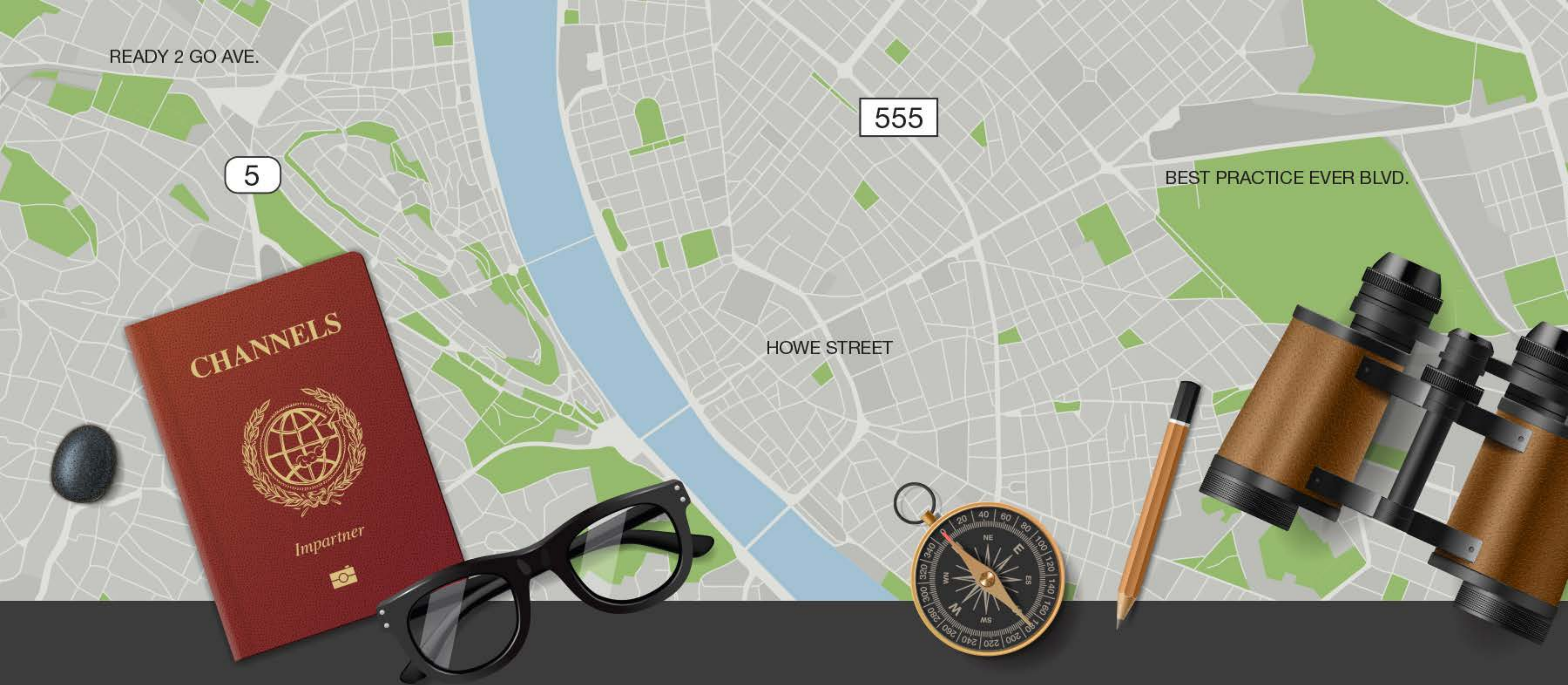

THE ULTIMATE FIELD GUIDE TO BUILDING A CHANNEL

The definitive decision making guide to help you know if your business is ready for a channel, how to get started and the best practices for success.

Written by Theresa Caragol, founder and principal consultant of Theresa Caragol Consulting, LLC

IMPARTNER

The Ultimate Field Guide to Building a Channel

Building a channel business is a first big step for any company. This eBook is designed to give you a model to ensure you are moving into the channel for the right reasons and taking the right steps to ensure success.

Section 1.

Am I ready for the channel?

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What are the best practices for success?

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The ultimate decision making guide

When the time comes to build a channel business, deciding on the right channel strategy is a first big step for any company. How do you know your organization, culture and offerings are ready for the channel? Where do you start? How do you make sure you are successful…the first time? These questions weigh heavily on CEO's and Chief Revenue Officers regardless if your channel is brand new, if you need to expand or alter your channel mix and go to market models because of a new product offering, or you need to improve the productivity of your existing channel.

