

Channel Management

Managing the indirect directly

Why do companies adopt an indirect channel approach to market?

Good question; to hear most marketing and channel managers, this strategy is riddled with confusion and difficulties. It seems few partners work in the same direction as the host vendor, delivering market information or forecasts on which to support the shareholder collateral.

Can it be down to the individual goals of the partners which may be at conflict to those with the host vendor? Or is it a matter of poor proposition and administration of channel planning or sales engagement?

It all seems to start from the day that partners are recruited. Promises are made which fall by the wayside from both parties, plans rarely come into fruition and all targets are at the mercy of the partners sales teams, who may or may not wish to co-operate - they are commission focused not partner driven.

Some companies now refuse to engage as partners, preferring a 'non-disclosure' document and only co-operating as and when a suitable piece of business occurs.

As channel recruiters strive to find that 'ultimate' partner through the desperations of current business climates, this pattern of 'give us a call when you've got something', whilst rising in frequency, is utterly detrimental to the indirect channel approach.

It leaves hardworking partners frustrated, and channel managers disillusioned. As for the partner themselves, this quick fix or low level team working approach leaves them unmotivated to drive revenue streams forward.

Positive mind set to channel planning reaps great rewards

The problem with most channel management approaches is that planning is either left to the partner themselves or is applied as a simple fiscal target. The result, in the former, is that little real planning is done, as quite often the partnership is resulting from ad-hoc demand. As for the latter approach, it often results in a partner trying to continually worm out of their revenue commitments, producing forecasts which mislead and a continual demand from their sales teams for vendor provided leads to generate the results more easily.

Neither way is proactive or promotes an enthusiasm to generate consistent long-term results – essentially a stick approach or nothing!

High performing channel management is based upon a foundation of proactive planning, where goals are synchronised within realistic timescales. Partner pressure is monitored to deliver results and has comparable support from the vendor to simply be successful. Starting with corporate targets, these are segmented through the regions and the channels they're in to determine which revenue by product or partner is sold with emphasis.

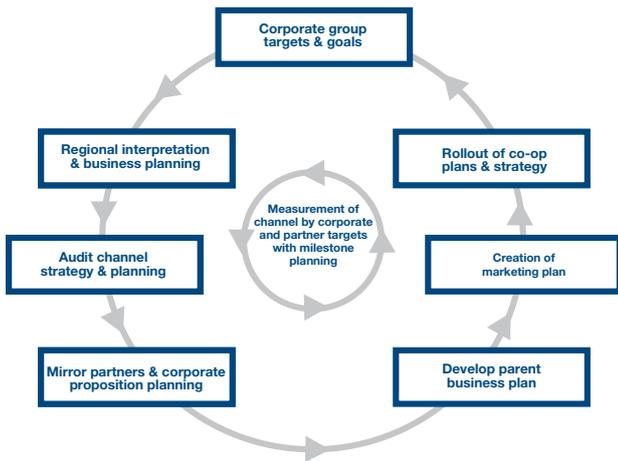


Fig 1: Channel planning starts with the implementation of corporate objectives, which are then reflected through the partner base

Segmentation within partner planning is key to the channel success, where skills and target markets are divided across all market sectors to remove partner overlap. This form of planning approach helps reduce channel conflict and maximise channel performance through focused and segmented campaign planning. It also improves partner recruitment through the identification of gaps in the partner base or deficiencies in skills.

Having segmented the channel base it is now possible to weight targets according to sector or focus. This simple programme of isolation and target setting increases partner enthusiasm and improves confidence to achieve targets and agreed plans.

Understanding and applying specialist targets and limiting the overlap leads on to the second stage in channel management; the audit. Conducted from corporate goals to individual vendor, the channel audit loses to the effectiveness of the partner community you have recruited and attempts to understand their motives and expectations on a company-by-company basis. This is then translated to the goals of the channel owner. If there is a mismatch, you then have the option for channel purge, or the opportunity to introduce a new proposition to them that will sway them towards your own business objectives.

The audit is key to segmenting those that view your products as key or peripheral. This will allow you to then make a judgement on what support you provide them. More importantly, at this level you can also map those partners for whom your product is apparently pivotal to success, but clearly do not have the capability to achieve results.

The audit is about providing clear foundation. It should therefore also address your channel to 'direct' marketing conflict. You may be presenting a communications programme that is not in synch with your channel, it may present your brand well but does it herd enquiries to the right channel partner? Fail to communicate the use of the channel to your customers clearly and you will unsettle them.

If you have a direct or key account sales team, the audit should consider their impact upon the sales efforts of the channel. Do they hinder, confuse or aggravate? Is there a relationship that is profit positive or do they conflict, rendering profit reduced?

The audit should look at all aspects of the channels interaction, from product development to service and support. For international channels, you may even consider 24/7 support and information that you present to them that allows them to function better whilst you are asleep!

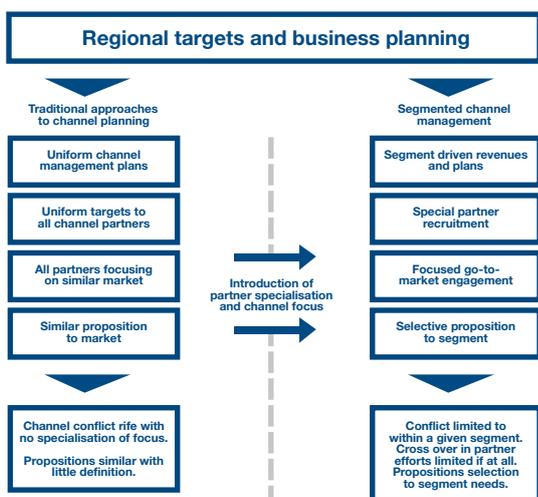


Fig2 Using segmentation, partners are divided and targeted upon given sectors to focus effort, revenue stream planning and performance.

