

ENTERPRISE

ENGAGEMENT ALLIANCE

Channel Partner Engagement

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DITTMAN
INCENTIVE
MARKETING

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 all key constituents, including partners, are universal. Whatever the role of a partner, they're 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're 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." 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 chapter, we focus on channel partners as a key constituent of organizational success and offer practical strategies and tactics to engage them.

DRIVERS AND EMOTIONS

Employee and customer engagement have become high management priorities over the past several years, and rightly so. But while organizations concentrate on making customers and employees happy, they sometimes take partners for granted. It's 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.

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As with customers, the reasons channel partners favor some relationships more highly than others is based on a variety of factors. Financial motivations are certainly among them. Yet just as the lowest price can't be the only customer engagement strategy (or the most effective) "spiffs" and margins aren't the only ingredients to an engaged relationship 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 they'll be far less effective if they're emotionally detached. Their detachment vs. enthusiastic engagement is also bound to have an impact on your employees, just as unenthusiastic, disengaged employees 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.

PROACTIVE PARTNERS

It isn't difficult to spot an engaged channel partner. They are *involved* with the brand - they 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 objective is to get more share from the 80% who are not as engaged wherever you can.

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 your brand promise? Their strength of engagement has a direct correlation to the strength of your brand.

Think about Apple and Harley Davidson; their customers are fully engaged, but so are their employees, suppliers and channel partners. People like being associated with great brands, and that attraction, in turn, creates more brand value – a kind of virtuous cycle or “channel ecosystem.”

FIGHTING AGAINST DISENGAGEMENT

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, such as:

- **Channel Conflict.** Channel conflict exists where direct and indirect sales channels are misaligned. Problems often start in the pre-sales cycle – whose prospect is it? 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 won't be as enthusiastic about selling that product or service in the future. 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.
- **Ease of Doing Business.** A common mistake in organizations is to assume that resellers know the product or service as well as the manufacturer. The fact is, resellers represent many products; they don't necessarily know all of them thoroughly or equally. Resellers also often deal with disparate systems in order 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 requires thinking like a partner.
- **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. But that would be grossly inefficient. The more sophisticated the product, the more vital the channel partner relationship.
- **Channel 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 same type of control over partners as you do in your own organization. This make-or-break understanding is at the core of 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.

FOUR REQUIREMENTS

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.

1. RECRUITMENT

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, is your value to them going to be compelling enough so you get your share of their attention?

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.

2. ENABLEMENT

Now that you have the right channel partners on board, 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 harmonious Channel Ecosystem, 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. 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 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, who values organizations that help train his/her sales team to be more effective.

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3. MANAGEMENT

Part of creating a positive channel partner culture is making sure that you’re easy to do business with. Your complexities may be understood internally, but remember your product is probably one of many your channel partner represents.

For example, do you require multiple log-ins to systems they have to interact with? How fast can they get answers to their questions about products, prices and new features? 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 positive 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 your partner is in that cycle – i.e., whether you’re onboarding them, ramping them up, or in long-term maintenance mode.

4. REWARD

Margins and commissions 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% 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’s critical to make sure your reward programs target the people 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 as opposed to 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.

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.

SHAPING AND REINFORCING

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 that partner's "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's often the employees who can make the difference.

Any serious channel partner engagement strategy should start with a well-designed web portal that provides useful information, news, the opportunity to share success stories or issues, knowledge tests, surveys, rewards and recognition, performance measures and more.