This e-book is designed to give you a model to ensure you are moving into the channel for the right reasons, you are taking the appropriate steps, and you are deploying the right initiatives early on to ensure long-term sustainable success.

1. Am I ready for the channel?

Most technology companies maximize profit by maximizing revenue. This principle is the basis of digital economics. If adding more direct sales resources is not a practical approach to revenue growth, or if you need to diversify your business so you are less dependent on one revenue stream, an indirect strategy may be the best option for your business.

When Partners sell your solutions, your revenue increases, your market share increases, and, if done correctly, your profit increases. As a bonus, Partners can give you access to market segments you would not otherwise penetrate. But how do you know you need to partner?

Watch how PRM affects the channel!

Let's explore situations in which you may need a channel to sell and support your offering:

You need to get to the mid-market.

If you are looking to launch an enterprise campaign, then a direct strategy may be the better choice. However, the only way to effectively get into the mid-market is through the channel. Mid-market is generally thought of as the companies that aren't the giant multi-billion dollar corporations, yet they also aren't the small businesses. Most would define mid-market to be a company between $100M and $1B in annual revenues. As you can imagine, that wide definition includes a very large number of businesses. It is a large enough number to know that the only effective way to target mid-market is by leveraging channel partnerships that target the profile of businesses in that category. Looking to get to small businesses? The same logic applies. Small and medium businesses will have a channel partner supplying all or part of their IT Services.

Most would define mid-market to be a company between $100M and $1B in annual revenues.

Your solution requires other products, services, or other companies in the mix during an end customer sale...

And you do not provide them as a company – then the channel is the way to build your solution for customers.

Partners often offer additional expertise or technologies that your company may not be able to offer. The breadth and depth of partner expertise and complementary technology solutions add to your content and improve the “whole product” offered to customers. This means partners can offer your components within a combined “solution sale.” Partners have a great influence on brands that their customers purchase. According to a survey of corporate buyers, channel solution providers determine which product brand a customer should buy about 77% of the time! (Rohner & Associates, ECF Manual)

While the exact numbers vary depending on the product category, competition and target audience, on average, for products flowing through the channel, an amazing 65% of the time a channel partner is asked to recommend which brand to purchase. In an overwhelming 90% of these situations, their recommendations are accepted according to Rohner.

Because of a partner’s influence, and how they can positively influence our growth, it is imperative that you build your products and solutions so that your partners want to lead with your brand.

You need to expand geographic reach and doing it solely by a direct sales and support is prohibitive from a reach and cost perspective.

Outside of North America, channel and indirect business models continue to represent 80% of the IT industry according to CompTIA). Doing business in certain countries requires an entity and often currency translation. In addition, each country has certain cultural business traditions; and often it's prohibitive to employ individuals at the onset.

Partnerships and channel models are an efficient and cost effective way to get into a geography and learn the business.

You want to enter a new focused market segment with your solution – a specific type of hospitals, K-12 public schools, or regional accounting firm.

Entering new vertical markets or industries can be challenging because they require you to understand the dynamics in that industry. According to CompTIA, to be effective in a vertical you need to know the exact customer profile, the media / press / events that the vertical clients participate in, the detailed business challenges, and industry governance regulations – national, state or province, and city.

The right channel partnerships can help you reach those industries effectively and build much stickier and differentiated value offerings for the client base.

Your budget sits with a Line-Of-Business decision maker who purchases your product/solution and your organization does not have relationships with these decision makers.

Line-of-Business decision makers will make significantly more of the software and solution decisions over the coming years. So, if you have a solution that needs to be sold to a LOB leader and you don't have that connection, you can leverage partners that do. Business units will lead more and more of the decision making about key applications, technology solutions according to Theresa Caragol Consulting's 2016 Next Gen Partner Ecosystem research.

