE IMPORTANT

Employee and customer engagement have become high management priorities over the past several years and rightly so. Yet while organizations concentrate on making customers and employees happy, they sometimes take partners for granted. It is important to remember that channel partners are subject to the same drivers and emotions as employees and customers; in fact they have added distractions. They work with many source manufactures or service providers (“primes”) and naturally will favor some over others. Being low on the priority list for your channel partners is not a winning strategy.

Like customers, the reasons channel partners favor some relationships more highly than others is based on a variety of factors. Certainly financial motivations are key among them. Yet just as the lowest price cannot be the only customer engagement strategy (or the most effective) “spiffs” and margins aren’t the only ingredients to engaged relationships with partners. Organizations should actively nurture a culture of partner engagement so that, like employees and customers, channel partners become emotionally engaged and are more likely to take an active interest in the organization’s success. You can’t expect a disengaged channel partner to build engagement around your brand. They may meet monthly “goals” and be able to accurately describe the benefits of your product, but if they are emotionally detached, they will be far less effective. Their detachment versus enthusiastic engagement is also bound to have an impact on your employees, just as an unenthusiastic, disengaged employee will have a negative impact on any channel partners they interact with. The goal is to assist in the development of an emotionally engaged channel partner.

It isn’t difficult to spot an engaged channel partner. They are involved with the brand – take action, make recommendations and do things that positively impact the relationship. Engaged channel partners are proactive, they initiate brand development and don’t simply react or respond. For most companies that sell through channels, the typical 80-20 rule applies, meaning that 80% of their business comes through 20% of their distributors. The opportunity often is to get more share from the 80% who are not as engaged.

Are your channel partners talking up your brand? Do they appear proud of the association with you? Are they making suggestions or identifying innovative ways to extend your brand and boost sales? Are they delivering the brand promise? Their level

of engagement and strength of engagement is correlated with the strength of your brand. Think about Apple and Harley Davidson; their customers are fully engaged, but so are employees, suppliers and channel partners. People like being associated with great brands; and that attraction, in turn, creates more brand value — a virtuous cycle.

III. WHAT'S INVOLVED IN CREATING CHANNEL PARTNER ENGAGEMENT?

Since your sale is going through an intermediary, i.e., an agent, channel partner, distributor, broker or reseller, your “Channel Ecosystem” is the mix of paths to the



consumer and how they are aligned and integrated. Whether the ecosystem is harmonious or in conflict depends a great deal on engagement. Disengagement among channel partners stems from things that are within your power to correct.

1. **Channel Conflict:** Channel conflict exists where direct and indirect sales channels are misaligned. Where internal and partner sales efforts are in conflict, problems often start in

the pre-sales cycle – whose prospect is it?

Action: First, eliminate concern among re-sellers that the prospect will be encouraged to buy direct or through a separate discount channel.

In the actual buying cycle, if a reseller invests months working with a prospect only to see the final sale go direct or through another channel, they will not be enthusiastic about selling that product or service in future.

Action: Protect and honor channel partners’ sector or geographical territories.

Finally, misalignment can occur post-sale as well, where the sale may have been direct, for example, yet the channel partner is expected to provide service even though they didn’t benefit from the sale.

Action: Make participation in post-sale service worth the while of your partners.

2. **Is it easy doing business with you?** A common mistake in organizations is to assume that resellers know the product or service like the manufacturer. The fact is, resellers represent many products, they don't necessarily know all of them thoroughly or equally.

Action: Invest in channel partner product/service education and awareness.

Resellers also face disparate systems to interact with their partners. Different sales databases, different ERPs, different processes, rules and procedures. People and organizations tend to follow the path of least resistance. A culture of partner engagement means thinking like the partner.

Action: Assign at least one person on each side of the partnership that cares about the other's success as opposed to simply maximizing volumes or margins from the relationship. Be sure to assign empathetic, cooperative managers to important channel partner relationships, make those managers the partner's advocate in your organization.

