



7 Major Challenges of Channel Management



The Complexities of Channel Management

Channel management is complex primarily because of what it tries to manage. The word “management” implies some level of control to achieve performance from an individual or from a team, either through inspiration or through some level of enforcement. The meaning of “management” varies greatly when it comes to an organization’s structure—depending on whether it’s a startup, a more mature company or a governmental organization like the military.

However, in every one of those instances there is a direct relationship between the manager and the subordinate / employee / team member. In the case of a reseller network or a partner network, that relationship is very different, and it presents some unique challenges. Let’s take a moment to explore those challenges.

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1. Channel Partners Are Companies, Not People

Ordinarily when we talk about management, where there is some level of control over employees or consultants or contractors, we are exerting some level of control over people. But when we talk about managing a channel, the level of control is much lower: because it's an indirect sales force and b), as I've already noted, we're managing companies, not people. Of course those companies are made up of people—sales people, technical people, marketing people—but in the end we're trying to manage an entity rather than individuals. That's an important difference that creates a huge amount of complexity.

2. Channel Partners Do Not Report to Vendors

In the case of a direct sales force, there is a hierarchy. You have a manager who reports to a director who may report to a VP, but with a channel organization, you have a company reporting to a channel account manager or a partner business manager. That reporting relationship is indirect. If some partners don't perform over one or two or three quarters, they don't get fired for missing their mark. They may miss some incentives, but they don't get fired for poor performance. Eventually, if a partner doesn't perform over a long period of time, that partner may be replaced, but it doesn't happen as quickly as it would when you're managing a direct sales force.

3. Channel Partners Have Their Own Priorities

The challenge here is that those priorities do not necessarily align with the priorities of a vendor. If a vendor is trying to promote a specific product or trying to penetrate a specific market—say, verticals like manufacturing or healthcare or whatever—it may or may not be in the interest of the partner to carry out those activities. So it's crucial for the organization to understand what the priorities of those partners are instead of randomly pushing programs and deploying resources.

4. Different Engagement Models for Different Partners

Some partners sell to small and medium-size businesses (SMBs), some sell to midmarket organizations, some sell to enterprises and some sell to all, or a combination of two or more segments. For an organization to align behind the needs of various types of partners, have appropriate programs and make them meaningful requires a significant level of thinking and homework which, a lot of times, companies skip. Therefore, many of the initiatives that are rolled out in the channel don't really have an impact. In addition to differences in types of partners—what we might call practices or areas of focus—there are also differences in relationship based on revenue. Partners who are larger—larger in the sense that they carry a bigger portion of a

vendor's revenue—tend to be more important to the vendors than those partners who don't carry a lot of products. Aligning the appropriate level of resources with high-velocity, high-volume partners vs. low-velocity, low-volume partners is critical, and that can make channel

5. A Partner's Loyalty is Driven by Financial Motives

Just like in a startup environment, where people may be partly motivated by a belief in a cause or inspiration but are ultimately driven by the prospect of financial gain, most of the time the relationship between a partner and a vendor is fundamentally driven by financial gain. If the path toward that financial gain is not clearly defined, it can cause a lot of friction. Similarly, if the expectations change or are realigned with respect to an initiative, that can create complexity.

6. Partner Success Depends on Competencies in An Ecosystem

Very rarely does a partner—especially in the technology or solution domain—sell only one product. So, for example, if a partner is selling to the construction industry or the technology sector or manufacturing or other areas of high tech, that partner may carry two, three, four or as many as 50 different vendors. A partner's competencies play a big role in determining its interest in a specific set of solutions. Understanding that and aligning behind those competencies is critical for success. One last point: While many companies have alliance programs, and they tend to apply them to solution selling, they do not apply much to franchise or retail businesses. Therefore, if an organization is addressing those types of markets, the level of complexity can be quite high.

7. Large-deal Business Run Rate Forecasting is Very Hard

One of the major challenges in channel marketing is developing forecasts, especially if a company is growing. In cases where there is a revenue business, and the revenue doesn't change much from quarter to quarter—which may be the typical scenario with retail and franchises—it's relatively easy to predict within a few percentage points what the demand is going to be. However, if the economy is in distress, or certain product categories are growing faster, one of the big challenges is to work with the partner base and come up with a forecasting model. This is where understanding various types of partners, their own sales velocity and the mix behind that velocity is critical. Without proper systems and processes in place, it is incredibly difficult for vendors to come up with these forecasts. These seven major channel management challenges are common across every type of channel. Of course, there are other types of challenges that may be very specific to a market segment or a country. However, if these seven challenges are not addressed consistently in each market in which a vendor participates, the maturity of the channel and the realization of the potential may vary greatly. So let's talk a bit about the solutions for overcoming these challenges when it comes to channel management.

Solutions

1. A Structured Channel Program

Every company needs a structured channel program. It may not be a single program but a set of programs aligned behind different types of partners—by their verticals, their competencies, by their sales mix, by their location: different strokes for different folks. Thinking that through in a systematic way can reduce a lot of waste and frustrations for both parties involved as you try to grow your business.

2. Doing Less to Get More Done via Channel

Ease of doing business comes up as a major factor when it comes to channel management on both the partner side and the vendor side. Often the account manager ends up spending an enormous amount of time fielding emails, phone calls, etc.. from partners. That problem can be addressed through a proper structure. That may mean sales concierges or partner marketing concierges, or it can be a combination of inside, outside and field support, but thinking through that structure and optimizing the productivity of the organization is critical.

Many times when smaller organizations get acquired by larger ones, by default the larger organization tends to roll the acquired organization into their existing structure, and even though on the surface this integration may make sense, in reality a lot of the supporting infrastructure that was actually working and making the smaller entity successful falls apart. This is why a lot of acquisitions that occur in the technology space don't realize their potential, because when it comes to ease of doing business, that structure gets changed dramatically.

3. Program Alignment

When we think about partner training, product promotions, incentives related to rewards, rebates, market development funds and so on, it is very important to think through these programs in a systematic way. Throwing out a bunch of incentives just for the sake of doing it—we see it all the time: \$100 rewards for certain activities, \$1,000 prizes, opportunities to win an iPad—really doesn't make a lot of sense for partners. That's because, fundamentally, if the incentives are not aligned with selling a product or service, they will not go the extra mile for the sake for winning an iPad or whatever. But when programs are aligned and a channel is performing, it's a different story, which leads to my last solution:

4. Celebrate Success – Make it Fun

Many vendors do have annual partner conferences where they award a premier partner or two or perhaps more across certain categories. That is incredibly important, and it's quite common. But it's not enough. For a channel to maintain its energy and its direction and its commitment, it needs continuous management through celebration of success. Sales is a competitive sport. Making it fun, making it relevant and allowing the partners—especially when it comes to the individual (sales reps, marketing folks, technical people)—celebrating success by sharing good news, by touting the fact they have done something tangible for a specific vendor by posting on social media or through other channels, can have a profound impact and create excitement. This leads to my last solution:

5. Systems for PRM and PMM

While enterprise resource automation—as well as sales force automation and more recently marketing automation—has been around for a while, very few companies have deployed structured systems when it comes to partner relationship management and partner marketing management. With a little bit of investment and structure in this area, a company can realize significant returns and reduce labor costs, increase ease of doing business and create a structure around their channel programs.

As we have seen, while channel management has the potential to be complex, when it is done right it becomes a huge competency. That's why companies strive towards building a channel network that can really help them increase their reach, reduce their costs, increase productivity, provide better support to the end customer and therefore increase satisfaction rates, and create a powerful “stickiness” through distribution. That may prevent competitors from attaining the same level of sales velocity and mix.

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