



SUCCESSFUL
CHANNELS

Awarding Your Channel Resellers to Drive More Revenue

Whitepaper Brief: Learn how to package the right incentives, margin, profitability guidelines, and ROI plans to motivate your channel resellers

Key Take-Aways:

- ❖ Help resellers plan
- ❖ Support reseller budgeting
- ❖ Guide pricing & margin analysis
- ❖ Help resellers conduct ROI analysis on investment planning
- ❖ Implement performance-based incentive programs



What we have learned about **Awarding** channel resellers:

Most of your channel resellers are savvy business executives who perform serious analyses on their financial plans. It is best to demonstrate to your resellers how they can be successful and profitable with your brand to gain their commitment and attention. To achieve this provide analysis tools and profitability calculators to support their financial and budgeting processes and provide transparent and achievable performance incentives

Your Successful Channel's "Award Resellers" checklist:

A) Help Your Resellers Plan

- Local market analysis
- SWOT
- Positioning
- Goal setting
- Performance measurement

B) Help Your Resellers Budget

- Revenue targets
- Product sales
- Staffing levels
- G&A expenses
- Timing

C) Support Reseller Pricing Margin and Profitability Analysis

- Product pricing
- Service pricing
- Promotion pricing
- Margin calculator
- Profit optimization

D) Support Reseller ROI Analysis

- Product ROI
- Service ROI
- Bundled ROI
- Marketing ROI
- Sales ROI

E) Optimize Reseller Incentive Management

- MDF incentives
- Activity spiffs
- Rep incentives
- Margin enhancement
- Level incentives

Awarding your channel resellers with the right compensation, margin, and incentives will have a significant impact on the sales productivity of your indirect channel. Resellers know that they play in competitive markets where price competition is the common battleground. They are balancing their desire to generate new sales while generating a reasonable margin... just like you are. This white paper is designed to help channel executives and your channel resellers cut the right balance between competitive pricing and attractive product margins. It features practices, tools, strategies, and approaches to plan, manage, measure and reward your channel resellers for selling and servicing your target customers with your products.

Awarding your channel resellers with healthy profit margins starts with a strong plan. The adage of “plan-your-work and work-your-plan” is relevant for channel resellers. If they don’t have a plan, they don’t know what they are shooting for and have no compass to guide their decision-making process throughout the year. Resellers excel at selling and servicing their customers, but professional business and financial planning is not always their strength. Helping resellers plan more effectively can improve their chances of success and build interest and preference for your brand. Consider offering reseller business planning workshops, and provide planning tools to help them define a customized plan for their business to guide success.

Elements of a Well-Designed Reseller Planning Toolkit:

- ❖ **Local Market Analysis:** Provide tools to help resellers define the local market size, number and profile of target customers, and a target list development strategy
- ❖ **SWOT:** Provide tools to help resellers identify their own strengths, weaknesses, threats and opportunities to guide their market plan
- ❖ **Positioning:** Provide tools to help define their target market (unique group), frame of reference (what their solution replaces), and point of difference (what makes them unique to that target)
- ❖ **Goal Setting:** Provide templates for SMART goal setting (Specific, Measurable, Attainable, Relevant, Time-bound)
- ❖ **Performance Measurement:** Provide resellers with tools and methods to help them track their progress in achieving their goals (# and size of deals, gross margin, net margin, ROI, etc.)



Resellers who have a plan are much more likely to hit their goals because they are focused on specific actions that support these goals. The process of building a plan helps all members of the reseller team to focus on the right target customer with the right message, the right offer, and the right price at the right time. It also will guide the reseller

with strategy decisions they'll need to make along the way to react to competitors and new opportunities.

Your resellers will appreciate assistance with elements of their plan. The most difficult elements are defining realistic goals. Below is a summary of the plan components that are difficult for resellers to pull together on their own.

Key Metrics Your Resellers will Need Help Defining:

- ❖ **Revenue Targets:** Provide assistance with building bottom-up revenue targets based on the number of deals, value of each deal, and timing of the deals.
- ❖ **Product Sales:** Provide direct support to help your resellers estimate product line sales based on the number of deals, and how many are sold separately or together.
- ❖ **Staffing levels:** Provide metrics to help guide staffing assumptions, e.g. 1 sales rep per 20 deals, 1 service rep per 15 deals.
- ❖ **G&A Expenses:** Provide other metrics to help guide related G&A expenses, e.g. a budget of \$2,500 in marketing per forecasted deal, or ½ an admin / finance role per 20 deals.
- ❖ **Timing:** Help resellers pull all of these assumptions together into a monthly / quarterly budget that orchestrates the investment plan with the planned sales.



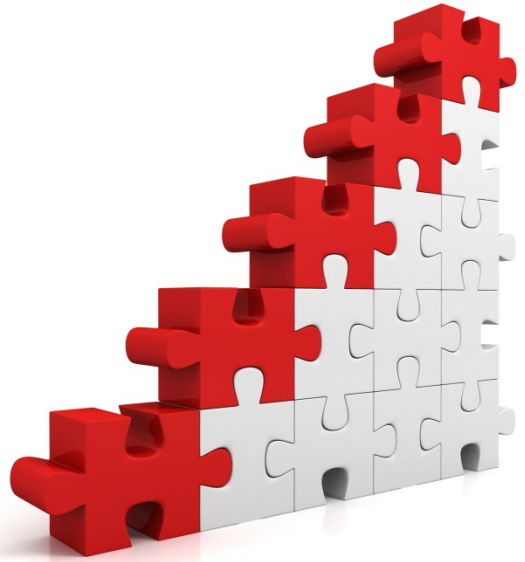
These practices are second nature for large corporations with in-house planning processes. Channel resellers are resource constrained and don't have the time or expertise to pull these detailed planning tools together. Providing excel or web-based tools will significantly improve your reseller's adoption and usage rates.

