compass
by xoxoday

CHANNEL PARTNER MANAGEMENT PLAYBOOK

Back in 1916, when Coca Cola wanted to distinguish itself from its competitors,they had a simple brief. To create a bottle so distinct that you would recognize it by feel in the dark or lying broken on the ground. Coca Cola is the second most recognized word in the world after OK.

Today, Coca- Cola produces close to 12.5 billion liters of beverages annually. They have close to 300 lines and around 17,000+ suppliers to facilitate their operations. It is impossible without an incredibly strong local penetration across the globe that ensures everyone has access to it? It is obviously a logistical nightmare without a robust distribution channel because it is impossible for them to keep hiring employees at each node of the supply chain.

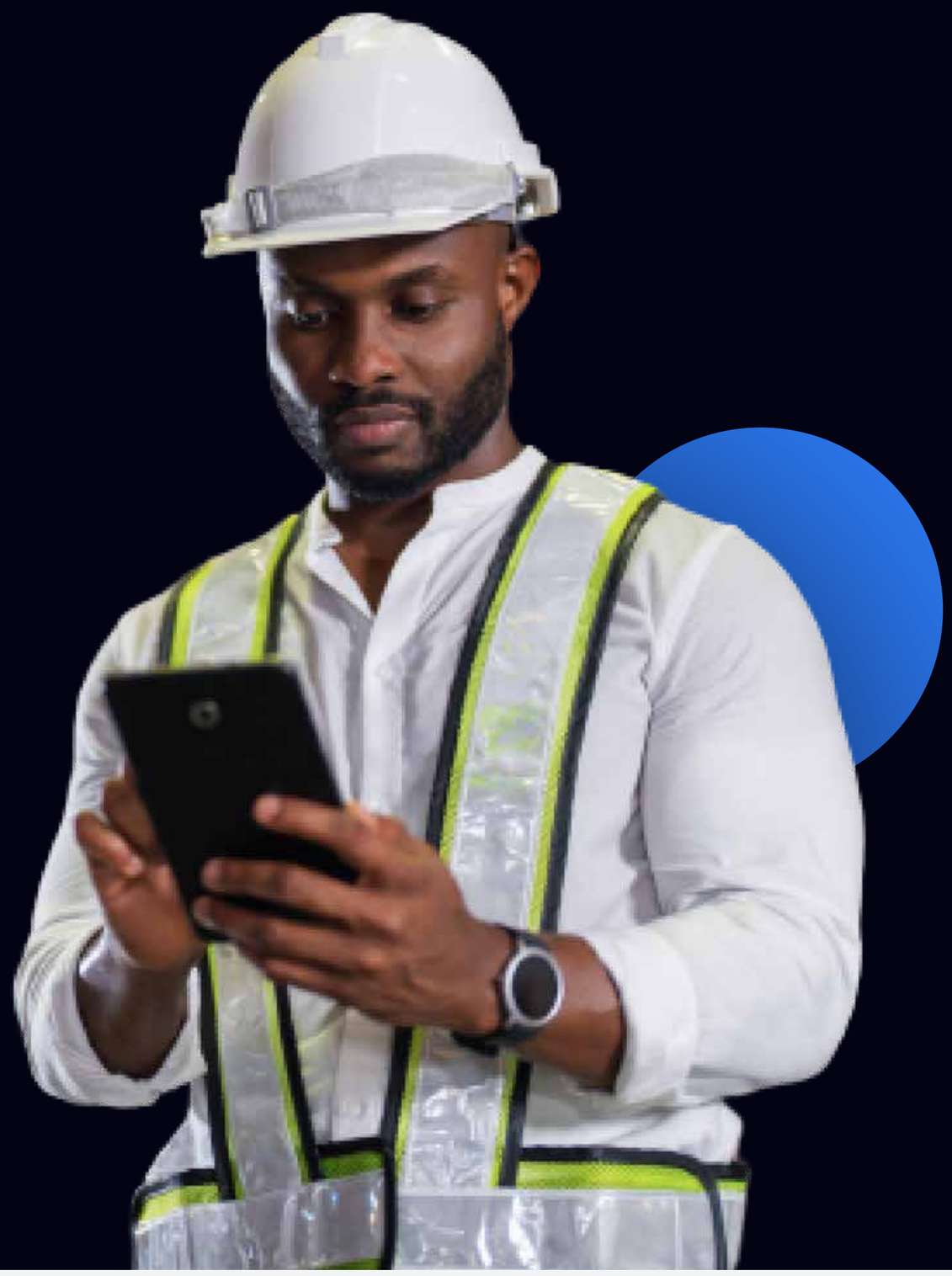
This is where channel partners come in.

