

Forging stronger partner relationships is both demanding and rewarding

Channel Challenge

by Doug Tanoury – September 2000 IntelligentEnterprise Magazine

In the frenzy to move from the old markets of the last 40 years to the new virtual marketplace, major corporations are spending billions of dollars and marshalling limitless resources in a race reminiscent of the U.S. and USSR's cold war race to the moon. Who will get there first and what we will do when we get there are still questions that remain to be answered. We have an opportunity to use new technology to revitalize and transform old market-methods of distribution. Our rewards for quick action will be increased revenue, expanded market share, and a rich return on investment (ROI).

The Internet marketplace has already revolutionized consumer markets. Business-to-business (B2B) channels and partnerships are being altered just as substantially and fundamentally as consumer markets. For at least the last 10 years, pundits have promoted consumer customer service as the method to increase revenue and reduce costs. Industry experts have touted customer relationship marketing/management (CRM) and the recognition of the lifetime value of customers as the preferred marketing and service method for all major companies. However, channel partners, including dealers, distributors, or value-added-resellers (VARs), have not been beneficiaries of the same enlightened, progressive, and civil treatment.

Channel partner relationships are complex and the potential impact that partners have on revenue is high, but the questions that haunt many Fortune 100 companies and usually make even the toughest CEOs squirm is: How much do you know about any given channel partner? and How critical are the channel partners to your overall marketing strategy? The answer to the first question is typically: We don't know enough about our channel partners, and the answer to the second question is: Our channel is critical to our overall marketing strategy.

The preceding two statements highlight the fundamental problem of channel management today. The channel is the most critical component of marketing and distribution strategies, yet we often lack both information and tools to manage it and we are missing the most fundamental knowledge of the partners that compose it. We estimate that the high-tech industry currently handles more than 50 percent of its sales through indirect channels. In industries selling big-ticket items through an indirect channel, the channel partner, dealer, reseller, or VAR becomes more critical.

Powering the E-Channel

Predictions abound that the proliferation of Web technology and e-commerce business models will accelerate direct marketing efforts and speed the elimination of channel partners, distributors, and resellers. However, every indication points to the opposite effect. Internet and Web technology does not mean the death of the indirect channel, instead we finally have the tools to empower and enable the channel. Web technology puts into the hands of sales, marketing, brand, and e-commerce managers what has been lacking: tools to control, manage, and measure indirect channel activity. You can now target and measure such activities at the individual dealer or reseller level. This method to market celebrates the union of clicks and bricks. It is a realization of the importance of partnership that goes beyond the perfunctory business vocabulary of today and creates a spirit of loyalty by initiating very specific management steps that create a climate and culture for collaborative commerce. Some OEMs and partners are already capitalizing on moving and leveraging information at Internet speeds, realizing collaborative sales and marketing efforts not previously possible.

Partner Relationship Management (PRM) in its simplest form leverages what you know about your partners to create segments and microsegments based on a unique partner profile composed of detailed information gathered from your contacts with your partners across all the various touch points in your organization. PRM uses unique knowledge as an enabler to more effectively drive relationships and loyalties with channel partners in such a way as to achieve measurable increases in revenue and market share.

Better PRM initiatives involve using technology extensively to manage your relationships, developing a unique strategy for each partner, and measuring your effectiveness and progress as you execute your strategy. PRM uses information about channel partners to implement segmentation strategies in the channel partner population.

Profiling Partners

Knowledge and information about each channel partner has become critical to success in managing your partner and channel relationships. With the information you can now gather from a variety of partner touch points and internal corporate and external sources, it is possible for you to develop a detailed profile of each channel partner. You can then use this profile to segment or microsegment your partners, or to create a specific individual segment unique to just one partner. Detailed knowledge about channel partners allows you to move from initiatives and strategies aimed at the channel level to specific strategies targeted at individuals.

Your objectives for each partner strategy should be revenue growth and increased market share. You can now develop customized partner strategies based on information specific to each of your channel partners, leading to the possibility of greater channel effectiveness. By launching such micro-initiatives for an individual partner and collecting the resulting information in a centralized

partner database, you can measure the effectiveness of initiatives and strategies. You no longer have to rely on guesswork or decision-making based on partial, incorrect, or anecdotal information.

