

REVENUE ROCKET

**New Strategies
For Selling
With Partners**

JOHN ADDISON

book summary

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REVENUE ROCKET

Enthusiasm from early reviewers

"The Technology Adoption Life Cycle is famous for wreaking havoc on partner and channel relationships. John Addison knows the ins and outs of this problem very well and his analysis and recommendations are a must read for any marketing executive in the high tech sector."

Geoffrey Moore

Author, *Crossing the Chasm, Inside the Tornado, Living on the Fault Line*

"Revenue Rocket is essential reading for anyone who hopes to succeed with channel partners. I love the chapter 'Ten Mistakes to Avoid with Partners.'"

Robert C. DeMarzo

V.P. Editorial Director, VARBusiness Magazine

"A great roadmap for success. John Addison shows us how to get the best sales partners and make them successful. Your competition won't know what hit them."

**Guy Kawasaki, CEO Garage Technology Ventures;
Author, *Rules for Revolutionaries, Selling the Dream***

"Revenue Rocket delivers powerful strategies that will challenge you to re-assess your company's approach to market leadership, strategic alliances, and sustained channel partner success."

**Robert De Martino, Vice President
Sun Microsystems**

"Revenue Rocket is essential reading if you want to succeed with channel partners, solution integrators, and strategic alliances."

Mendel Stafford, ManagerEDS

"John Addison, as our consultant, helped us consistently outperform competition by leading us to focus on specific market niches with unique products and loyal distribution channels. Now his powerful consulting strategies are in this book. The big idea in each chapter gives you the game plan. The action plans show you how to get results."

**Bob Eubank, President
American Legacy Products**

"Revenue Rocket is a book that every high-tech marketing and channel executive should read. John Addison makes it easy to read and understand the real-world strategies that create market leadership and channel partner loyalty."

**Philippe Lavie, President
KeyRoad Enterprises**

"Everyone who sells and markets through international distributors should read this book. Revenue Rocket explains how to secure the best channel partners, become their most important supplier, and motivate them to proactively sell your products."

Elizabeth Budzynska, Vice President of Global Sales and Business Development, Aethra

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Introduction

You will increase revenue with the strategies in this book. Discover new ways to inspire your sales partners to achieve record sales for you. Uncover fresh approaches from the real-life success stories in this book. Accelerate sales every time you launch a new product or service.

Competition is real-time and intense. Customers are permanently won, or lost, based on sales partners who either recommend your products or those of your competition. Your success or failure is determined by how others sell, market, integrate, and support what you offer.

Revenue Rocket is for executives, marketing managers, and sales professionals who involve partners to better sell and to better support customers. The goal of *Revenue Rocket* is to give you the strategies and details of effectively working with different types of partners including solution providers, resellers, and strategic partners.

Solution providers make products part of complete customer solutions. In different industries they go by various names such as system integrators, service providers, original equipment manufacturers (OEMs), and value-added resellers. For example, Hewlett Packard is an important partner of Intel. Resellers sell products for a variety of firms. Resellers compete on price and customer convenience. In different industries they go by names such as retailers, eCommerce sites, rep firms, and distributors. Wal-Mart is an important partner of Coca-Cola.

Launch a revenue rocket with the best practices in managing distribution channels, direct sales, and strategic partners. Involve the best partners at the right time with the ideal strategy. This book details how to implement the best channel strategies. The book includes over 100 action items, and 10 things to avoid in increasing channel sales. The book progresses through these three sections:

1. Market Leadership
2. Channel Management
3. Sales Leverage

Part One Market Leadership

Chapter 1. First to Market

Thirty days from now, your career moves forward and your income goes up, or you start looking for a new job. This is a major product launch. It is at the biggest trade show of the year. Rumors are flying about how your toughest competitor is going to preempt you. Your customers have been waiting. Their patience is gone. Your channel partners are restless.

Successful new product introductions implement the marketing and selling partner strategies, which are detailed in this book. For this reason, we start here.

This is our first lesson in market leadership. One billion people have changed the way that they work, play, compute, and communicate thanks to Bill Joy and his team. Bill Joy is a brilliant computer scientist and a founder of Sun Microsystems. To think big, Bill Joy started by thinking small. While many scientists focused on impossibly complex supercomputers, Bill Joy focused on the power of millions of small computers and devices working together.

Breakthroughs do not find an easy path to commercial success. The vision of Java flew in the face of companies and partners making a good living from proprietary approaches. Microsoft and Intel profited from having applications only running on Windows on PCs with Intel inside. IBM profited from having applications only run on IBM mainframes and AS400s. Nokia was a cell phone market leader by offering unique applications for its phones. If Java were to succeed, it would need to be in one application at a time. Capturing the entire market immediately was not an option.