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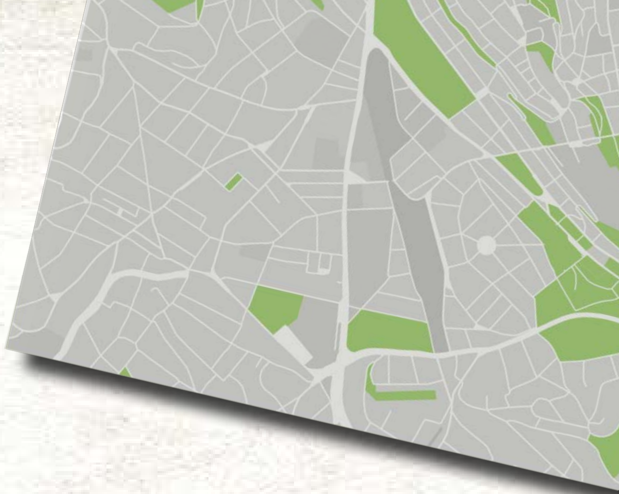


Uncover your readiness for the channel.

Start by asking yourself these questions. It’s important to say “yes” or “we can make a path to yes” to most of these questions to ensure success.

Once you determine you need a channel and need to partner for success, next is to uncover your readiness for the channel. To find out, start by asking yourself the questions on the following pages. It’s important to say “yes” or “we can make a path to yes” to most of these questions to ensure success.

A. Do you have a clear profile of the targeted end client?

B. Is the ready market big enough / suitable for indirect channels? You need to determine if there is enough market demand to support partners.

C. Is credible market data available either internally or from a 3rd party?

D. Is your customer value proposition (why customer buys) and channel business proposition (why partner selects you to partner with) for the solution compelling?

(Continued next page)

E. Are necessary talent and skills readily available in the partner base to sell your solution?

F. Do you have the right skills internally? Is the talent to do business with partners readily available to recruit, ramp, and get to revenue, and then support the base of partners you are targeting?

G. Can the benefits of being involved in this indirect market be measured?

H. Can you demonstrate a sufficient ROI to the channel partner in a reasonable amount of time? Do you have real use cases for customer success?

I. Is the timing right for the solution in that particular geography or that particular vertical, or with that particular line of business decision maker?

J. Do you have clear product messaging, product information, and a clear PR and digital marketing strategy around your offering?

K. Are sales and support tools available for partners? Are you ready with a channel oriented service and support model?

L. Have you set up the right channel pricing strategies?

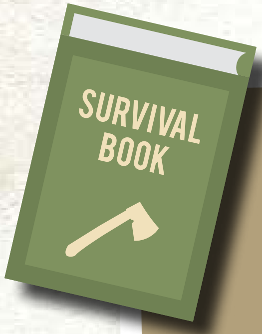
The questions are meant to guide you as you prioritize your path to success.

A product, solution, and / or service is “Channel Ready” when all its support programs, policies and services are available, sufficient and easily accessible for the partner to sell, support and services the product according to the view of the customer.

Doing business with channel partners is highly cross-functional in terms of the resources required for execution. Organizations have the task of orchestrating activities in Product, Sales, Services, Operations and Marketing, among others, to deliver the requirements for product readiness for the channel. Developing and successfully implementing a channel model right the first time is not a sales only initiative; it’s a company-wide effort.

HEALTH WARNING: A phased approach to readiness can be adopted with key must haves from the above ready upon launch, and then phased additional investments completed in time, or with success. For instance, training is a must have in phase 1. It is crucial to most partners’ ability to be successful with a product. However, if training is not made available and adopted at launch, it can mean penalties in terms of pre-sales support or the ability to do pilots or trials. If a partner can’t intelligently talk about your product or your product as part of a solution set, they will be unable to uncover opportunities, position, and sell it for you. The result is a longer ramp time to volume and revenue goals.

In summary, utilizing the expertise of partners allows you to leverage expanded pools of resources over the long term, and achieve economic offsets. According to go-to-market strategy expert Ron Rohner, there are 3 key areas of leverage you access when using partners:



Customer Leverage

Partners have access to a much wider pool of potential customers. You use partners because they can access market segments you can't reach. When your partners sell your products, you gain customers through their access and coverage, which means greater market share for you. Market share is a key measure of success with channels.

Leveraged Investments

Partners often offer additional expertise or technologies that your company may not be able to offer. The breadth and depth of partner expertise and complementary technology solutions add to your content and improve the "whole product" offered to customers. This means partners can offer your components within a combined "solution sale".

Leveraged Risk

The use of distributors and partners enables you to leverage risk in inventory management, fulfillment costs and accounts receivables collections costs to partners.

