

*‘Partnership success is about trust. It is built aligning both executive and execution expectations.’*

## Introduction

Technology and IT consulting firms increasingly shift from direct sales to indirect sales. This is caused by upward demand as the cloud computing market is forecasted to grow by \$8bn in the next 4 years in the UK alone. Gartner predicts, that by 2025, the top 50 technology providers will focus 70% of their reseller partner program budget on attracting, retaining, and motivating their resell partners. This leaves less than 3 years for companies to rethink, implement and manage their channel strategy. For a channel strategy to succeed, indirect sales strategies need the channel partner experience to become more collaborative, unified, and digitally optimized across all interactions. An exemplary, profitable, long-term relationship between channel partners is built to scale and led by shared expertise and thought leadership, better lead generation through joint effort, and creating enhanced customer value through improved service delivery.

## Channel Stewardship Programs

are internal initiatives that drive channel success. They range from redefining new or existing channels to building programs that manage the onboarding and integration process. At their core are operations, enablement, and messaging.

## THE POWER OF STRONG CHANNELS: Designing and managing integrated channels

Borrowing marketing terms, a channel strategy must be both push and pull. A **push strategy** is suitable for new brands where brand loyalty is still low. Here, a direct sales force or intermediaries such as the indirect channel, are most effective to sell services to a customer. On the other hand, a **pull strategy**, where customers are persuaded to demand the product from the channel by having access to collateral and information, is most effective when a product requires high involvement. A holistic channel strategy in technology sales will therefore include elements of both push and pull. Direct and indirect sales, building content, and domain expertise alongside technology competence delivers success and reinforces partnering brands. A large established vendor can be seen as innovative whereas a smaller integration partner can use the brand recognition of its vendor to create its reputation.

It should not come as a surprise that the target market is the place to start when deciding on any strategy. The Channel Strategy must work for the whole ecosystem, including customers. Designing the supply chain backward to reach customers effectively and efficiently can be a good approach and may need to be considered as the value network is built.

The Channel is a Value Network, a system of partnerships and alliances a company creates to source, augment and deliver its offerings to customers, making it easier to deliver through an integrated ecosystem of privately owned distribution organisations. Irrespective of size, the channel matters due to natural resource constraints (finance, people, talent) in B2B companies.c

*Even Ford would find it hard to replace all the tasks done by its 7500 dealers worldwide.*

## Value Networks deliver core values:

**Find the money:** Analyse if money is up- or down-stream, need for back- or forward integration.

**Listen to customers:** Become aware what works for customers and how a product needs to evolve.

**Continuous improvement:** Accelerate communications, transactions, and speed to the customer, reduce costs and increases accuracy in delivery.

Channels, particularly in B2B tech, serve important tasks for customers and partners alike. They reduce decision-making bias, de-risks projects, enables clear communication and escalation routes, and provide additional access to resources.

A functioning Channel is the motivator of customer success. It provides integration through customer support, access to managed services, and outsourced end-to-end solutions. Seamless communication and monitored delivery of automated updates, technical architecture reviews, and system maintenance contribute to customer outcomes. Partners working effectively together solve problems and develop solutions that fit customer needs right from the start with access to funding programs, preferred supplier terms, and to business case building.

## The channel serves its entire ecosystem:

- Gather information about existing customers and prospects, competitors, and trends in the market
- Co-develop and distribute persuasive communication, create thought leadership, excite purchase
- Negotiate contracts and agree pricing between all parties involved that add to profitability and value
- Access funding for PoCs, Business Cases and implementations as joint risk bearing
- Provide expertise and logistics around service or product delivery
- Oversee transfer of ownership for projects internally and externally.

## Channel Power

The ability to motivate channel partners to do something they may not have done without the channel program can be created with rewards, expertise, and references.

Incentives and resell margins are typical reward power components, but even excess to for example technology highways can be an effective incentive in evolving technology landscapes. Specific domain or technology expertise complementing the partners create power in the industry and reference power comes from being able to for example use co-branding to add gravitas.

## Channel Design Decisions

Service Channels, Delivery Channels, and Sales Channels are built on Channel Design that enables the whole ecosystem to be profitable and work respectfully together. Starting with the customer in mind the company needs to analyse customer needs and wants, establish channel objectives and constraints, and identify and evaluate major channel alternatives.

## Channel Management Decisions

Selecting the right partners is only one step of many. Partners must also be developed and managed, kept interested, and incentivised. For example, when qualifications are required access to materials and courses must be provided. If partners get selected to help reach thought leadership, joint research, projects, and collateral must enable this journey. If there is a competitive conflict, partnerships must be managed using terms of services or an agreed code of conduct. Access to new technology and people, specifically the leadership maintains interest. Incentives to motivate internal and external sales force must be in place. As channels evolve, a regular review of its strategic components, its fit for purpose and engaging conversations with the ecosystem set the tone for the future and enable the channel partners to contribute to its success.

Channel partnerships must be viewed as long-term strategic investments considering the current market context. Companies grow alongside each other.

### Channel Design Decisions

Analyse Customer Needs and Wants	Establish Objectives and Constraints	Identify and Evaluate Channel Alternatives	Agree Terms and Responsibilities
Customers choose their preferred channel, often independent consulting firms: <ul style="list-style-type: none"><li>- Unbiased best practice recommendations</li><li>- buy in large aggregates or smaller packaged licenses</li><li>- convenient installation, bespoke services, and health checks</li><li>- access engineering and funding programs</li></ul>	Channel objectives are stated in terms of service output levels. They define benefits for the customer, and roles and costs for the channel partners such as delivery authority for functional tasks, desired service levels, focus on core capabilities, and competitive differentiation.	Considerations when building a channel include the type and number of intermediaries driving growth, expertise levels, and pre-agreed terms and responsibilities such as economics and control.	Checks and balances help to achieve a respectful code of conduct and profitability for everyone: <ul style="list-style-type: none"><li>- Price Policies</li><li>- Conditions of Sales</li><li>- Territorial Rights</li><li>- Mutual Services and Responsibilities</li><li>- Clear Mutual Partner Plans</li><li>- Code of Conduct</li></ul>

*Foxlove Strategy creates Channel Stewardships to extrapolate the opportunity in your market.*

Sources: Marketing Management, Kotler and Keller; Gartner.