The battle between Microsoft and Sun has now shifted to new and higher grounds. Sun has made Java part of "SunOne." Microsoft is evangelizing ".Net." Billions are being spent. Customers and partners are being enlisted. Many will use both. The battle will be intense, and continually moved to different grounds, as the players battle for market leadership.

Chapter 2. Leadership

Leadership is accomplished by achieving better long-term customer relationships than your competition. You do not achieve greatness by trying to be all things to all people. Successful corporations have the courage to be leaders with a business model optimized to Cost, Customer Intimate or Creative leadership.

Cost leaders do the best job of saving customers money. These leaders also improve quality to lower production cost, to lower the cost of returned goods, and to keep customers for life. Cost leaders are often efficient multi-billion dollar global firms.

Creative leaders invest in research and development to insure a stream of breakthrough products. These leaders innovate to better meet customer needs, and to anticipate future needs.

Customer intimate leaders differentiate themselves with services designed to meet the unique needs of each customer. These leaders are in the people business.

Your channel partners are a mix of customer intimate leaders, creative leaders, cost leaders, and confused. Rethink the need to have a relationship with confused partners. Engage the leaders in the value discipline in which they are excellent. Do not ask a customer intimate leader to run an end-of-quarter discount sale. Do not ask a cost leader to invest in expensive customer intimate services.

Chapter 3. Customer Communities to Market Dominance

The best companies avoid attacking a major competitor on all fronts. Leaders divide a large market into customer communities. They focus on a customer community until they have the number one share in that segment. From this number one position, leaders then take their success to a related customer community; with time, also leading that segment. Corporate leaders expand customer community by customer community until they are established in the broad market.

The idea is to look deeply at the needs of groups of similar customers. When someone at headquarters looks at the entire market, they miss important needs of customers. When we segment, specific customer needs surface and can be uniquely served by us.

Part Two Partner Excellence

Chapter 4. Channel Strategy

Strategic partners and channels of distribution are critical to the success of most companies. Most product and service sales are through channel partners. Success involves engaging the correct partners with appropriate customers at the right time. Partners include customer intimate, creative, and cost leaders.

Customer intimate and creative partners provide customers with specialized services, or make your product part of a complete solution. These partners are often best at helping create demand for your products and services in specific markets.

Channel partners who are cost leaders are efficient at fulfilling demand at the right price. They usually resell your product without adding special customer services.

Strategy is driven by several factors: customer's needs, focusing on your strengths, focusing on competitive weaknesses, and having the right mix of sales channels. Successful companies optimize the right mix of partners and direct sales teams.

Chapter 5. Channel Management

Sales channel executives hold the key to profitability. Corporations want to grow sales revenue and also lower total sales cost. The smart executives will succeed by being effective in each of these areas:

1. Strategy
2. Coverage
3. Mindshare
4. Channel Marketing
5. Partner Relationship Management
6. Teaming
7. Money

This chapter explains each step in detail. For example, strategy is implemented with planning. Here is an example of good planning. A regional solution integrator (SI) decides that it wants to sell and support products for a hot storage hardware company. The SI principals meet with the channel management of the storage company. All agree to a goal of one million in annual revenue for the storage products. They agree to target ramping revenue by quarter: \$100,000 in quarter one, \$200,000 in quarter two, and so on. The SI agrees to target an underserved market: independent training companies with large graphic and video libraries. The hardware company agrees to advance \$10,000 of marketing funds towards a marketing campaign and trade show participation. The SI agrees to match the \$10,000.

In three hours, the channel partner and the product company have created an intelligent plan that will make them both successful. Included are monthly action items, including the names of those responsible. There is investment in both sides. The partnership is created to succeed, not fail.

Make it easy for partners to spend their money promoting your products. Your partners protect and extend your brand. That is one reason that you choose partners carefully. You are known by the company that you keep.

If you want to direct partner activity to specific market segments, do it with a carrot. Provide added marketing funds and easy to implement programs. Be ready to have conference calls and plan team marketing that includes you, them, and other strategic allies. Leverage your funds by co-marketing with strategic allies and partners.

Extend channel marketing to your channel sales people. Do business planning and forecasting with one partner at a time. Your field channel sales and marketing people can then project manage the plan. Use major product launches to get added mindshare and to announce major channel marketing initiatives.

Chapter 6. Strategic Alliances and Serial Polygamy

The fable about the lamb sleeping with the lion was started by the lion's PR firm. This chapter explains why most alliances fail. They last a few months and are then replaced with a new marriage.

Alliances that dissolved into competition are reviewed including Microsoft, Disney, and AT&T. A model is presented that shows how to make alliances work.

