

# Channel Management

“Companies have recognized that a channel program cannot be successfully realized with technology alone. By focusing on an extensive partnership program, vendors and solution providers are together able to increase business opportunities and turnover.”

Kelley Damore, Vice President, CRN-Magazin/Everything Channel

# Resolve conflicts— secure market success.

Even in the era of the Internet, many companies generate a large proportion of their sales by selling products via their distribution partners. In the IT industry, for example, up to 90% of sales are currently generated via indirect distribution. This makes the distribution partner a key link to the end customer. The following rule could be said to apply: the better the collaboration, the higher the sales figures.

But this collaboration is not free from conflict, since distribution partner management takes place in a triangle of tensions: the manufacturer, distribution partner and end customer. Although manufacturers and partners pursue common goals, such as increased earnings and customer retention, both parties are nevertheless more often in competition with each other than working together.

Only when sources of conflict in the partnership are recognized, and nipped in the bud by means of appropriate partner management measures, can manufacturers and distributors fully exploit available potential.

# Cooperation between manufacturers and resellers is more important than ever.

The development of partner programs is not only challenging in terms of content but also very expensive. Traditional partner programs often fail to bring about the intended result. Being mainly geared toward a specific service, they are difficult to adapt to the individual requirements of distribution partners and current market developments. It is therefore in manufacturers' own interests to rethink how their partner programs are designed, since the potential for increasing sales in a harmonious partnership is clear to see.

