



## What Is Channel Sales?

By Dede Haas

Do you need more sales reps, but no matter how you work the territory/ reps numbers, it just doesn't work? Companies of every size are finding they must do more with less, which means they need more sales representatives to sell their products and services but cannot afford to hire the numbers required for adequate coverage in their sales territories. Wouldn't it be great if someone else's sales reps were selling your products?

Sometimes a direct sales group is best, but the trend is towards indirect sales teams. By partnering with other organizations interested in selling your products, you are able to expand your reach and touch more customers.

A channel is a sales conduit through which products and services flow from a **vendor** to a second and possibly third party - a distributor and a reseller - before reaching the customer. A **distributor** is a wholesaler or middleman and a **reseller**<sup>1</sup> sells the product directly to a customer. This is called an indirect sales model. Two examples are:

→ **A sales channel comprised of a vendor, distributor and reseller:**<sup>2</sup>

- 1) The customer buys the product from the reseller (*i.e.*, the channel partner), the reseller then buys the product from a distributor, and the distributor either has the product in stock or acquires it from the vendor.
- 2) The product is then sent by the distributor to the reseller who delivers it to the customer.

**OR**

→ **The reseller buys directly from the vendor, eliminating the need for a distributor.**

A successful channel program must be effective in generating revenue. To ensure that happens, a vendor will employ the services of an experienced channel manager - someone who has expertise in channel and sales management - to manage the channel sales process, program, partners, and revenue.

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<sup>1</sup> Resellers may include Value Added Resellers (VARs), solution providers, Systems Integrators (SIs), Managed Service Providers (MSPs), and other companies that resell a vendor's products and services to customers.

<sup>2</sup> This process can also apply to 'anything as a service' (XaaS), such as Software as a Service (SaaS), which are products and services supplied through cloud computing as opposed to through on premise servers and PCs.

## **How Channel Sales Works**

Schering-Plough (now part of Merck & Co.) was in need of a software application that would aid their internal help desk group. They contacted a high tech reseller who could assist them in their search, purchase, and installation of a product that would fit their needs. The reseller was a channel partner of a vendor who produced a software program that fulfilled Schering-Plough's requirements. Schering-Plough purchased the product from the reseller, who in turn acquired it from a distributor who had bought it from the vendor and kept it in stock. The product's trip from vendor to customer was through a sales channel.

## **Channel Sales History**

Even though it seems channel sales have just recently been recognized as the most effective way to sell high tech products and services, the concept and successful implementation has been around for many years.

In the mid 1980s, Novell introduced the VAR (Value Added Reseller) channel program other software vendors wanted to duplicate. Because of Novell's focus on the channel, which allowed them many sales feet on the street, they were able to dominate the NOS (Network Operating System) market with their Netware product during the late 1980s to the mid 1990s. Also, they required technical training and certification for their partners' systems engineers. This meant Netware would not be "shelf-ware" but a deployed and working product. By establishing strict sales and technical requirements in their channel program, Novell was able to guarantee quality sales and service for the customer.

But by 1997 Novell was in decline. According to financial analysts, the primary reason for Novell's demise was the execution of its new channel strategy without the understanding of the current channel dynamics and mismanagement of channel partners under a new leadership team.

## **Channel Sales Today**

Many of today's vendors employ the indirect sales model and a select few are very successful running a channel sales program. Most importantly, they treat their partners well by giving them the support and resources they need to grow their business. One such vendor is F5 Networks.

Founded in 1996, F5 Networks, Inc. (F5 TMOS®, F5 iRules™, F5 iControl®) supplies organizations with an open architectural framework that produces safe and speedy transmission of web based applications. Just as important as their superior technologies, is their world class F5 UNITY Partner Program - providing benefits such as high margins, sales leads, and marketing development funds - and a strong relationship with their partners. Since 2000, F5 has built their go to market and product distribution around the indirect sales model. At least 90% of their revenue goes through the channel but they would prefer it to be 100%. They identify themselves as a company with a solid channel mindset.

What makes F5 channel friendly? They have a fundamental commitment to the channel by listening to their partners and building and evolving programs around the thought leadership that comes from them. F5 encourages and rewards the partners to invest in them through the UNITY channel program. It is important to F5 to keep their channel partners motivated, incented and educated. What they get in return is more confident, skilled, and certified partner sales and technical teams, which means more investment in F5 and their products and services.

Jim Ritchings, former F5 SVP of Worldwide Channels and Alliances, attributed their consistent growth, from a couple hundred million to \$1.4 billion, and track record of success as something they achieved with their channel “right there with us, adding to our growth, adding to our market leadership. So we could not have done it without them.”

In conclusion, indirect sales channels are more popular than ever in today’s high tech environment. To be successful, a channel requires the vendor and the partner to establish and maintain a mutually beneficial and sustainable business relationship.

***Dede Haas**, a channel strategist, coach, and author, focuses on meaningful and profitable channel vendor and partner relationships. To find out more about her services, visit [www.DLHServices.com](http://www.DLHServices.com), send a message to [Dede@DLHServices.com](mailto:Dede@DLHServices.com), or call +1 703-448-1710. She can also be found on LinkedIn at <https://www.linkedin.com/in/dedehaas/>.*