



The Exact Expertise to
Ignite and Sustain Performance™

LSA Global | White Paper



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The Channel Challenge Partnering Practices that Work

Today's sales executives are under unprecedented pressure to deliver continuing or improving revenue results with little or no expense flexibility. Because studies have shown over the years that it costs substantially more to acquire a new customer than to maintain an existing relationship, organizations look to alliances and channels to leverage their customer acquisition strategies to the fullest degree.

Alternative ways to generate interest in a product or service have become, for many organizations, more important than traditional selling activities; and leveraging the entire economic ecosystem is key in developing and sustaining competitive advantage. In addition, the need to develop well-balanced “push-pull” demand is no longer an interesting theory; it is the cornerstone of the most successful selling organizations in the business world.

Lessons from the field

In order to meet these demands, companies must design and implement world-class partnering programs that focus on everything from why customers make buying decisions to how they take delivery and implement the solution. The first step in doing this is to answer the following questions:

- What channels should we select? Which will add the most value and align with our strategy?
- What actions do we need to take to ensure that each channel is aligned with buyer preferences and the buying process for the targeted markets?
- What amount and types of resources and investments are required for the channel to be successful?
- What about channel conflict—to what degree do we want it? How will we manage it?
- What are channel strategy success metrics?
- How do we manage the partner portfolio—recruitment, management, retirement?
- What type of planning is needed to make partnerships successful?

The answers to these questions lead organizations to correctly design partnering strategies that increase market coverage while minimizing conflicts.

Answer these key questions

A determination of which products and customers need to be brought together will begin to answer this question. This could be discovered through a segmentation model based on strategic, revenue, profitability, geographic, or product considerations. The outcome of this analysis will serve to guide the channel selection process and begin to define appropriate partners if necessary. It is critical that an overall assessment be conducted to ensure that the channel strategy and chosen tactics align with both the corporate vision and any direct channels you employ.





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What actions do we need to take to ensure that each channel is aligned with our buyer preferences and processes?

Without this alignment, we risk spending excessive time, money, energy and effort without an appropriate return on our investment in the partnership. There are three key considerations when answering this question:

1. Identification of buying behaviors and preferred method of interaction (internet, direct, call center, etc.);
2. Understanding of customer buying criteria that supports the unique solution offered by the channel; and,
3. Confirming preferred buyer options and providing flexible channel alternatives for purchasing your product or service.

What amount and types of investments are required for the channel to succeed?

The specific types of resources and the amount of investment you're able to make are determined by an "expense to revenue" (E/R) analysis of each channel. The risk of this process is that it tempts many to focus on or select those channels which have the lowest costs, ignoring some with much greater growth potential and capacity to deliver. This short-sighted approach can produce quick returns, but may require expensive retooling of the channel in years to come. The most successful channel strategies include an E/R component but focus more on customer behavior and product-channel fit analysis.

How do we manage channel conflict?

Channel conflict is an inevitable part of any channel activity and in some industries or situations, a necessary situation when we desire having multiple partners selling your products in the same market or territory. For others, however, it is better to minimize the conflict among various channels (either multiple indirect partners or between a partner and your direct channel). When this is appropriate, the key is to proactively manage issues by assigning responsibility for problem resolution as close as possible to field personnel. This promotes avoidance rather than after-the-fact problem resolution.

What are channel strategy success metrics?

Success metrics are as individual as every organization that develops a channel strategy. In general, most measures rely on an analysis of typical types of activity; sales calls per month, average market capitalization by customer, new market penetration, new product revenue, customer loyalty, and a host of other statistics that evaluate the impact of a channel. As part of the overall partner strategy, it's important to understand the targets you expect your channel to achieve and then ensure you've got an adequate mechanism by which you'll measure achievement. To the extent possible, it's best to consider both quantitative and qualitative methods of measuring a partner's success, but also consider getting the customer's perspective on their performance, not just your organization's valuation of them.

How do we manage our partner portfolio?

Attracting new partners and retaining those high performing partners are two of the most important responsibilities of the channel executive. The most successful channel relationships include a well-communicated description of roles and responsibilities, effective incentive programs, issue resolution policies, appropriate training for product, services, process, etc., and a well-structured, periodic relationship analysis. It is the combination of these management activities that attract new leading edge partners. In addition to the individual partner reviews, it's important to assess each partner as they relate to one another within your portfolio. Unless you have unlimited resources, you'll likely have to choose those relationships which are delivering the most (as measured by your objectives!) and minimize or end those relationships which fall short of the threshold.





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What type of planning is necessary to ensure successful partnerships?

As with all business activities, effective execution is impossible without effective planning. In particular with partners, planning should include the following attributes: identification of target market segments, value chain alignment, co-developed objectives, timeframes for measurement, and resource identification.

Summary

Channel management is a complex task of managing a portfolio of disparate businesses selling different products in different markets. However, when done well, it provides the most flexible and easily adaptable paths to achieving your overall objectives. In order to get the most out of your channels, it's important to remember that you need to balance the needs of your internal business units with those of the partner organizations to achieve your corporate objectives.

About LSA Global

Since 1995, LSA has helped organizations create and maintain competitive advantages through people. Over 85% of our business comes from repeat clients and our customer satisfaction rating is 97.5%. Our clients tell us that we are different. Our clients tell us that we save them both time and money. Our clients tell us that they appreciate access to experts across many areas

Our Leadership and Management clients report that we decrease their costs by up to 50%, while helping increase speed-to-productivity by 60% and decrease unwanted attrition by up to 40%.

Our Sales clients confirm that they have grown sales by 40%, increased units sold by 42%, increased average pricing by 12%, and closed over 50% of their pipeline.

Our Project Management clients inform us that, by regularly completing projects that meet or exceed expectations, they have become an anomaly in the world where most projects disappoint or fail.

Our clients succeed in the marketplace through increased revenue, decreased costs, and higher productivity. They maintain that our rigorous assessment, implementation, and measurement capabilities bring them tangible results. As an organization, we are fiercely devoted to supporting their success.



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