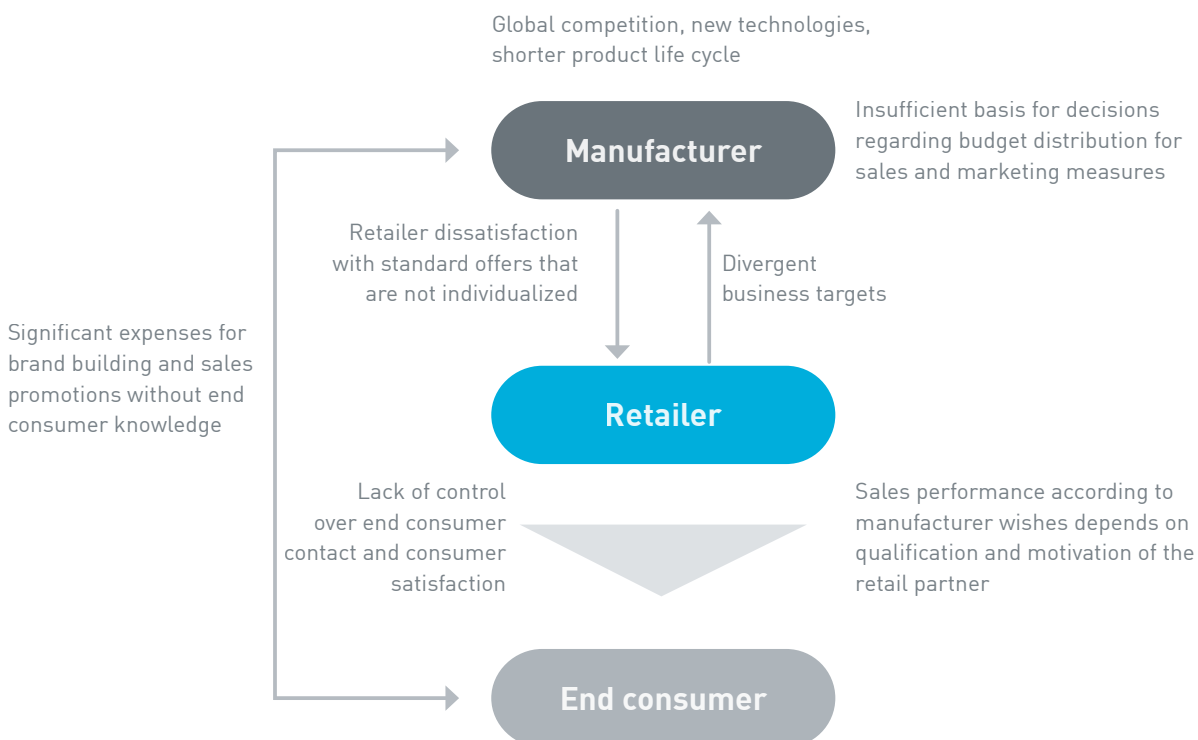
## Stumbling blocks in practice

Most manufacturers now rely on partner programs. Nevertheless, only a few have been able to exploit the full potential of their programs.

There are a number of reasons for this:

- Communication is limited to exchanging manufacturers' logos.
- Partners are not aware of the range of services offered by the program.
- The program is too complex, lowering its perceived value.

Added to this is the fact that many resellers are not just participants in one program, but use several programs from different manufacturers. It is therefore all the more important for a program to be transparent and to make sense.



# Professional distribution partner management.

Partner programs form the backbone of distribution partner management. Depending on how they are designed, they offer a range of services (bonuses, marketing support, training, etc.) to support the distribution partners of a manufacturer. As such, they offer the manufacturer the chance to establish long-term prospects for collaboration with distribution partners rather than short-term tactical measures. Well-thought-out partner programs therefore create a real win-win situation for all concerned and allow for collective growth.

## Establish a legitimate basis right from the start.

The starting point for every program development should be the strategic aims of the manufacturer, and an analysis of reseller relations. As well as the available investment volume, understanding the requirements, expertise and loyalty of the partner is particularly important in deciding on the structure of the partner program (i.e. the framework and the program modules). The following diagram illustrates by way of example how companies can develop partner programs and make specific adjustments to these.

## Review of the relationship status

### 4. Implementation and controlling

- Program management and administration
- Program adjustments during the year as necessary
- Success measuring (e.g. quota, partner ROI)
- Partner satisfaction and development

### 1. Target and relationship status

- (strategic ) targets for indirect sales
- Definition of partner requirements
- Evaluation of current trade relationships (convicts, position in the market and market shares)
- Definition of program targets



### 3. Program setup

- Drafting of program contracts
- Development of infrastructure, program interfaces/processes and databases
- Development and sending of program communication

### 2. Program concept

- Consolidation of existing offers in the trade
- Monitoring of offer attractiveness and awareness
- Evaluation of partnership competencies and loyalty
- Development of complete programs and program modules
- Definition of criteria for success measurement
- Planning of trade communication

## Advantages for you.

A good partner program has more to offer than bonus points and discounts.

Bonuses and discounts are key ways to motivate distribution partners. As monetary incentives are very attractive, they are often centrally located in the partner program layout.

However, a successful partner program can do a lot more than that: it can support partners in the distribution of integrated system solutions and services rather than individual products.

The program also includes elements that empower partners and promote relations. As such, the expertise and confidence of partners can be increased in the medium term.

# Long-term prospects for collective growth.

The modules that make up a partner program, and the rate at which measures related to sales or promoting relations are used, depend on the individual manufacturer's situation. And, depending on your requirements, Pepper can support you with individual components, to acquire new partners or to strengthen existing partnerships.

These program services, composed of modules, allow you to choose appropriately for a wide range of requirements, taking into account your strategic goals.