Chapter 7. Product Life Cycle Partner Strategy

Product launches come in four flavors. Each favors a different type of channel partner:

| | |
|------------------|----------------------------------|
| Disruptive | Direct sales + alliance partners |
| Niche Leader | Customer intimate partners |
| Market Dominance | Cost + creative partners |
| Brand Extension | All |

Disruptive technology achieves initial success when a dedicated direct team nurtures it. The team is focused on one leader in a specific market segment. The team needs to understand and solve all the needs of one customer at a time.

New product market leadership is achieved by dominating one segment at a time. Strategic allies and value partners help create complete solutions. The best partners have a strong presence in the targeted market. These partners make their money from their own services. Engage partners that own the segments, add value and have major opportunities with their services. These may not be your traditional channels.

Most product launches involve improvements to an existing product. Use your existing channels to grow your market leadership. Make them fully ready for announcement day by training them in advance. Arm them with marketing materials. Use the new product as a way to grow channel “mindshare”.

Use brand extension strategies to give added years of success to your best product lines. Once again, segment the market. Help partners with marketing programs focused on specific segments to grow your share in each segment.

Selectively involving partners at different phases of the product lifecycle can save millions over old-fashion approaches of shipping expensive marketing kits and sample products to all partners at all times. At the right times, partners can accomplish more, for less money, than direct sales teams. The next chapter details how to get more revenue, while lowering total sales and marketing cost.

Chapter 8. Big Results with a Tight Budget

When budgets are tight, most corporations should increase the emphasis on channels, and lower the cost of direct sales. Direct sales coverage should be limited to the large global accounts that produce a high return on your sales investment.

Direct sales coverage of a major account can easily cost \$500,000 in annual payroll. Channel coverage might cost only 10% of that. With direct coverage you need a team of people. Your team could include a sales executive, an inside sales person, and a system engineer. With the right channel partner you can gain ten people to cover the account and benefit from the long-term relationship of the channel partner with the account, and provide the customer with partner value-added solutions.

Direct sales coverage is important with strategic global customers. A direct account manager can better manage a large global account than can a local channel partner. Use direct teams to cover your most important global accounts. Most companies should not cover geographies with direct sales; they should use channels for broad coverage.

The 80/20 rule applies to channel sales. Invest in training, mindshare, and marketing programs with your best partners. Focus on the top 20% of partners to accelerate revenue and lower sales cost.

Make it easy for partners and allies to spend their money promoting your products. Ten tactics are detailed about how to increase revenue while controlling total sales cost.

Veritas' use of allies for recruiting is a good example. Not only can you work with allies in recruiting partners, you can work with them in recruiting customers. For example, major corporations are paranoid about losing priceless information. These customers will invest millions in sophisticated storage systems to manage information. Sun and Veritas create co-marketing to generate interest. They save millions by sharing the costs for advertising, direct marketing, trade shows, events and more. Adding more allies can lower costs further. By including Cisco, a manufacturer of sophisticated switches, as an ally, Sun and Veritas can lower sales cost. Sales are increased. Three sales forces can coordinate their efforts and stretch sales coverage.

Chapter 9. Ten Mistakes to Avoid with Partners

These ten common mistakes are reviewed. Readers will learn how to avoid each of these:

1. Confuse partners with final customers.
2. Confuse press releases with partners.
3. Stuff the channels.
4. Expect distributors to give you an instant channel.
5. Believe that more resellers = more revenue.
6. Take them for granted.
7. Fail to train.
8. Fail to arm them for battle.
9. No demand creation.
10. Go directly to jail.

Part Three Sales Leverage

Chapter 10. Lifetime Customers and Lightspeed Response

Customers pay our bills. They sponsor our careers. Meeting their needs profitably is our mission. With our best customers, the relationship is like a partnership. They actively help us build our business. We are seen as part of their organization.

Normally, 20% of your customers generate 80% of your profits. With these treasured customers, we must respond with the values that they expect. Customers want us to be the best with creative products, customer intimate services or operationally efficient cost savings. We must partner with our best customers. We must move with lightspeed response. Best customer practices of Nordstrom, Celestica and IBM are discussed.

Chapter 11. Did eCommerce Change Sales?

It is not all or nothing. Sometimes your customers want to deal with a real person, other times they want to investigate and buy on the Internet. Most sales strategy books either ignore the effects of eCommerce, or exaggerate its impact on sales channels. This book shows how eCommerce is part of the direct sales portfolio. It also shows how private eCommerce can be used with channel partners to improve the efficiency of the relationships. Forecasts that eCommerce will fail are wrong. Forecasts that eCommerce will disintermediate and eliminate direct sales and channels are also wrong.