2. How do I get started?

Turning strategy into execution is the key step in the success continuum. Getting it right the first time involves establishing an accurate profit model and a proper level set among the executive team about channels.

How do you get started?

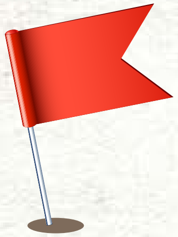
If the company approaches the channel as a cost only model – they may not be successful. If a company approaches this as a multi-year investment instead, with categories of investment and a phased approach attached to growth, the likelihood of success increases significantly. So what are some example investment categories to consider?

Categories of investment include:

A. Headcount
B. Sales, solution, and technical enablement
C. Partner and demand generation for partners
D. Operational costs – program, operation
E. Incentives – rebates, sales incentives

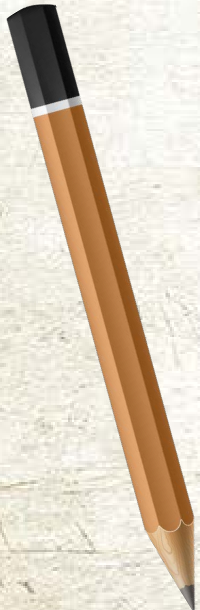
According to research conducted by Theresa Caragol Consulting, companies who approach their indirect business as an investment for growth and establish this a strategic priority at the CEO level of an organization (or business unit in a large company) are far more likely to experience success than companies where it is simply a short term cost experiment.

Once you have established the proper investment plan and commitment from the executive team, here are a set of guidelines to help ensure your investment plans lead to success:



Properly establish a set of success metrics of both leading and lagging indicators.

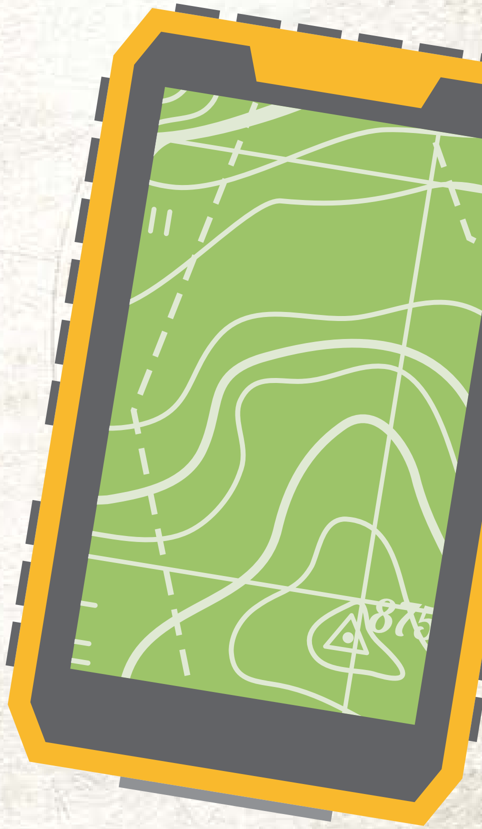
This is important because revenue in the channel is the lagging indicator; its key activities and initiatives in your journey that will show you are on track. A set of reports and scorecards can help to measure these leading indicators and predict success.



Having a set of standard reports and scorecards is the best way to manage and inspect these activities. Standard investment indicators might include:

A. Target objectives by year: revenue, market share, and key business development objectives are key.
B. Revenue, quarter-over-quarter and year-over-year growth by partner
C. Active funnel and year-over-year comparisons by partner
D. Gross margin by partner year-over-year
E. New customer growth and growth within existing customers
F. Cost to serve metrics against revenue, funnel, and margin

Key leading indicator metrics to consider include:



A. Meetings – the number of joint vendor and partner meetings for that solution (either phone, virtually, or in person) with new and existing prospects. This type of activity is a great leading indicator and allows management to understand duration of sales cycles.

B. Deal Registrations – by asking partners to register deals, you have a better handle on your pipeline. This type of activity will also help you understand if the number of meetings is leading to opportunities, thus helping you understand if your meeting activity is quality or quantity.

C. Resources Used – if you can track the type and amount of resources that are used, this can also show you patterns in your sales cycles. For example, if utilizing a SME in security usually leads to a sale, you can duplicate it as a best practice.

D. The number of individuals in a partner who have achieved presales technical certifications.

E. The number of sales reps actively positioning your solution in the partner base.

Define the end consumer profile, specifically what are the needs and wants of the primary target.