A channel partner can be a person or an organization that provides services or sells products. They contribute to the company's indirect sales, and can be anyone ranging from resellers, service providers, retailers, agents, vendors, logistics partners, or last mile delivery agents.

Channel partner and company relationships pave the way for promoting these products and services & to reach the end consumer. There is a give and take where the organization provides technical support, product and marketing training, discounts to distributors, lead generation tools to retailers, deal registration, joint marketing & co branding, and most importantly incentives.

But why are channel partners so important?

Not just for global brands like Coca- Cola, channel partners are a boon for companies with sales teams ranging from 50 to 5000. Here are some of the reasons why infusing them in your company's ecosystem might be more useful than you think.



🚀 Quick reach

Isn’t it better to leverage a partner’s existing consumers who are also your target customers, as opposed to trying to acquire and going through multiple layers of a sales funnel? Channel partners already have a consumer base with the added advantage of a strong personal relationship with them. What could be better?

Optimizing cost of sales

Reaching the consumer is usually at the focal point of a company's business decisions, but minimizing costs in the process is equally, if not more important. Going through an indirect sales channel reduces employee salary & benefits costs, fixed costs of brand stores, direct customer acquisition and relationship management costs, and also saves time resources for the company in case of leads that do not convert. This cost optimization helps the company in other departments like R&D, marketing, asset management etc.

Target new markets

If your company has a global presence and is in an industry like pharma, healthcare, fintech, SaaS or any other such domain you would need your sales team to be equipped with the specialized knowledge, right? But training them is an added hassle. Channel partners who have a strong foundational understanding of these verticals don't need you to handhold them, on the contrary, they can convert customers with exponentially less time and resources. They also help you target new geographies for your products or services.

Take a look at a brand like Xerox that has become synonymous with photocopies, it is easy to assume that they would have a solid network of distributors across geographies. Clocking annual sales of close to $11 billion, and having 5,000 partners, Xerox reported that 75% of their US and Europe market was served by indirect channel partners.

But like a lot of large companies, Xerox faced several issues like: absence of unified investment in the channel business was reflected in legacy systems, aged infrastructure, manual processes, and point solutions. Different data sources generated inconsistencies and there was no one "System of Record" to hold partner data complicating reporting activities. This led to the company fundamentally revamping and modernizing their channel infrastructure.

Incorporating channel partners is not a novel concept anymore. Companies all around the globe have boarded them. However, addressing challenges at every touchpoint which leads to a high attrition rate & a flawed sales channel, is necessary.

But why are channel partners so important?

- They have a large workforce and are scattered across geographies making it difficult to coordinate.
- There is a high level of disengagement owing to internal and external competition.
- They are also disengaged because they are constantly termed as agents and not employees.
- The company has a low level of control because of agency model.
- It is a transactional relationship and hence the more you give, the more you get leading to inflating costs.
- There is no loyalty arising out of disengagement.
- They rely on Excel (not spreadsheets) to calculate commissions making it prone to errors and increases TAT.

- The focus policies/products change every month and hence the targets change every month which makes it difficult to organize and keep track of.
- The communication channels aren't usually that professional and they use platforms like whatsApp which interfere with their personal space.
- There is a daunting uncertainty in incentivization.
- The organization is also at a constant risk of poaching by competitors.
- These channel partners are not at one specific location which leads to a lack of transparency in the sales and operations.
- There is an evident unidimensional communication, usually from the company's end.
- It is a centralized system resulting in several layers of hierarchy, making it difficult to reach all nodes of the structure.
- The sales, distribution & logistics are fragmented and unorganized.

KPIs for channel partners

These challenges can be quite overwhelming. Hence as an organization, you would want to have a set of parameters to track to avoid attrition. Let us take a look at the KPIs that your organization should measure in order to analyze channel performance.

Deals / Opportunities per partner

Another important KPI to determine where to put your resources is the amount of opportunities each partner generates. To learn more about this channel performance metric, consider the following questions:

- Are your partners in 5 companies, 50, or 100?
- Are their clients small firms with five or ten computers in-house, or large corporations with thousands of employees that will want a license for each?
- Are their clients searching for a single sort of software, or do they have many requirements that you will need to meet in the future?