Beyond the technology, there are a considerable number of cultural and philosophical hurdles that each company traveling down the PRM path must leap. Surprisingly, cultural issues are often more formidable challenges than any of the technical aspects of PRM. Such challenges may require that your channel programs be engineered to focus on your partners unique needs in order to maximize revenue and market share. At the same time, you must leverage Internet and Web technologies to embrace and enable the channel. These enabling technologies promise exceptional ROI by adding increased revenue/market share and reducing the cost of maintaining and supporting the channel. Manufacturers, dealers, and other e-commerce entities can experience cost reductions after implementing PRM strategies. Increased partner loyalty can also be a byproduct of more efficient communications and support of the channel.

Emerging From the Shadows

CRM has a distinctly consumer focus and has been refined over the last 25 years. Specific management and operational practices have been developed to optimize performance in this specialty area. Unique and specialized technology has appeared and continues to evolve. Oddly, the philosophy of CRM and the business self-interest that motivates it have not been transferred to PRM.

PRM has just begun to emerge from the shadows of CRM. It has a business-to-business focus and, despite the critical part it plays in both marketing and distribution, it is an area that has been neglected by manufacturers, OEMs, and other organizations managing e-commerce projects.

A unique feature of PRM is that, unlike your regular customers, your business partners have more frequent contacts across a wide range of groups in your organization. This increased contact accentuates the need for you to develop and maintain a universal contact history for partners so that a panoramic view of their past and present dealings will be available for decision-making and problem tracking. Other key characteristics that differentiate PRM partners from traditional CRM customers are:

- Lower contact volume
- Communication-intensive
- Information-intensive
- Information access across the enterprise
- Partners want targeted/relevant contact only

- Diverse corporate touch points
- High quality expectation
- Partners desire customized/consistent handling
- Partners possess technical sophistication
- Driven by cost containment and revenue growth
- Contact over diverse media (phone, fax, email, chat, forum)
- High time sensitivity.

Partnering Perils

Conflict is commonplace in many channels today. Historically the resources that OEMs and other partners have brought to bear in the distribution channel have been unfocused in planning and haphazard in execution. People have been sent to field and zone offices to manage the relationship with channel partners. This distributed model lacks coordination and management controls and often leaves critical partner information in places where it cannot be leveraged or accessed for planning and decision-making purposes. Communication is often poor in both directions and quality is inconsistent.

Channel strategies by and large seem to fizzle and fail, for they are often based on limited information, or worse on anecdotal information. Companies may perform limited segmentation or targeting and frequently take a blanket approach toward all partners. The question we must ask is: How effective are strategic initiatives at the partner level? There is also no mechanism to measure the effectiveness of initiatives in many channels. The success or failure, like the initiative itself, is based largely on subjective or anecdotal information.

Think for a moment about the relationship between a manufacturer and an exclusively franchised dealer population. What would the result be if we judged a manufacturer's relationship with its dealers or an organization's relationship with its partners by the same high standards we use to judge a Fortune 100 company's relationship with its customers or consumers? Many organizations have simply failed in the most basic ways to develop or manage partner relationships. The result is that most strategic channel partner initiatives fizzle and fail. Failure of these initiatives is most often caused by:

- Lack of knowledge about the channel and or partners
- Lack of tools to effectively manage, monitor, and measure the channel partners
- Lack of effective communication among the channel partners
- Lack of information to support decisions and develop a channel strategy.

The tools and architectures we need to manage consumer, channel, and partner relationships are plentiful and mature. However, the most basic CRM objectives listed next seem to have no PRM counterparts.

The last 10 years have spawned such customer-centric buzzwords as:

- Customer loyalty
- Customer retention
- Lifetime value
- Repurchase intention
- Relationship marketing
- Micromarketing
- Database marketing
- Data warehousing
- Service customization.