Then develop the value proposition for the end customer and for the partner.

SFDC/other CRMs may break down 20+ demographics – we recommend you focus on the top elements that give you the right profile for your end user. The more specific and clear you can be on the profile, the more effective you can be with partner targeting and recruitment. Sample profile elements include:

A. Size of company

B. Industry

C. Decision maker

D. Business or technology problem

E. Geographical location

F. Legal regulation implications

Select the proper channel type.

This is necessary to understand who the channels are, what's important to them, and to actively think about what they need early on in the GTM processes. When done effectively, vendors can 'own' the right channel space by demonstrating success in that channel type, get recognized for that success and perpetuate the cycle. This allows you to also pre-empt competitors and position against erosion.

Defining your channel category and type is about developing an understanding of how channel types differ and how their sales models contribute to the vendor partner portfolio. As with all businesses, channel partners are divergent profit-driven organizations. The three most important things to understand about potential channels are (according to industry expert, Ron Rohner):

A. What they sell (Sales Model)

B. What matters most to them (Preoccupation Model)

C. What funds their model (Sources of Funding)

It is all three that make up the partner business model and your business proposition must recognize its impact on all three areas. The strength of the Business Proposition will vary by channel business model type. You may have a good proposition for one type and a marginal proposition for another. Understanding their business model will help you understand why.

Sales Model

Simply put, the Sales Model is what they sell. A partner may be more focused on platforms or networks or services, or a specific product family, but not all partners sell everything your company has to offer. For this reason, it's important to know what they sell and gear activities and initiatives that speak to their interests.

Preoccupations

Preoccupations provide focus and describe the type of issues the partner is trying to solve. To succeed at their business they must focus (be preoccupied) on the issues and the elements that fuel it. These issues and concerns reveal their motivations relative to our product. When you understand what motivates a partner and can address those issues and concerns early in the product cycle, you improve the business proposition and subsequently, partner performance. It also helps product groups write better business propositions and use resources more effectively to build programs appropriate for the partner type.

Funding Partner Growth

The financial results within channel types can vary widely, but the means by which the channel types generate funds to operate their model from a product mix standpoint is, more or less, set by their sales emphasis model. The margin areas that finance the business model are extremely important to understand.

Two important areas are margin percent and total margin dollars. The gross margin dollars on selected products can be substantial and therefore an attractive contribution. Likewise, revenue from low margin products with high average sales can make the relative percentage of revenue high for the model. For example, although a solutions integrator may have a small percentage of his overall business in storage, the total margin dollars from a storage sale can cover a lot of his/her operational costs.

Align the business from the top down to commit and be motivated about the channel.

As mentioned previously, going to market with partners is not a sales initiative; it's a company-wide commitment that requires the functions to conduct business differently.

Although a solutions integrator may have a small percentage of his overall business in storage, the total margin dollars from a storage sale can cover a lot of his/her operational costs.

Architect your value propositions thoroughly and correctly

This includes the proposition to the end user and partner. Consistency and scalability are the two key fundamental ingredients for compelling propositions:

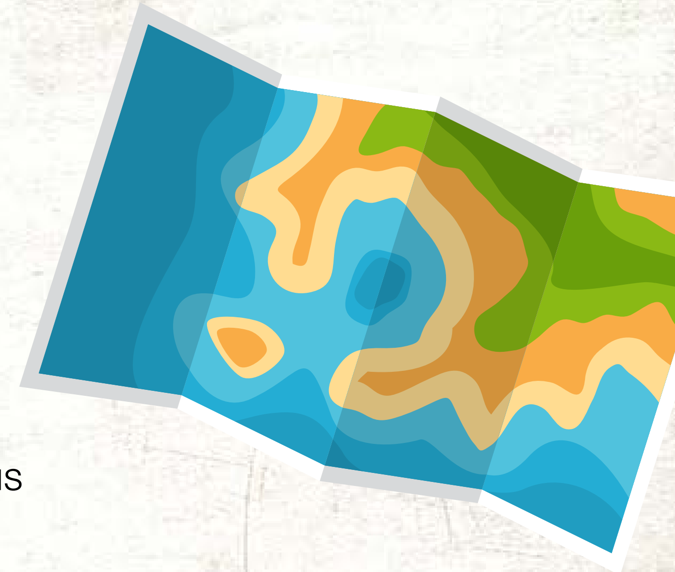
End-User Value Proposition is the reason that a customer would purchase the product. All successful products must provide a recognizable benefit to the end user that improves their situation. Working with partners makes the value proposition more important because they cannot be expected to articulate it if the vendor does not provide it to them in an easy to remember format.