Another "improvement opportunity area" for your resellers is pricing and margin management. Resellers are on the front line and are under market and competitive pressure to reduce prices to close deals. The more comfortable you can make them with analysis tools to help make thoughtful pricing decisions, the more they'll support your brand. The planning tools you provide should include calculations to help them determine product, service, and promotional pricing to help manage margins and optimize profitability.

Below is a series of factors to include in your reseller planning templates to help them build a hardworking plan.

Planning Tools To Enhance Reseller Profitability:

- ❖ **Product Pricing:** Provide a pricing and margin calculator tool to help simulate the impact of alternative scenarios.
- ❖ **Service Pricing:** Provide service configuration tools to help determine what to include and how to effectively price services.
- ❖ **Promotion Pricing:** Provide calculators to help estimate the impact of potential promotional pricing strategies to drive revenue.
- ❖ **Margin Calculator:** Provide hosted / web-based margin calculators to determine product, service and overall margin forecasts.
- ❖ **Profit Optimization:** Provide guidance to your resellers to help them do scenario planning to offer competitive pricing while also achieving accelerated growth



Reseller account managers don't need to become expert business strategy consultants to make this work. With the support of well defined planning templates, your account management team can provide meaningful assistance with this big gap in your reseller's capabilities. With minimal training and a templated approach, your account management team will deliver highly valued business management advice to your resellers and separate themselves from the competition. With the addition of a help desk or a professional consultant to back up your account managers, resellers will significantly improve their sales levels. This trust building activity puts your organization and your brand in the driver's seat for pursuing new sales opportunities identified by your resellers because you become a virtual extension of their team.

An additional analysis that should automatically calculate within your reseller planning templates is ROI. Resellers should see, in real time, the impact of their assumptions as they change and update them. This planning template should automatically calculate the return on investment on the reseller's investment product and service support, bundling strategies, and marketing and sales investments. Below is a summary of how to incorporate these calculations into your planning templates.

Inserting ROI into the Reseller Planning Process:

- ❖ **Product ROI:** Automatically calculate the ROI a reseller generates with the sale of one product. This includes all of their allocated costs.
- ❖ **Service ROI:** Automatically calculate the ROI a reseller generates with the sale and delivery of complementary services.
- ❖ **Bundled ROI:** Automatically calculate the ROI a reseller generates with the sales of bundled product and service packages.
- ❖ **Marketing ROI:** Automatically calculate the ROI a reseller generates for its investment in marketing.
- ❖ **Sales ROI:** Automatically calculate the ROI a reseller generates based on its investment in sales resources for your brand.



An ROI approach to annual planning helps your resellers make the business case for why it is worth investing in your brand. More sales time, marketing, and overall focus for the reseller should yield an attractive calculated return on their investment versus other brands.

Nearly \$50 billion of channel marketing and support is spent every year with channel resellers. Over \$20 billion within that is spent on different forms of sales incentive programs. We saved this for last because it is the most obvious way to award your channel resellers. Start your channel account team on helping resellers with planning, budgeting, pricing and ROI analysis, consider the cake and follow-up with incentives on top of these analysis. Incentives are the easiest thing to do but they are also the most expensive. Your award strategy should be built on a base of strong planning, budgeting, profitability management, and ROI calculation tools to complement your reseller incentive programs. This will significantly enhance the value of your incentive programs because the reseller has more of a stake in their success and they'll be able to better appreciate the return they are generating with your brand.

Channel reseller incentive programs take many forms and support many different objectives. MDF / COOP programs provide monies for lead generation and other branding and support activities. Other incentive programs focus more on specific activities or are focused on individuals within the reseller organization. There are also programs focused on enhancing the overall margin earned by the reseller if certain goals are achieved.

Below is a range of programs and their objectives, along with suggestions on how to get the most value out of each.

Purpose-Based Reseller Incentive Programs:

- ❖ **MDF Incentives:** Performance-based marketing programs that are funded based on the number and quality of leads delivered is the most effective. Integration of deal progression and closed revenue is the gold standard for MDF program management.
- ❖ **Activity Spiffs:** A common method for incenting specific activities, including new product launches or target market focus, is an effective way to support new strategies.
- ❖ **Rep Incentives:** Delivering incentives directly to the reseller representatives is an excellent way to influence behavior, generate short term results, and enhance job satisfaction for sales executives.
- ❖ **Margin Enhancement:** Goal-based margin enhancement programs represent a significant percentage of overall incentive dollars and reseller profitability.
- ❖ **Level Incentives:** If the levels are clearly communicated, consistent from year-to-year, and realistic, then the incentives tied to resellers reaching the next level of classification are highly effective in influencing behaviors.



Successful Channel executives build their award strategies from the bottom-up and consider all planning, budgeting, ROI and reward elements in their incentive programs.

Award Best Practices Summary:

- ❖ Business planning
- ❖ Reseller budgeting
- ❖ Reseller profitability
- ❖ Reseller ROI
- ❖ Reseller incentives



About



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Successful Channels is a services company staffed by a range of channel experts. Successful Channels delivers channel assessment, strategy, implementation and measurement services to help channel executives from all industries make their businesses more productive. Please contact us to discuss your channel growth challenges and improvement opportunity areas.