Not having similar goals for channels or partners directly contradicts the customer-driven philosophy and operating practices of every major company. While most companies recognize the value of focusing on consumer loyalty, they have not yet seen the business benefit to establishing strong channel partner loyalty and ties. The consumer-centric methods and doctrines of the last 10 years have not been applied to OEM-dealer relationships, or to channel and partner programs in other sectors.

Mistrust, frustration, and overt animosity between manufacturers and dealers, and between other organizations and their partners, mark many B2B channel relationships. Both the organizations and their partners tend to regard the end-customer as mine rather than ours. This shortsightedness is a detriment to manufacturers, dealers, and consumers. Manufacturers and organizations often act in arbitrary and heavy-handed ways, as if they are monopolies. Their end-game plan is to sell directly to consumers and cut their dealers out of the action. Dealers, on the other hand, use passive resistance or outright defiance to maintain some degree of independence. Dealers often brazenly sell the goods of competing manufacturers, either in the same or nearby storefronts. This type of identity or brand dilution thwarts the brand plans of OEMs and other vendors.

The distribution channel needs enlightened self-interest. All parties should realize that an effective relationship is a competitive advantage. Effective strategic initiatives at the partner level have the potential to increase revenue and market share.

Great Expectations

What can we realistically expect from a PRM initiative, and is it a panacea to eliminate all the pain that exists in an indirect channel?

We can expect to establish a profile partner database on each channel partner that will provide:

- Consistent full-spectrum views of each partner
- Leveraged knowledge for decision-making
- Complete history of past and current contacts
- Segmentation and targeted strategies
- Complete customized communication
- Measurement of channel strategy initiatives.

We can identify common channel activities that are likely candidates for process re-engineering and automation, such as:

- Lead management
- Sales productivity
- Training
- Program management
- Communication
- Product information
- Information libraries
- Ordering and order status
- Inventory management
- Warranty information
- Forecasting and scheduling.

Channel strategies and initiatives are often uncoordinated, but in a PRM environment, you can centrally coordinate all of these activities via an Intranet/extranet. Unlike CRM technology, which is front-end or interface-focused, PRM technology gives you a partner-focused database at its core that drives strategy and measurement reporting.

Identifying Partner Touch Points

In establishing a PRM strategy, you should identify all the possible partner touch points across an organization. The touch points need not represent human contact but can represent self-service applications such as Interactive Voice Response (IVR) systems and Web-based applications, as well as a variety of enterprise and legacy systems. You must identify and account for all touch points, whether human or technical systems. Your resulting centralized partner database should contain partner information from functional groups across the organization that touch the partner or are touched by the partner, which might include:

- Sales force automation
- Inventory and distribution
- Billing and accounting
- Ordering and tracking
- Lead management and sales reporting
- Corporate headquarters
- Warranty tracking
- Corporate legal
- Special segments and reseller programs
- Contact management and call centers
- Corporate and legacy systems
- Internet applications and self-service systems.

Enhancing the Channel

While some manufacturers and vendors leverage Internet technology to sidestep their channel partners, some of the most far-reaching and strategic plans call for using Internet technology not for the elimination of the existing channel, but the enhancement of it. Technological changes can optimize and enable your channel. Changes in technology and the movement to Internet-based channel tools and infrastructure offer you opportunities to re-engineer current processes and communication methods through the overall automation of existing functions. We have noted some promising candidates for automation in earlier lists, including sales and inventory reporting, technical libraries, order tracking, lead management, and dissemination of product information. Others that come to mind include:

- Reseller recruitment
- Business planning

- Channel contracting
- Reseller training
- Status notification
- Lead generation
- Technical support
- Quality management
- Communication
- Pricing data
- Email and Web-based event alerts
- Relationship management
- Software distribution.

Automating and re-engineering the channel partner business processes listed above will help you reduce costs and increase effectiveness, as well as realize increased revenue and market share.

Some CRM proponents champion the concept of a segment of one. The primary problem in many applications is their failure to accumulate information about the people who contact us. Add to this the fact that we collect little or no relevant or leveraged data about a customer or partner during a contact. You really have to carve a segment of one out of the massive customer segments by capturing unique and detailed information. You will need everything that is known about a customer or partner to customize contacts.