Business Value Proposition is the reason that a partner would want to partner with you and sell your product. It states why a partner should sell your product versus alternatives and states the reasons why they would they make the necessary investment to build a business around this product. It should have benefit and offerings to start for scale.

Business Value Proposition is the reason that a partner would want to partner with you and sell your product.

3. What are the best practices for success?

Now that you have your strategy, and are moving forward with your channel plans correctly, here are 5 best practices to ensure you achieve your goals



What are the best practices for success?

It's important to prioritize your investments: identify the "must-have" versus "nice-to-have" processes, and programs required to support the strategy and policies.

Solidify and clearly explain the policies you will employ within the program to implement your strategy.

The first step is to establish strategy, then establish policies, then the program. It's important for senior leadership to understand the channel and the depth of these requirements or leaders risk fast employee burnout, or over commitment and under-resourced initiatives which ultimately fail or do not produce the expected growth.

For example, your strategy could be to have a direct relationship with enterprise corporations. Therefore, you would have a policy that states when an opportunity would be taken direct or with a partner. And your program would state the rules of engagement that support the policy.

You could also use deal registration as an aspect to your program to enforce some of the policies. If your strategy were for enterprise accounts to be managed directly, your policy would ask for partners to register opportunities to help identify anything that supports the vendor's enterprise direct touch strategy. And, your program would enforce the best practices of deal registration with extra benefits to drive that type of behavior.

Channel conflict is another set of critical up-front policies to establish. Hand in hand with deal registration, you will need to set forth the policies on how you will handle involvement with your direct sales force and indirect sales force. Within your program you may establish a list of accounts that are known direct, or rules for which a partner may then work a direct account. Whatever you do, be sure they are clear and are known early in the sales process, to avoid any duplication of efforts or worst yet false starts or fast partner failures. Channel / Indirect – Direct / and Partner – Partner conflict is one of the prime reasons partnerships fail to product expected targets.

Channel / Indirect – Direct / and Partner – Partner conflict is one of the prime reasons partnerships fail to product expected targets.

Invest in end user demand generation for partners.

The pace of business these days is incredibly fast, and the fastest way to revenue is when vendors assist in finding and somewhat qualifying leads for partners to engage with.

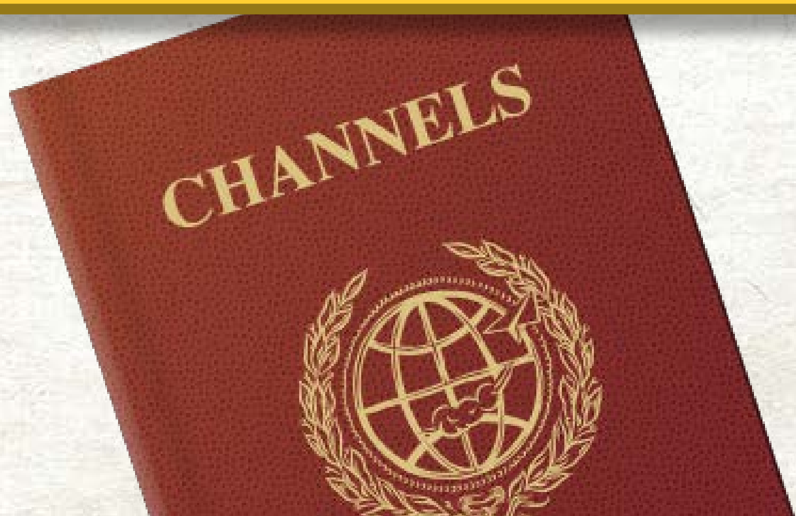
You may think of this as “priming the pump” but it really has become the best practice way of getting partners on board and getting to revenue quickly. The “best practice” is a co-marketing/co-demand generation with the channel partner. The vendor needs to establish a demand generation closed loop process that results in the partner getting qualified and ready-to-buy leads.

Eventually, partners can run campaigns on their own with vendor self-service systems or other co-funded demand generation. But to start the process off right, the vendor must make initial investments for and with the partner.

