



## Building A Better Channel Program

Traditional channel models have always followed tried-and-true structures that have historically worked to help organize, categorize and manage channel partners. In today's rapidly changing landscape where depth of specialization is more the norm than the broad based solution provider model of 10 years ago — is it time for a revised approach to channel partner program structure? This article explores this question and looks at an Adaptive Channel Model better suited for today's complex business structures.



### TRADITIONAL CHANNEL MODELS

In many ways, channel programs have been the same for the past 15 years. For most legacy vendors, and many who seek to emulate them, four models have been followed to organize, categorize, and manage channel partners: sales volume, competency, value based, and one-size-fits-all.

### SALES VOLUME AND COMPETENCY MODEL

Today, as it has been for many years, traditional channel programs rely on sales volume to classify and more easily manage partners. This approach looks at a partner's total hardware and software sales and then ranks the partners according to sales revenue bands. For example, if you are a partner who sold \$5 million in products and services during a particular time period, you would qualify for certain benefits at a "level" equal to that of other partners who sold a comparable amount of products and services. Those benefits might include additional rebates or discounts, market development funds, demo gear, or other incentives.

While this is a relatively easy way to classify and categorize partners, and sales volume is important, there are some problems with this approach. Partners who are new to selling your products and services (the ones who may be the most energized and committed) have a distinct disadvantage when compared to partners who have established business models or who are larger. The established partners can create sales volume with less effort than the smaller

partners, regardless of whether they are more technically competent and capable. This unfair advantage has long been criticized by the Partner community, especially by the smaller niche players. Therefore, many vendors have tried to supplement this model with other layers of distinction; however, they are equally as limiting.

Without a doubt, sales competency and technical skills are important to partners and channels but taking classes and passing tests is not necessarily an indication of the partner's ability to deliver solutions or correctly install products. In fact, partners have learned to create "test takers" in their organization and to some extent completely bypass the intention of a competency-based measurement model. In addition, in most broad-based, traditional channel programs, field certification of services capabilities is cost prohibitive, which greatly limits the number of workable skills you can validate post-test taking. As in the volume model, this approach also favors the larger partners who can staff more technical and sales resources and can aggregate their certifications to match certain program level requirements and thereby gain more incentives, rebates, and other benefits.

The combination of volume and competency has long been a clear disadvantage to highly specialized or newer/smaller partners who often find larger partners selling product below their cost, even though they may have greater expertise and relative investments than the larger broad-line partners.

**VALUE-BASED MODEL**

More recently, a value-based model of measurement has emerged. By value we are referring to the tangible and intangible qualities that make a channel partner valuable to a particular vendor. Since the reseller's job is to represent the vendor to end-customers with regards to sales and service, the most valuable partners are those who are able to drive sales, deliver solutions, provide services, and overall support the customers' needs with a minimal amount of support from the vendor. The problem with the pure value based model is its subjectivity, and to some extent the inability to consistently measure a partners' intrinsic value. How do you quantify value?

Is there a way to classify those capabilities and still provide parity and allow for differences between partner classes and technology orientation? Is there a way to statistically manage and measure those attributes associated with value? If so, the elements would have to be broken down into smaller forms that, again, favor the larger partners who can demonstrate the largest amount of operational infrastructure.

**ONE-SIZE-FITS-ALL MODEL**

In this model, partners are given a particular classification such as reseller, or service provider, or solution provider, or some other classification of partner type. It assumes that everyone in the classification has the same type of end-customer needs, has the same type of business goals, and has the same type of operational needs. One problem with this "grouping" approach becomes evident when a particular partner adopts a hybrid model and can identify with multiple roles in multiple business structures, or when a partner who is seen as an "Enterprise" partner also delivers solutions to SMB customers, or visa versa. How are those partners to be addressed while keeping their unique attributes in mind?

**THE DILEMMA – IS THERE A BETTER APPROACH?**

So, the dilemma that channel organizations face, whether they are emerging or long-established, is how to best create a flexible yet still structured approach to managing their channel partners? The default application of these concepts is to simplify and over-categorize, creating the disparity mentioned above. Given the rapid change of market conditions, the constantly evolving state of technology and technology-based solutions, and the variances in business needs based on the size and maturity of a particular business, I think that although most channel executives are aware that this kind of one-size-fits-all approach isn't really workable, it hasn't been clear if there is a better approach to address these long standing and much entrenched program limitations.

**ADAPTIVE CHANNEL MODEL**

At ICS, we believe an Adaptive Channel Model is a more workable approach. An adaptive channel model deconstructs the individual channel components into their least common denominator. Then each component in the framework is assigned its own set of prerequisites, requirements, and rewards, and is focused on a particular desired partner attribute. This framework allows partners to customize their desires and attributes into a unique combination and recombination of each component. If a partner is interested in a particular benefit, whether it is access to product, service or product discounting, or otherwise, there is a concrete and finite set of requirements that must be met in order to gain the benefit.

This modularity allows partners to be specific in what they want and what investments they are willing to make. It also allows you, as the vendor, to extract sales by segment/product/technology as separate elements, or to create new values such as service implementation only partners or product sales only partner designations—allowing you to drive market dynamics in alignment to your specific business initiatives.

The Adaptive Model allows partners of all types to compete. For example, a partner who wants to specialize in services and service delivery and has the required skill set, but doesn't want to drive a lot of product revenue can compete with another partner who may drive a lot more product revenue, but doesn't deliver services.

This is a very basic example. Beyond that, you could create services building block designations that allow these same companies to compete for each individual element. If one of the partners also has a managed service practice, which requires special needs such as access to parts or second level support, there is no reason why their ability to sell high-volume products will impact their advantage compared to a partner who has an equal infrastructure to deliver managed services, but not the sales volume.

In an adaptive model, you create a services designation that looks at required infrastructure elements, and maybe not sales readiness if that's not important to that designation, and then equally incentivizes anyone who meets the requirements. In other words, there is a level playing field.

For partners who specialize in one particular technology category, let's say security, this approach normalizes the advantage when they demonstrate a level of competency to market, sell, and deliver on par with companies that have multiple certifications in multiple disciplines and much higher volume overall, but maybe not the depth of capabilities in security. Higher capabilities reward higher benefits specific to that category of offerings and products.

Why does this make sense? Vendors should want to encourage that type of specialization because it provides a better customer experience and helps drive market share. Unfortunately, in a one-size-fits-all model it's nearly impossible for vendors to differentiate and distinguish the investments of specialized depth partners compared to the breadth and volume, which is much easier to identify and reward.

An adaptive model would give vendors a way to compartmentalize these attributes, to measure and to reward appropriately, and to create programs that raise the abilities of partners in a fair and highly optimized way.

**For more information on how to implement your own adaptive model, contact me and we can talk about what makes sense for your organization.**

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