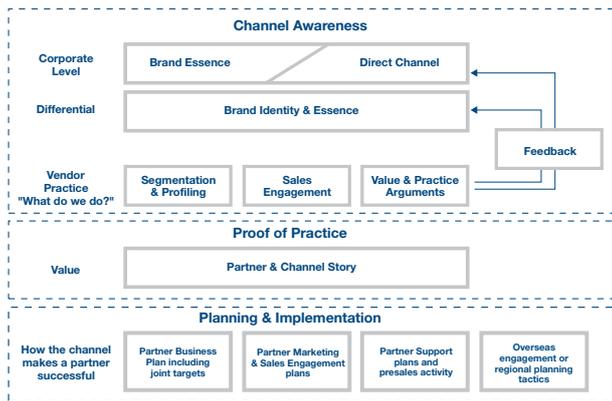


Fig 3. Managing the brand and objectives from a corporate layer through to the partner, their plans and targets.

What is the proposition for partnership?

Having established the foundation of success and failure, segmented the channel by skills and sales of virtues, now is the time to start helping them to grow.

Growth should be by your goals as much as their's. The problem is partners forget that they make or break their channel partners by simply focussing upon their own needs and only when the channel partners products or services clearly meet these goals, do you have the focus and determination you seek.

So it's a case of continually making your products the focus of their attention by the introduction of key propositions for their segments, business opportunities to instil confidence and the tools behind this, that enables the sales to take place.

Most channel owners are good at the tools to permit selling, from collateral to case studies, but what about compelling sales messages? Some have an attempt at introducing this, however they fail because they are either generic and become diluted, or because segmentation within the channel isn't good enough, allowing for specialisation of message to market.

Channel owners need to focus upon a select number of partners first of all. Create a key proposition of their product to the markets in which these partners are active. Case studies may then be associated and aligned to support the effort alongside collateral or other sales support items.

Channel members may then wish to go forward and offer 'herd' marketing support. A key and effective method of marketing is focused upon driving business specifically by

the proposition and message to the partners – effectively 'herding' business to the partner will enable them to achieve aggressive business targets. Budget is taken from the corporate awareness accounts to meet this financial obligation.

What does this mean to the planning process?

In figure 3 we show how your channel partners could simply break up your corporate goals and apply them as targets to their channel. The model also demonstrates how this should be applied through business planning, which also requires investment from the partner and you, the channel owner. This may be in the form of selling effort, support or marketing and finance. Either way a business plan is agreed with the milestones to achieve the goals.

Propositions help define the tactics that make the business plan possible. Instead of one huge revenue target, it is divided amongst the many propositions you share. Those that fail are replaced. This innovation process within the channel makes business planning work effectively – it also means you as the channel owner, by giving the sales and marketing propositions, are controlling the messages to market. No more dilution or confusion, single voice from owner through channel to target market.

How to drive corporate targets through the indirect chaos

In the model featured in figure 3, there is one assumption and that is that the partner will agree to a business plan. You offer the benefits of support and marketing in return for revenue. However, they also have their own business plans to which your products or services may only present a small percentage.

This approach requires partners to work with you as the owner to achieve your goals, which results - by partnership - in them achieving theirs. This requires some localised auditing of the partner management team plans and their dedication towards your business. It is a good qualification process for tiering your channel. If they are prepared to meet your business targets, they will have the confidence to see them through to the end. Those that do not should be reconsidered for the channel. As for new entrants, they will approve of the structure in which they may work.

Channel planning and partner business plans allow you to co-ordinate your efforts alongside that of the partner. More importantly, as you have a dedicated partner community, you then have accurate forecasting rather than wish lists!

Summary

Business planning within the channel is possible; it should be founded upon the goals of your business and should share the burden of those goals throughout the channels community.

Sales tools and collateral has little effective purpose unless you segment your channel to achieve language and tone of their target markets. Propositions should be specific and within the corporate 'issue' matrix, which maintains message to market and reduces corporate brand dilution.

Segmentation is key to the success of a channel and channel purging permits partner churn and new introductions for better innovation and better opportunities to achieve business goals.

Further Reading from Anderson Baillie

Developing compelling propositions for marketing communications and sales delivery

Developing a framework to allow rapid turnaround and delivery at both sales and marketing communications level.

Creating multi level communications models to support brand generation and lead generation programmes

Managing the demands of brand management and lead development through interacting multi-tier marketing campaign models for hunter sale strategies and industry awareness.

Evolving channel management into a proactive sales strategy

Developing a channel management approach which reflects the needs and demands of corporate goals and targets as well as those of the partner base.

Notes about the Author

Anderson Baillie is one of the UK's foremost authorities in the delivery of technical business-to-business marketing strategy, working in IT and with other complex product and service markets. Managing all strategic disciplines and best practice change management programmes, Anderson Baillie is responsible for the creation of Strategic Marketing and Planning, providing a strategic vision through to implementation and planning for accelerated revenues generation.

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