Chapter 12. Sales Leverage not Partner Conflict

Sales leverage is the result of profitably responding to customer needs. Channel partners who can provide a variety of complementary products and services best serve most customers. A small business may be an important customer for a local channel partner that meets many of the businesses needs. That same small business may not be profitable for a remote large corporation to handle directly.

Channel conflict often occurs when competing for the business of large organizations. When these major customers create bidding wars for volume sales, organizations must directly compete for the business or they will lose.

When these large organizations need specialized services and integrated solutions, then direct sales teams should work closely with partners who add value for the customer.

The future is exciting for sales and marketing professionals. They will work more closely with customers than ever before. Customers will have more knowledge and more power. This chapter examines how Charles Schwab, IBM, Dell and Compaq have fared in trying to deploy the right mix of direct sales, channel partners and eCommerce. The next chapter outlines the future of sales, and provides guidelines about what should be implemented today.

Chapter 13. The Future of Sales

“It’s difficult to forecast, especially about the future,” Yogi Berra.

The balance of power has shifted to the customer. They have the knowledge. Geography is less important. Free trade is just that. Customers can order 24x7. Imagine knowing about every sale of your product. The knowledge would include the name of the final user, why they bought it, what worked in the sales process. From that knowledgebase there will be automatic updating of forecasts and the planned production of suppliers. Imagine being able to ship hot products while they are still hot. This decade you will have what you imagine. Pray you have it before your competition does.

To prepare for the future several recommendations are made including building “radar,” creating scenarios and monitoring for strategic inflection points.

Chapter 14. Protect and Expand

Your business is like a portfolio of stocks. Invest in the right areas. Most firms should invest about 40% of their marketing, hiring, research and development in protecting and expanding business with existing customers. They should invest another 40% in dominating specific market segments where they can be the number one leader in revenue, profits and customer satisfaction.

Creative leaders can then invest 20% in creating new “breakthrough” products using disruptive technology. Customer intimate and cost leaders can invest 20% in expanding into new markets. Case studies are provided

about the “Protect and Expand” strategy of leaders like the Home Depot and Daimler Chrysler.

Chapter 15. Revenue Rocket

People admire a sales team that achieves record success, overcoming the gravity of organizational inertia, and then accelerating through a meteor shower of competition. A foundation is developed with market leadership. Channel management creates revenue “lift-off.” Sales leverage takes our success into the rarified stratosphere. Continued acceleration carries the most successful to new heights.

The best companies know better than to attack a major competitor on all fronts. Winners divide a large market into segments. They focus on a segment until they have number one share in that segment. Then they take their success to a related segment and lead there. They expand, segment by segment, until they are established in the broad market.

Mindshare is a key to accelerating channel revenue. New products are an opportunity to increase mindshare. Use new product announcements to build excitement with all sales channels. Train about the product, its applications, superior competitive positioning, sales, and support.

To accelerate your Revenue Rocket into the stratosphere, you need to take your customers’ experience to the next level. Provide customers with the flexibility of using multiple channels for multiple needs. Provide customers with the convenience of multiple touchpoints. Encouraging everyone to work as a team with the ideal coverage model, compensation, communications, and relationship management. Revenue is accelerated with brand extension that creates additional sales for volume partners, and new market niches for value partners.

Employees consistently vote Cisco as one of the best companies to work for. Executives consistently vote Cisco near the top of Fortune’s Most Admired Companies. At the dizzying heights of the stock market, Cisco’s stock value exceeded and all other companies. Cisco stays focused on creative leadership, lifetime customer relationships, market leadership, and sales channel leadership.

About the Author

John Addison is president of OPTIMARK, a leading consulting firm focused on sales channel strategy and partner development. OPTIMARK, based in Silicon Valley, has helped technology leaders grow their business. These leaders include Sun Microsystems, General Electric, Veritas, and QLogic.

His workshops and speeches are popular in the Americas, Europe and Asia, including conferences of sales professionals and solution integrators.

Prior to founding OPTIMARK, Mr. Addison was an area channel manager for Sun Microsystems. For three years, he led a sales team to 300% annual growth in 15 states, from \$4 million to \$110 million. Mr. Addison is considered one of the early architects of Sun's highly successful channel programs. You can reach John Addison at john@optimarkworks.com.



Inspire your sales partners to achieve record results with the new strategies in this book.

- + Compel distribution channel partners to make you #1
- + Learn from real-life success stories
- + Accelerate channel growth with each new product launch
- + Avoid 10 critical mistakes with partners
- + Improve partner relationships and reduce conflict
- + Solve customer problems by working with strategic allies

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