This will result in some interesting benefits:

- Being able to control investments in partners, in order to generate a higher partner ROI
- Less complexity for the partner
- Option to adapt to new/altered distribution partner business models
- Option to adjust to different stages of maturity in local markets (in the case of manufacturers present in a number of regions)

Program services primarily increasing turnover (immediate effect on turnover)

### Bonus incentives

Bonus/turnover compensation

- Cash-bonus for certain products/services
- Point collecting system for turnover that can be exchanged for prices/trips/cash

Rebates

- Rebates based on increase of turnover
- Rebates on specific products/for specific customer groups

ME-budgets

- Market development budgets

Training budgets

- Training and partner support budgets

### Turnover/sales support

Generating of customers/leads

- Identification/forwarding of leads by the manufacturer
- Lead prioritizing
- Access to databases of manufacturer and pdf files

Marketing support

- Classical print advertising material
- Online advertising material
- Common newsletter
- Web-based services (download of information/logos images etc.)
- Cooperation campaigns/programs
- Integrated campaigns
- White papers and case studies
- Shop equipment
- Product demos
- Tradeshow support
- Events (yearly sales summit)
- Free advertising in Yellow Pages
- Free software updates

Technical support

- Expert contact person for general support
- Expert contact person sales/product/technical
- Technical support for pre-sale phase

Process support

- Quick turnaround for questions regarding pricing
- Service quality monitoring
- Service hotline for partners (delivery status, technical questions)

Program services primarily promoting relationships (immediate effect on turnover)

### Trust developing measures

Common marketing	<ul style="list-style-type: none"><li>• Common marketing for service/leasing programs</li><li>• Multi-vendor service contracts</li><li>• Common sales force</li></ul>
Contractual self-obligations	<ul style="list-style-type: none"><li>• Development of an aligned customer list with the reseller</li><li>• Reimbursement for the reseller for expenses, even if customer decides to buy directly</li><li>• Resellers are compensated for developing accounts, even if the customer decides for a competitor in the end</li><li>• Contractual regulation of the quota and the conduct with customers incl. penalty system</li></ul>

### Partner support and knowledge building

Knowledge building/training	<ul style="list-style-type: none"><li>• Product training</li><li>• Sales training</li><li>• Further trainings, (i.e. marketing, CRM management etc.)</li><li>• Virtual new product seminars/technology workshops</li><li>• Quarterly technical update CDs/current online product register</li></ul>
Program communication	<ul style="list-style-type: none"><li>• Program communication incl. welcome pack, newsletter, fax shots, e-mail news, etc.</li><li>• Making available of further interesting articles regarding the industry/solutions etc.</li></ul>
Company insight-sharing	<ul style="list-style-type: none"><li>• Video streaming of important meetings</li><li>• Quarterly update meetings regarding company status and strategy</li></ul>
Program execution support	<ul style="list-style-type: none"><li>• Individual access on demand of status of incentives, training and technical support (automated)</li><li>• Online status report for sales achieved by resellers including status of compensation</li><li>• Online price/offer and order configuration tool</li><li>• Online complaint management tools</li></ul>

**Summary:** it is not the number of services partner programs offer but their attractiveness and user-friendliness from a reseller's perspective that make them an important tool in distribution partner management. Pepper can help you successfully implement all necessary criteria successfully.

## Holistic distribution partner evaluation as part of a partner program.

Pepper overhauled the entire partner program of a leading IT company and realigned offers and measures. As part of this realignment, a partner evaluation model was developed which avoids a purely sales-oriented classification of distribution partners.

The three pillars of sales, loyalty and expertise allow for a much more effective arrangement of the partner structure, enabling the manufacturer to understand the characteristics and requirements of partners and provide them with more targeted support.

The individual measures taken include:

- Definition of target profiles for the acquisition of new channel partners based on expert discussions and secondary research
- Development and implementation of a development plan for joint mass customization activities
- Management recommendations for effective allocation of distribution funds and staff
- Improved transparency of management and multidimensional overview of the performance of channel partners in over 40 countries
- More effective allocation of distribution and marketing funds (short-term)
- Identification of opportunities for channel partner development (longer-term)
- More efficient, better-quality account planning

# Answers to your questions.

As an agency with offices all over the world, Pepper can also provide you with a contact partner with a high level of experience in channel marketing in close proximity to where you are located. In other words, we are waiting for your call anywhere in the world, and your specific requirements can be met on a regional, national or even international basis. Give us a try.

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