Active Pipeline Value

At the end of the day, channel success means revenue generation. It is hence crucial to measure your active pipeline value, which tells all the revenue generated not just by partners but also their collaborations. This helps you gauge the ROI and the players involved through the bottom of the funnel.

Average deal size

You would think that in today's world of subscription-based marketing, the size of a deal isn't as crucial as it would be if you were trying to sell a traditional product. But it could be considerably more crucial.

Take an IT vendor for instance. The conditions of a partner's arrangement with a customer, the number of computers your solution is installed on, the number and kind of licences, and how all of this adds up in terms of deal size are all important in determining how much money you may expect—not just from a partner, but from any form of deal.

If this channel's performance metric falls short of your expectations, consider whether there are any fresh prospects to expand your offering.

Channel Churn

We know that the cost of on-boarding a new channel partner is considerably high. It can be well over six months before a new channel partner starts to deliver a return on investment. High churn rates point to a faulty channel programme that is failing to deliver on the promise of a more efficient indirect sales strategy.

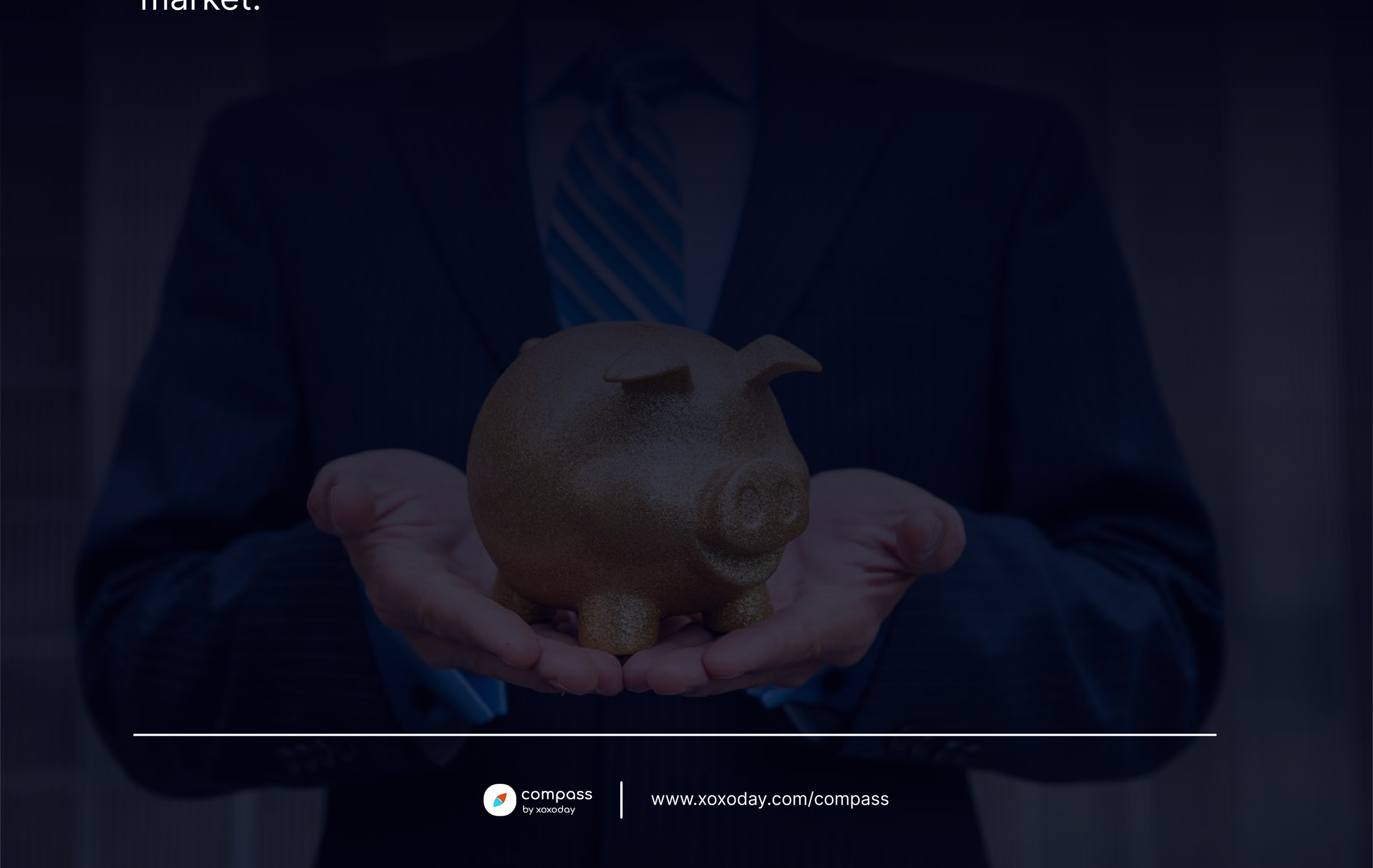
This metric would help you pinpoint exactly what is not working.