3. **Have a channel strategy.** Obviously, any organization would sell their goods or services directly if that were always the most efficient means to market. A channel strategy is created to efficiently drive the flow of goods to the consumer and to align that with how and where your consumer prefers to buy. Efficiency is key, for example, Coke would love to have a person in every convenience store to direct consumers to their products and away from those of rivals. Yet that would be grossly inefficient.

Action: Select channel partners based on where and how consumers prefer to buy – i.e., convenience is key in the case of soda but product knowledge or distributor location may be more important where more expensive and sophisticated products or services are concerned.

The more sophisticated the product, the more vital the channel partner relationship.

4. **Build a “Channel Partner Culture”.** To what degree are you embracing your channel partners and making them engaged and happy throughout the process? Recognize that you don’t have the type of control over partners as you do in your own organization. This is the make or break understanding that is core to channel engagement: always remember that partners are independent and have their own agendas. Also ask yourself how you can build individual relationships with the dealer’s sales team or other employees.

IV. HOW TO BUILD A SUCCESSFUL CHANNEL PARTNER CULTURE

Now that you understand the fundamentals, how do you build a successful channel partner culture and process? The main requirements for channel engagement are Recruitment, Enablement, Management and Reward.



First, know what kind of partners you should be pursuing. This will depend on your position in the market, your brand strength and the reach of your internal sales and marketing capabilities. To what extent does your channel partner have a sales strategy aligned with your own – types of consumers, values, etc.? Do they already have a broad clientele you can leverage or do you have to help them build it? What kind of services do you expect your partners to provide, are they adding configuration, service, installation, etc.? Are they selling competitive products? If so, is that acceptable and if it is, how is your value to them going to be compelling enough so you get your share of their attention?

Think also about avoiding some of the pitfalls to a channel partner culture described above. When recruiting channel partners, avoid setting yourself up for channel conflict. Consider delineating audience segments and geographical boundaries. If you sell to both the private and public sectors, for example, look for partners with expertise to target segments within those sectors and avoid channel conflict by granting exclusivity (tied to performance) in those areas. Also clearly delineate where your channel partner picks up and where you leave off in the marketing/sales cycle.

A Channel Partner Engagement Checklist:

- Provide Leadership Training —make sure your channel partner managers understand how to lead and engage
- Communications — continually give your channel partners the information they need
- Channel Advisory Panels: Consider forming a panel of channel partner advisors to be the voice of the channel and to provide feedback to the business
- Technical Training —make sure the partner is capable of doing what is asked
- Rewards and Recognition: Design a flexible and custom R&R program that is mutually beneficial
- Technology —Provide access to relevant learning management systems, communication tools (intranet/CSN), innovation tools, engagement portals and CRM.
- Measure, Analyze and Report so that you can continuously improve.



Enablement

Now that you have the right channel partners onboard, you should change your focus to reducing the time it takes them to become productive on your behalf. In the spirit of engagement and building a partner engagement culture, think less about their obligations and more about how you can offer support to get them up and running with minimal effort on their part. A great deal of this will be accomplished by assigning a strong partner advocate to work with them (as above). You might also provide qualified leads, offer co-marketing programs and product or technology/ sales & marketing training. Some organizations provide channel partners an “MDF” (Market Development Fund) which is an allowance provided to partners to offset marketing costs and/or to go toward demonstration equipment, customer events, training, etc. It’s extremely important to enable the actual people interfacing with the customer, not necessarily the dealer principal. The principal values organizations that help train the sales team to be more effective.



Management

Part of the channel partner culture is in making sure that you are easy to do business with. Your complexities may be understood internally but remember your product is probably one of many your channel partner represents. Do you require multiple log-ins to systems they have to interact with, for example? How fast can they get answers to their questions about products, prices and new features/products? How many steps are there in the sales process, how much bureaucracy impedes the process? Management is where the relationship succeeds or fails. Again, both parties should have an individual who is committed to the other partner’s success —an advocate. Organizations with a channel partner culture naturally think more about how they can drive the success of the channel partner and less about how they can squeeze the most out of the relationship for themselves; this, in turn, drives engagement and better results for both partners over time. Finally, you should also realize that channel partners have a lifecycle. Your engagement process will be different depending on where the partner is in that cycle, i.e., whether you are onboarding them, ramping them up or in long-term maintenance.



