

Is Your Product “Channel-Friendly?”

Great products need distribution channels in order to be a great success in the market. All too often, however, companies and its product managers consider channels as an afterthought to the product development process. This often leads to disappointing revenue growth and a product manager left wondering what went wrong.

So how should executives and product managers factor in the business drivers that are essential to driving sales through and with channel partners? This article offers eight recommendations based on practices of high tech companies that have proven most effective. I gave a talk on this at the [Silicon Valley Product Management Association](#) this month. Download the [slides](#) here.

What motivates the channel sales rep?

Let’s start by understanding the channel and its sales representatives. If you are a vendor, you see the channel as a route to market for your products, a way to distribute your product. If you’re a customer, you see the channel as the place where you buy products and get service. Channel sales reps, therefore, are focused on their customer relationship not yours. The typical channel rep represents over 40 products/services and an equal number of vendors trying to woo them with promotions, special sales incentives, bonuses, and marketing activities to spur demand. Reps see their quotas increase every year but aren’t given more pre-sales technical resources. That means channel reps will only focus on a few hot selling products that they know will close quickly. The onus is on the vendors, you, to make their product incredibly easy to sell, easy to buy, and easy to use. It’s your job to make your product their #1 preferred product to sell.

What should I expect from the channel?

Most tech executives and product managers have an entitlement attitude when it comes to channel sales. They don’t appreciate that channel reps face the above challenges and many competing demands for their attention by companies that may not even be your direct competitors. So here are eight recommendations that will help you shift your team’s thinking from entitlement to enablement. With apologies to JFK, you might “ask not what your channel partner can do for you, but rather ask what you can do for them?” A service oriented attitude and tactics have proven to get far better results than demanding performance.

Do you have a compelling, one sentence value prop?

One of the most successful tech companies to leverage the channel most effectively is **VMware**. They went from zero to over \$100M in sales in less than four years almost purely based on channel sales. One of the ways in which they did that was to simply the product value proposition. Here it is ““Bring unmanageable server sprawl under control by using virtualization to run multiple workloads on fewer servers.” That’s it. Short. Sweet. Effective. Do you have a similarly simple value proposition?

Do you offer attractive margins for the channel?

If reps are motivated by quota, they are often equally motivated by “gross profit margin” targets that their company sets in order to maximize sales of the most profitable products. Here are some rules of thumb that we’ve seen from studying some of the best tech product companies: They offer at least 30% discount off street price (the actual price the customers pay not the list price). They pay 5-10 % of annual support contract because they see that the channel should be rewarded for repeat business. Vendors offer 5-10% for “deal registration” which means extra points for bringing a new customer. And finally, they offer at least 2% marketing distribution funds. So how do your incentive practices measure up to these?

Can your channel sales rep can prepare a quote in less than 5 minutes?

Given that channel reps have at least 40 other products to choose from they will gravitate towards the ones that are easiest to sell with comparable pricing. So make it easy. One test is the price quotation. **Cisco** consciously designed a quote template that would take minutes for a channel sale rep to compete. All the rep has to do is use a pull down menu to check number of licenses, number/type of servers, and whether they want support and maintenance. How does your product's price quotation compare?

Does it take less than 90-days to purchase order?

Barracuda Networks does a nice job in shortening the sales cycle for their anti-spam network appliances. Here are their two key metrics: 24 hour demo box delivery anywhere, and a 30-day trial with a 98% conversion rate to purchase order.

Can your channel sales rep wow a prospect in less than 15 minutes?

I'll use **VMware** again is a great benchmark here. They offer a demo that shows prospect the power of virtualization on one machine. VMware chose simplicity over completeness in that they would rather have one powerful point in the demo rather than parading all the wonderful bells and whistles and risk losing the prospects attention and interest. Less is more when it comes to demos. And a great demo can shave weeks off the sales cycle.

Do you leverage \$2-3 of your channel partners' other products for each \$1 of yours?

SAP is probably the gold standard when it comes to offering their channel partners lots of ways to make money off their software license sales. An **SAP** value-added reseller can multiply the sales potential by a factor of three by offering services such as planning, design, architecture, implementation, technical support and customer education. How much other business do you leverage for your channel partners?

Do you create a reason for rep to call again?

Since channel reps work hard to maintain and grow customer relationships, they will favor vendor products that give them a reason to call on a customer again a few months after a sale. **iPass** does a nice job of this in the way they structured their product for repeat purchase. They have identified the frequent triggers for buying more and created add-on options -- more seats, licenses, appliances, subscriptions, etc. Then they've built in ways to:

- Renew – support & maintenance
- Upsell – more licenses of same product
- Cross sell – other products/services

Do you have a goal to drive down support cases?

Postini is a wonderful benchmark when it comes to maximizing channel partner margins. Their suite of messaging management solutions (anti-spam, archiving, compliance, etc.) were designed with intuitive user and admin interfaces to drive down support calls. They built rich logging/error reporting to enable one-call resolution. And they have metrics for ease of installation, setup, and usage. The ultimate goal is to have no more than two support cases for each channel partner customer. These avoided customer phone calls equate to sheer profit for the channel partner.

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