

The “How To” Guide to Effective Channel Sales

*Six Things You Need to Know to Build an
Effective Channel Sales Program*

The “How To” Guide to Effective Channel Sales

Six Things You Need to Know to Build an Effective Channel Sales Program

1. How to recruit channel partners

Before you start partner recruitment, first determine the types of partners that are the best fit for your channel program: solution providers such as resellers, VARs, systems integrators, or MSPs. Then develop a partner profile that works well with your company’s business model, culture, products and services, and sales and marketing teams. As an example, a network management product should require partners specializing in services designed to reduce the total cost of ownership of hardware and software.

A solution provider needs a good reason to invest in a new product. You should be able to demonstrate that your product is a unique solution to a problem most other vendor's products do not solve. Your product must differentiate from the rest of the pack. It fills a void, which is its value proposition.

There are many ways to find the right partner for the program. You can peruse the websites of solution providers whose products and services complement your products to discover who they are currently partnered with. This will help you decide if you would be a good fit in their existing vendor list.

You should also scan a potential solution provider’s calendar for any events you may want to attend to get a better understanding of their business and to possibly meet some of their decision makers. But remember, to get their attention you must always bring something of value to the table. It has to be worth their while to add something new to their product mix. It always costs a company more money to introduce and sell a new product than to sell an existing one.

Another way to determine who the solution providers are that sell to your target market is to browse the websites of companies who may be your competitors. Many of these companies list their channel partners. While it can be difficult to recruit a company already doing business with another vendor, there are times when these solution providers may be ready to move on to a new product or to establish a new relationship. There could be various reasons for this desire to move on: unhappiness with the current vendor's support or the lack of product quality. This would be a good time to take advantage of the solution provider’s transition from their current vendor.

Other ways to meet prospective channel partners are to conduct a recruitment webinar/seminar, participate in a booth at a reseller conference, attend high tech seminars and networking events, or simply ask your customers if they know of any good solution providers to recommend. Show them the value you and your product bring to their business.

It is important to remember that during the recruitment process you should listen to the concerns of potential channel partners. You need to know and understand what they want and expect from you. And they need to know the same from you.

2. How to build an effective channel sales management team

A channel program is only as good as the sales team that manages it. The channel sales organization should be comprised of people with sales, management, and partnership experience. A channel sales/account manager (CAM) manages the partner to success through the program.

Where do you find channel managers?

- Vendors
- Resellers
- Distributors
- Channel consultants
- Systems integrators with channel based programs

Product knowledge is not as important as channel knowledge and experience. What does a CAM do?

- Get to know the partner, their employees, culture, and business model
- Manage and implement the partner onboarding process
- Work closely with the partner on setting quotas, creating a business plan, and completing required business reports
- Monitor the partner's progress through the sales process of the product
- Conduct sales training and "lunch 'n' learns"
- Support the partner's marketing efforts
- Manage incentive programs
- Be available for joint sales calls
- Perform incremental channel development and recruitment of new channel partners
- Be the partner's resource, liaison to the vendor, and a good listener
- Help the partner to build their business

An effective channel sales management team also includes systems engineers. The SE's job is to help the partner's technical team be successful when installing, deploying, supporting, or training on the product. Some of the SE's responsibilities are:

- Initial training of the partner's technical team
- Mentoring
- Available to be onsite when vendor presence is needed to help resolve a customer issue
- Product update training

3. How to compensate a channel sales team

There are many ways to compensate a channel sales team. The most common method is base pay plus commission for CAMs and SEs. A CAM's commission can be paid based on a combination of quotas and personal management objectives. Commissions are typically calculated on the vendor price of the product from sales made in a particular territory or by particular channel partners. A CAM's personal management objectives can be, but not limited to:

- Increase the number of partners effectively using the partner portal by $x\%$
- Train all partner sales reps to include quarterly updates
- Develop a communications method that best fits your partner's way of doing business such as a newsletter
- Produce at least an x number of webinars with your partners with an expected ROI of y (ROI is a customer visit, revenue, etc.)