Make systematic and inter-organizational trust and collaboration a competency in your organization and build the processes, people, and programs that support this competency.

Collaboration should be the primary vehicle for progress versus command and control. According to PWC's 2016 Annual CEO Study, collaboration — both deliberate collaborative business practices and processes emerge as a strategic competency. Collaborative business practices has also emerged as a new ISO11000 standard – turning it from an art to a science - and aimed at ensuring channel partnerships and strategic alliances are built on strategic business practices from the onset.

Collaborative business practices has emerged as a new ISO11000 standard



Ensure that you have the highest level of skills within your team.

You can assess the current team's skills against a channel / partner competency model, recognize hiring gaps, and/or prepare to elevate the skills of the teams where necessary.

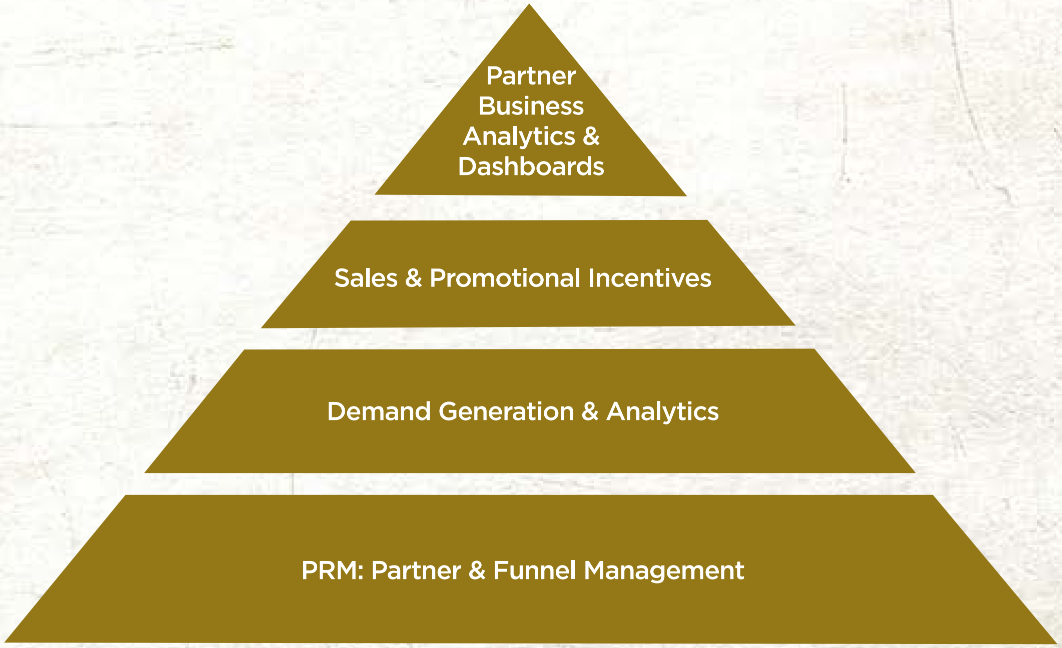
Theresa Caragol Consulting's new 2017 Competency Model established that as a best practice for the requirements for our next generation CAMs, they should cover the 4 main areas of knowledge for a CAM: Business Acumen, Industry Expertise, Deep Channel Expertise and Collaboration Acumen / EQ. This quadrant and the sub skills for each can serve as a checklist for the types of individuals you will need to have leading and working on your indirect channel initiative.

A new model for CAMs helps further define competency

Financial Models	Vertical Industry Knowledge	Product Savvy	Public Speaker
Economic Expertise	End Customer Focused	Technology Tends	Responsive & Relationships
Services Knowledge	Sales Athlete	Channel Types Expert	Trustworthy
Back Office Functions	Social/ Digital Savvy	Multi-Generational	Highly Collaborative
Business Acumen	**Industry Expertise**	**Channel Expert**	**Emotional Intelligence**

Protect all of the above with a technology and systems support plan with automation including a Partner Relationship Management infrastructure that will allow you to build a one-to-many business model and scale both short and long term.

Often, building this “Channel Technology Stack” is an afterthought and companies go wrong and end up with more costs later. As the indirect model expands into new geographies, partner types, customer use cases, and channel business models – the one common link is the support infrastructure.