This vast amount of data helps you create a unique segment comprised of one individual or partner. We can find, again in theory, so much information about this individual and their prior contact history that we can initiate particular actions to customize the contact based on available data. In traditional CRM, tens or hundreds of thousands of potential or existing customers make customization difficult, and the problems are compounded when tens or hundreds of millions of customers are involved.

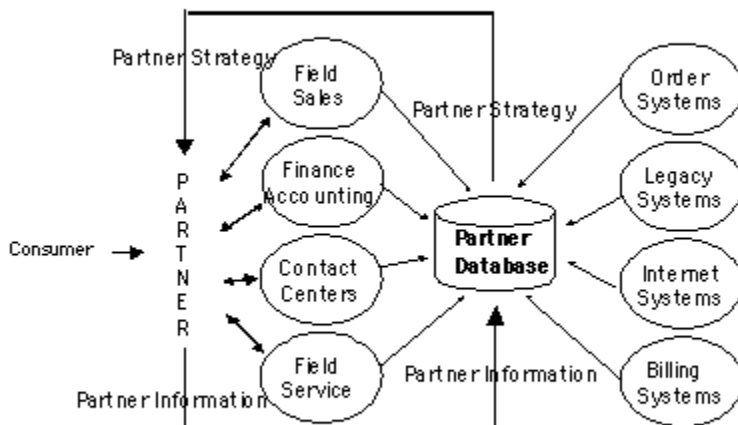
PRM rarely involves more than a few thousand partners. You will find it far easier to assemble a partner database of 5,000 dealers than five million consumers. Once you assemble the database, you can collect and centralize information from a variety of diverse sources and leverage it across the organization.

Devising a PRM Database

To seed your partner database, look for contact points within your organization that could serve as sources for specific channel information (see Figure 1). Such contact points could include:

- Field service and maintenance
- Sales
- Contact centers
- Corporate headquarters
- Accounting and billing
- Training.

Figure 1 Populating a centralized partner database.



Your centralized partner database can be populated by the functional groups within your organization, but you can capture additional partner-specific data through a variety of partner-facing technologies, which include:

- Self-service systems
- Internet and Web applications
- Accounting and billing systems
- Other legacy systems

- Lead management systems
- Sales and product-tracking systems.

With this type of repository, you will no longer be worried that critical client data is housed only in your field managers head or in the local office database. After you identify all your partner touch points, you can funnel information instantaneously into this centralized partner database. You can then use this unique data to develop partner and channel profiles and to accumulate a history, which becomes the basis for formulating and executing a strategy to optimize revenue for your organization, as well as your dealers, resellers, VARs, or other partners.

Panoramic Vision

When you accumulate and centralize partner information from diverse sources across your organization, you create a consistent view of your contacts with partners and their contacts with you. This centralized source creates a panoramic, full-spectrum view you can use to develop a strategy. You can measure the effectiveness of the partner strategy and manage its progress by monitoring partner information and key indicators in the centralized partner database.

Adopting this initiative means that you are no longer merely paying lip service to the philosophy of partnership and empowerment. The steps and organizational architecture outlined in your strategy will result in reduced operating or channel costs and measurable improvements in quality, revenue, and market share.

The impact of PRM is immediate, for it is more than a management philosophy, approach to the market, or business architecture. It is also a method for delivering the right information to the right individual at the right time for the purpose of growing revenue and market share. Organizations are moving toward knowledge enablement and channel partners are moving toward the information promised by PRM. The Internet has created this data-rich environment in many cases by simply connecting and optimizing all the resources (human, technical, and informational) that organizations have already put in place.

The major hurdles that will take an organization from current state to a PRM initiative are as much cultural as they are technical. New technology must be leveraged and business processes re-engineered. Past methods of dealing with channel partners have engendered a climate of animosity and mistrust which must be overcome. A revolution in vision is required to move forward. The risks are as great as the rewards.

Portions of this article appeared in a posting in the Solution Provider University at VARBusiness.com.

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