The SE's commission is usually based on an agreed set of personal management objectives. Some sample objectives are:

- Train and mentor all new channel partner technical teams
- Participate in four solution provider/reseller events
- Write a white paper for the channel

These payment plans apply not only to full-time employees but to outsourced CAMs and SEs as well. The base and commission percentage is usually 80/20 or 75/25 for both but it all depends on what best fits your business. Keep in mind that your partners do not work for you, they are not your employees and the commission structure for your channel team should reflect that reality.

4. How to sell your products to the channel

There are various ways to sell your products to your channel partners. Some companies may sell through a distributor, such as Tech Data, who will add their cost to the product price (this includes products/services in their 'in the cloud' marketplaces). The channel partner then buys from the distributor. The disadvantage to this method is the added distributor cost and the possible availability of your product to resellers outside of your channel program. To alleviate this problem, spell out the criteria to be met in order for any solution provider to sell your products, with the most important being participation in the channel program. Once in the program, partners must adhere to the partner agreement.

Allowing general access to your product will drive down margins. Your channel partners will not be too happy competing with non-partner resellers who will add on only a 1-2% margin to the product price. Though solution providers rely on services to make most of their revenue, they also expect healthy - but reasonable - margins when they participate in a channel program.

In many ways, it may be better to sell directly to the channel partner. This allows you to restrict access to the product and maintain the margins your partners have been told to expect from the program.

5. How to use channel marketing to create demand

Channel marketing is the development of marketing programs specifically designed for the channel partners. Part of the value proposition from the vendor to the channel is marketing support. When the channel partner is willing to invest in you and your products, they expect a similar investment from you.

Channel marketing programs are very important to the partner because many do not have their own marketing resources. These programs do not have to cost a lot of money but they should be designed to result in a return on investment (ROI). For example, a seminar sponsored by you and the partner should result in at least four customer follow-up visits. Most channel marketing programs require the partner to create or complete a report verifying the ROI of the event.

Other examples of channel marketing include:

- Marketing development funds (MDF) or joint prospecting funds (JPF), which can be split between you and the partner and usually requires a monetary cap
- Incentive programs such as rebates based on quarterly sales targets
- Participation in your booth at trade shows
- The use of your logo
- Lead generation programs such as sponsored webinars
- Trinkets for their customers

6. How to measure success with reporting tools

The best way to measure the success of the channel partner and the CAM is through metrics and reports.

What to measure to receive meaningful metrics?

- Partner engagement and satisfaction
 - What vendor activities are they involved in?
- Customer satisfaction with the partner
 - Would the customer buy from that partner again?
- Incentive programs
 - Do they provide an ROI?
- MDF and corresponding revenue
 - How many partners are using the funds?
- Partner sales & technical training participation
 - How many partners have completed training?

A good Partner Relationship Management (PRM) system is a great way to compile and measure the data needed to determine how well the program and partners are doing beyond the revenue numbers.

Reports from the CAM:

- Territory business plan including sales forecast
- Channel partner business plan including sale forecast
- Monthly or quarterly business review

These reports will help you determine if the channel manager has been a successful mentor. A question to ask would be, “Are the results in the forecasts and business reviews in alignment with expectations in the business plans?”

Reports from the channel partner (to be reviewed by the channel manager):

- Annual and quarterly business plans
- Sales forecast
- Quarterly business review
- Lost sales report
- ROI reports for channel marketing events

The results in the channel partner reports will help you decide if the partner is committed to your program. A question to ask would be, “Have the reports been completed on a timely basis and is there any indication of growth in sales of my products?”

All reports should be simple and easy to use by the channel partner. A complex report that takes too much time to complete could dampen the incentive your partner has to sell and report on your products.

Free Consultation Offer

To learn more about building an effective channel sales program, please contact Dede Haas at DLH *Services* to schedule a free 20-minute consultation. I will work with you to understand your unique situation and develop relevant recommendations – at no cost to you.

DLH *Services*, LLC
2042 Peach Orchard Drive
Suite 615
Falls Church, VA 22043

+1 703-448-1710 phone

www.DLHServices.com
Dede@DLHServices.com