It's important to make automation decisions from the onset that will grow with your success. For example, consider a Customer Relationship Management tool that integrates well with your Partner Relationship Management tool, and yet further integrates with Incentive Automation or Demand Generation Platform. Evaluate your options available, check references and talk to existing clients; and consider the companies you are buying them from to ensure they are capitalized well for the long term. For example, you may choose to work with companies who have established relationship and partnership with other vendors in a potential "stack" of a solution you are taking to market. Taking these factors into consideration can save you time, money, and aggravation as your channel strategy and programs scale with success.

Evaluate your options available, check references and talk to existing clients; and consider the companies you are buying them from to ensure they are capitalized well for the long term.

Summary

In summary, it is imperative that the company has established proper macro level goals and objectives with a proper level of cross functional commitment and substantive dollar investment for success. Continue to ask yourself the following questions as a guideline for your success:

Field and Partner Engagement

A. Do I have enough partners or too many targeted?

B. Do I have proper alignment with the field sales teams?

C. Do I have sufficient experience in the CAMs and partner teams leading the channel efforts in the company?

D. Is my engagement consistent across geographies, verticals, and types?

E. Am I experiencing high employee turnover in this area? – an early indicator that I don't have the recipe right.

New Partnerships

A. Am I setting up the partnership from the start with strong cadence of objective setting, milestone reviews, and success?

B. What are my partners' goals? Our goals together? Revenue? Margin? New customer engagements?

C. Am I managing against a plan; and setting the right milestones for and with the partner that are leading indicators for his/her success?

D. How fast can the partners get to revenue with my portfolio? Do I deeply understand the exact actions that must happen in this process? Prioritizing these goals will also help to establish priority for the partner and vendor and align the team accordingly.

E. Are my incentives used across 50% of my partner base? This allows you to understand if certain items in your program need to be leveraged differently.

Having built company channel initiatives from scratch to strategic pillars of growth for the company, it is equally as important to know why and how you are ready for the channel; to have the proper capital, human, program, and organization structure resources dedicated to the initiative; and to manage it properly along the way. Pilot and perfect — know your goals, redirect where and when necessary and stay the course. The channel represents incredible growth opportunity for SAAs, Cloud, and new technology solution companies who must grow rapidly.

Made the decision to start a channel?

Make the No. 1 investment to accelerate revenue...

When you're ready to start your channel, the most important technology investment smart companies make, is a contemporary PRM solution. PRM brings insight and manageability to your partner channel and unlocks the potential of your indirect sales.

Impartner, the industry's most award winning PRM solution, is backed by nearly 15 years of experience in helping companies manage their channel. We understand the speed with which you want to launch your new channel, and with our robust SaaS PRM technology and easy, three step Velocity process, we can have up and running with a new partner portal in as few as 30 days.

Plus, Impartner offers:

- ✔ A robust portfolio of add on modules including email marketing and co branded materials, marketing development fund distribution, training and certification and more
- ✔ Seamless integration with Salesforce, Microsoft, and Oracle, and our Proprietary Sales View™ CRM
- ✔ The only PRM reviewed on the Salesforce AppExchange
- ✔ Mobile friendly responsive design

Take a demo and find out how Impartner can accelerate your indirect revenue in as few as 30 days.

About the Author

Theresa Caragol is founder and principal consultant of Theresa Caragol Consulting, LLC, and Achieve Unite a strategic advisory firm that provides business acceleration services to global enterprises including partner and channel development, go-to-market planning, M&A channel integration and executive learning forums. She has more than 20 years' experience in building and managing multi-million dollar indirect channel teams and strategic alliance business and programs from inception to sales success. Prior to founding TCC, Theresa held senior executive roles at Extreme Networks, Ciena and Nortel.

Theresa is passionate about coaching employees and mentoring young people into STEM fields. She is honored to be one of 15 women selected for the First Leadership Foundry in Washington, DC – an organization dedicated to mentoring and recruiting women for positions on corporate boards. Theresa has received numerous IT industry channel accolades recognizing her work including: 2014 CRN Top 50 Most Influential Channel Chiefs, 2013 CRN Top 10 Next Generation Channel Leaders, 2015 Golden Bridge Gold Award for Best Program Leader.

Theresa graduated with honors from Virginia Tech University. She has an MBA from the University of Wisconsin's Lubar School of Business, and holds an Executive Master's degree in Leadership from Georgetown University's McDonough School of Business.

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Innovation through partnership