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► Maximizing Channel Performance

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Reseller channels are no longer limited to mature products in established markets. Organizations are increasingly relying on a channel model to penetrate previously untapped markets, offset financial pressures on margins, reduce overall cost of sales, improve time to delivery or market, provide superior customer service and localized support, to name a few. This strategy to accelerate sales often involves a complex sales environment where multiple decision makers and long sales cycles demand a structured and well thought out approach to managing the process.

While the potential benefits of the channel partner model is clear, many organizations are not doing all they can to optimize this go-to-market strategy. We've asked channel sales expert, Greg Nutter, to share with us his insights into maximizing channel performance. I'd really like to hear your comments and suggestions on the subject. Please email me your thoughts at [info@millerheiman.com](mailto:info@millerheiman.com).

Best regards,



Sam Reese  
President and CEO  
Miller Heiman, Inc.

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### **Maximizing Channel Performance**

The advantages of selling through channels are well known, however, the essential elements that contribute to channel success are not as obvious. Channel partnerships are frequently considered an essential part of an organization's product sales and distribution strategy, which makes this a challenge that many sales organizations are eager to better understand.

This month, the Sales Performance Journal gives insight into the main challenges of channel performance and offers a simple model to follow in today's competitive B2B world.



# Maximizing Channel Performance

by Greg Nutter

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**T**here was a time when third-party reseller channels were used primarily for simple sales – and rarely, if ever, for long-cycle, complex, business-to-business sales. But times have changed: Today more suppliers are using channels for complex sales, characterized by multiple buying influences and a high level of perceived risk on the part of the buyer.

As products and services mature, they almost always head toward reseller channels. For example, in the 1950s and '60s, almost all computer technology was sold through direct sales teams while today, much of it is sold through channels. According to Gartner Inc., 70 percent of Global 1000 organizations now sell through third-party channels. In fact, nearly 50 percent of the world's GNP is transacted through indirect channels and this number is expected to grow to 65 percent by 2010.

The advantages of selling through channels are well-known and include lower distribution costs, greater market coverage, and faster time to market – as well as the opportunity to access a partner's established local presence, investment, expertise and customer base.

Recognizing that a successful channel is critical to continued corporate growth, many suppliers have tried to sell through channels without fully realizing that it requires a management model not too different from direct selling – a model involving structured selling processes, a common language, and a well thought out approach to managing relationships. As Albert Einstein noted, doing the same thing over and over again and expecting different results is the definition of insanity. Similarly, many suppliers try to manage their channels through a transactional buyer-seller model and struggle, year after year, to realize their expectations without asking themselves what needs to change.



We have observed five main challenges in selling through channels:

- **Reseller Recruitment:** For most channel initiatives, partner recruitment is the greatest point of failure, so getting it right often means the difference between program success and a lot of wasted time and money. As the old saying goes, “If you think hiring professionals is expensive, try hiring amateurs.” Channel partnering decisions are a case in point and the consequences of hiring the wrong partner can be significant in terms of lost revenues, high support costs, and damaged brand image, to name just a few. In addition, because there’s lots of competition for the best reseller partners, having a strong opportunity management process is critical. Failing to manage partner recruitment as a key success factor might get you a few logos for your Web site but it won’t land you star performers.
- **Success Management:** Managing a business-to-business reseller to success involves much more than product training and quarterly spiffs. It requires training, mentoring, and support on how to sell your product effectively in a complex sales environment. Many suppliers miss this key fact and assume that if the reseller knows enough about the product they’ll know how to sell it. Success management done properly will enable the reseller to become progressively more successful. Done poorly, revenue won’t flow and you’ll incur the cost of having to directly manage many of the deals yourself.
- **Effective Communications:** Being able to communicate in a common language regarding the status of key opportunities and the state of the sales pipeline is critical to enable the joint development of winning deal and market development strategies. Failure to develop a common framework for such communication results in poor resource allocation, lost deals, and inconsistent

revenue performance.

- **Investment Prioritization:** Making decisions regarding what to and what not to invest in is a challenging but important component of channel management. Often, such decisions can appear unilateral or arbitrary in nature which reduces the chances that they’ll achieve their goal and can contribute significantly to partner alienation. Without analysis and decision-making processes that encourage transparency and collaboration, the best ideas might not surface, and many channel investments won’t deliver the expected return.
- **Relationship Management:** Just as the Pareto principle suggests that 80 percent of our revenues and profits often come from 20 percent of our customers, a similar relationship exists within the channel. We regularly depend on these high-performing key partners to make our yearly numbers and, without whom, our company revenues would surely suffer. In the direct selling world, significant time and energy is spent managing these key customer relationships. In the channel, however, much less attention is paid. Failing to deploy a consistent methodology and process to manage these “high performer” partners is a recipe for disaster.

Poor or inadequate methodologies and processes in any of these areas can introduce significant challenges to overall channel performance.

To overcome these challenges in today’s highly competitive B2B environment, suppliers need:

- Management methodologies, processes, and tools for:
  - o Lead generation
  - o Partner selection and skills assessment
  - o Managing the reseller opportunity and contracting process
  - o Managing the on-boarding process
  - o Coaching on effective sales strategy

- A common selling language to facilitate:
  - o Joint selling
  - o Joint deal strategizing
  - o Resource allocation
  - o Pipeline management and revenue forecasting
- True partnership orientation to:
  - o Ensure alignment of your long-term strategies with your partners
  - o Develop strategic and tactical initiatives to achieve these goals
  - o Gain commitment from partners for revenue goals and sales objectives
  - o Provide channel partners the tools and support they need to achieve their revenue targets
  - o Minimize competitive vulnerabilities
  - o Build partner loyalty

Earlier this year, I was engaged by ACOM Solutions, a leading provider of back-office technology headquartered in Long Beach, Calif. to help develop key methodologies and processes to recruit resellers, launch its sales channels, and manage its channel activity moving forward.

In the past, ACOM unsuccessfully tried selling through channels. Notes General Manager and Senior Vice President Jim Scott, “We did this without much process or planning and it didn’t work. In the old days we shot-gunned it,” he recalls. Today ACOM is taking better aim. Says Scott: “You have to have a well thought out program and the right processes in place that bring value to every point of the sales channel.”

### **Borrowed brains**

In today’s competitive B2B environment, more and more complex sales will come through third-party reseller channels. And good, efficient channel management will be a critical success factor for a lot of suppliers who, just a few years ago, were engaged only in direct sales. Outstanding

channel performance is a function of careful planning, thoughtful investment, and long-term thinking. Fortunately, suppliers no longer have to rely on years of trial and error. As ACOM and other companies like it have learned, today there are third-party firms with proven methodologies, processes, and tools to help suppliers identify, recruit, onboard, coach, and manage channel partners so they will sell more strategically and effectively.

As Woodrow Wilson once said, “I not only use all of the brains I have, but all I can borrow.”

### **Greg Nutter** Principal, Soloquent Inc.

Greg Nutter is principal with Soloquent, Inc. where he provides a wide range of consulting services to companies looking to improve their direct and indirect sales performance in a complex selling environment. With over 25 years of sales, marketing, sales management, and consulting experience, Greg has developed and implemented a wide variety of global strategies and programs aimed at building and enhancing the performance of direct sales, channel sales, telephone sales, and other revenue-enabling relationships. Greg is also an independent sales performance consultant with Miller Heiman Inc.