Reward

Margins and commissions or “spiffs” are not enough. Companies that implement non-cash reward and recognition programs for their channel partners report annual revenue increases averaging 9.6%, compared to an average of only 3.0% for all other companies, according to research from Aberdeen Group and the Incentive Research Foundation (IRF) in 2011. In fact, the Aberdeen/IRF study suggests that organizations that

implement non-cash reward and recognition programs tend to outperform other organizations across several major business indicators, and not just in terms of revenue growth. According to IRF Chief Research Officer, Rodger Stotz, "Perhaps the greatest lesson to be learned from this study is that professional sales staff tend to respond to measurable rewards and recognition much like other employees, so it's not surprising to find that companies using such programs post better sales results."

Again, it is critical to make sure that your reward programs target the employees who are helping you achieve your goals. Many dealer principals value having their partners provide extra rewards for their sales team.

Marketers have to understand the behaviors they want to encourage; these could be different for a distributor than a reseller, for example. You have to motivate differently to get mindshare. In addition to margins, and equity rebates, consider non-cash rewards for meeting and exceeding goals. There have been numerous studies regarding the effective use of such programs including:

The University of Chicago (2004): "While most people in the study stated a strong preference for cash, their performance was markedly better when they were in pursuit of the non-cash incentive (14.6% increase for cash vs. 38.6 % for non-cash)."

The International Society of Performance Improvement: Properly structured incentive programs can increase performance by up to 45% in teams and 26% in individuals.

The American Compensation Association: "At median, organizations earned \$1.34 for every dollar they spent on incentive awards."

Partner goals must be attainable and the awards flexible. Provide referral bonuses when the sales channel partner does much of the selling but the actual sale gets put through directly or ends up going through a discount channel, this minimizes channel conflict and increases engagement. Consider channel incentive travel rewards as well. Allow top channel partners to earn a group travel reward trip, this creates the opportunity for your executives and top partner performers to gather, exchange ideas and form better relationships.

Creative rewards can have a significant impact on relationships, but, a culture of partner engagement requires more to build true emotional engagement. Tangible rewards must be combined with regular, verbal recognition and acknowledgement of your partners.

Whether it's a channel partner manager or one of your own sales people who interacts with channel partners, the importance of information sharing and recognition are paramount. Take the time to know and recognize your partners' salespeople. Consider one of your own sales people taking thirty minutes each month to meet with a channel partner's sales team to share the previous month's results and recognize achievements. For example, "I want to recognize Sally who exceeded her sales objectives last quarter ... or Fred who just earned a new big screen TV for exceeding his sales goal."

Finally by utilizing an organized sales incentive program as part of your overall engagement strategy, you learn who the best channel partner salespeople. In the unfortunate but realistic case they leave their employer, you can assist in trying to retain them for your channel partner or if that becomes unsuccessful, invite them to work for your organization.

V. CONCLUSIONS

The principles of engagement are the same between constituent groups. After all, people are people. Everyone craves recognition and feedback, everyone wants to be treated with respect and no one can resist favoring a person or organization with which it has established an emotional connection.

Organizations should take care and caution in recruiting the right partners. Next, they should onboard those partners proactively and methodically to reduce partners' "time to contribution". A management structure should be in place where a channel partner mindset is encouraged (in which partner success is at least as important as your success). It's important to address both the dealer principals and their employees, as it is often the employees who can make the difference. Finally, a well-designed and professionally run and organized reward and recognition program for partners is essential in shaping and re-enforcing desired behaviors and building a strong, emotional connection over time.