Customer satisfaction with partners

The majority of vendors from sectors like IT, SaaS avoid dealing directly with end users. There is a direct link between a customer's overall satisfaction and how satisfied they are with their partners. Measuring customer satisfaction with partners requires a lot of time and work. However, when that satisfaction rating is directly related to the vendor's awareness of the condition of the customer-partner relationship, it's critical.

Incentive programs are the key!

Channel partners include any third-party distributor or dealers who sell your product in expectation of some compensation. These dealers are essentially the extended members of your sales team. However, they sell products of multiple brands, and hence you have to incentivize them if you want to get the better of your competitors. This is usually done by giving dealers a direct reward for selling your product. Rewarding them encourages the dealers to remain loyal to your brand, and hence eventually promotes your product in the market.



There are multiple types of incentive programs that can be utilized to drive your sales.

One of them is rebates

Rebate is usually a percentage of the sale made by the dealer, which is refunded to them. Rebates are usually volume-based amongst B2B channels. These can also be discounts based on the volume the dealer purchases. For instance, if a dealer buys atleast 250 batches of a product, it will be billed after a discount of ₹100 per product.

Cooperative funding *(also known as CO-OP funding)*

is a way for companies to help channel partners achieve their marketing goals. CO-OP funds are earned over long periods of time, rewarding your partners for their loyalty and continuing to purchase from you.Traditionally, CO-OP funds are given as account credits. A more modern CO-OP approach is to allocate your credits as part of a loyalty or rewards program. CO-OP funds are directly linked to sales. and you only pay out when a partner's customers purchase from you, guaranteeing a positive ROI.

Sales performance incentive funds *(SPIFs)*

With the promise of a reward, SPIFs are designed to motivate your channel partner's sales team to help promote your brand over others. These bonuses are given to the salesperson (not partner).They are a great approach to motivate your channel partners to improve their performance, especially during quiet times or off-seasons. Knowing how to utilize them appropriately and which sales incentives are most tempting to induce various sales behaviors is the key to success.

These incentive programs seem to be very beneficial for the channel partners, but what is the point of them if they don't participate in them? According to Sirius, 20% of companies reported that channel partners simply do not participate in these incentive programs. Most of these partners find these programs too complex or lengthy or cannot claim payouts as efficiently as they would want, and in the form that they would want.

This is exactly where Compass comes in.

Compass can simplify the most complex incentive plans for your channel partners where you can publish incentive programs with game templates, publish live scorecards, enable one-click payments, encourage open and transparent communication through groups & communities, get nudges & notifications for your channel partners to perform better and derive more insights with predictive analytics.

Here’s how Compass helped build channel loyalty for the biggest brands in healthcare, tech and FMCG

Digitising and gamifying incentives has bought channel management efficiencies, cost-optimization and increased motivation.. It has made the distribution channel even more powerful hence optimising the distribution channel. Target Audience: **Channel partners**

Activation

Previously

Now

Activation is a critical metric. Within 2 months of product launch - activation across channel partners rose by 36%. More activation means more sales.

Renewal

Previously

Now

The compass app influenced renewal rate by 17% . More renewals equate more business outcomes.

Rewards

Previously

Now

Total rewarding across channel partners went up by 41% in a month. Higher meaningful rewards equate engaged and motivated partners.

Savings

NA

Previously

Now

The previous error rate was in the range of 5-35%. The payments had to be processed monthly without gift voucher non-redemption benefits. The error rate is close to 0% and the overall company saves ~6.5% on total payments.

compass
by xoxoday

BOOK A DEMO NOW

Leverage the Compass advantage!