Building the Business Case for Automating Channel Partner Leveling

channel mechanics

www.channelmechanics.com

The Drivers and Best Practices for Partner Performance & Tier Change Management

Each year (or quarter), channel professionals are tasked with applying their tier calculus to determine the performance direction of their partners. Moreover, every 18-24 months, channel pros typically take on an even bigger task, in scrutinizing the relevance of their channel tier program, and re-engineering it to meet the evolving needs of the channel/ customer market.

The problem is that most channel pros are digitally unequipped (or under-equipped) to do the rigorous math involving multiple performance criteria for potentially thousands of partners. But new leveling automation solutions have finally come to the rescue.

Today's Channel Performance & Tier Management is a Study in Complexity

Whoever coined the phrase "different strokes for different folks" could have been referring to channel partner ecosystems.   It doesn't take long for tech vendors to realize that the state of their channel partner ecosystem is a far cry from being homogeneous, that it does in fact skew towards one of entropy – different partners perform at different levels and have different levels of commitment (at different times!).

IT STARTS WITH CHANNEL PARTNER GROWTH

With a good strategy and the right catalysts, what starts out as a dozen or so channel partners for fledgling tech vendors and manufacturers, can quickly mushroom into a channel ecosystem of hundreds or thousands of partners – each with different:

- **Business Models** — For example, tech channel partners come in the form of Resellers, MSPs, CSPs, Systems integrators, ISVs, OEMs, Consultants, Agents, or any combination thereof. Moreover, partners can skew towards long-term or short-term projects.
- **Go-To-Market (GTM) models** — For example, tech channel partners can equip their resources to place a relative emphasis on sales (and field sales vs inside sales), digital marketing, e-commerce, and partner referrals (e.g. subcontracting).
- **Support Needs** — Models range from channel partners needing "onsite hand-holding" to partners that handle customer support autonomously (i.e. under their own contracts).

… and Is Exacerbated by Today's Widening Performance Lens.

Evolutionarily, channel professionals have employed a growing collection of KPI's to gauge partners' performance:

1. REVENUE

Historically (although this method has gone for the most part the way of the dinosaurs), channel professionals used revenue as the sole criterion for distinguishing partners' performance – and value. The problem with a revenue-only performance incentive model is that it rewards the "*big*" (large partners) and keeps the "*small*" (small partners) small.

---

2. REVENUE GROWTH

The revenue growth metric began creeping into channel professionals' performance management portfolios at around the turn of the decade. Revenue growth is a fairer measure for smaller partners. But used alone, it favors smaller partners, so savvy channel pros use revenue growth and revenue in conjunction with one another.

---

3. INVESTMENT AND ENGAGEMENT

Channel professionals today employ an increasing number of behavioral metrics, based on behavioral economics, into how they think about and treat their channel partners – and rightly so.[i],[ii]. Getting to the underlying root contributors of revenue performance – i.e. the behaviors that lead to results – opens the door to building programs that engender long-lasting loyalty.

CHANNEL PARTNERS: different business models, different go-to-market models, different resource pools, different behaviors, and results – how do channel professionals deal with this multi-dimensional channel partner heterogeneity?

Partner Tier Management: The Macro Incentivization Vehicle

Channel professionals typically employ partner tiering – oftentimes fashioned on a metallurgical metaphor (e.g. “Gold,” “Silver,” and “Bronze” partners) – to group their partners according to performance, and to motivate their channel partners to grow their business with the vendor.

MANAGING PARTNER TIER PROGRAMS SAVVILY INVOLVES:

- **TIER LEVELING**
  Partners’ engagement with vendors and resultant performance are determined by a number of factors:

  - **Resources,**
  - **Market Dynamics,**
  - **Skills,**
  - **Loyalty**
  - **Economic Conditions etc.**

  Hopefully, all those factors are improving, but that reality is not always the case – at least universally. Every year (or every quarter), channel professionals need to take into account partners’ investments and contributions, to assess any change in tier level.

- **TIER MODELING**
  Modeling can be thought of as the forward-facing, proactive mirror of leveling. Instead of slotting partners into tier buckets based on how they performed last quarter or on last year’s performance criteria, modeling enables channel pros to utilize “what if” scenarios to gauge various impacts of changing their tier performance criteria.

Using Leveling Automation for Partner Tier Performance Management

Channel pros should employ a leveling automation solution to level up partner tiers on a defined periodical basis (quarterly or annually), in order to effect:

DRIVER #1
Cost-cutting

Because of the multiple performance factors that channel professionals wield today to bucket partners' performance in a tier taxonomy, leveling can be an arduous task. Let's say that a vendor uses 5 criteria – revenue, revenue growth, training investment, marketing investment, and partner portal activity – to designate tier strata.

Now imagine that revenue and marketing investment go up and that revenue growth, training investment, and conference attendance go down. An algorithm has to be employed to determine whether that partner moves up or down, or stays in the same tier. Consider that the values for each of those criteria can increase, decrease, or remain static, and multiply those factors out as a combinatorial: $3 \times 3 \times 3 \times 3 \times 3 = 3^5 = 243$ different possibilities per partner (if you weight the performance criteria differently, the algorithm gets more complex).

It doesn't take a whole lot of partners before this task becomes untenable with only a spreadsheet at hand. An application functionally designed to calculate partner tier leveling changes, according to numerous performance criteria, can save dozens of man-hours over a spreadsheet approach.

DRIVER #2
Early warning system

As noted, not all partners are going to improve in all aspects of a vendor's performance tier definition. By performing interim leveling scenarios, you can catch underperforming (with respect to their historical or expected performance) partners early.

Best Practice 2(a): Use coaching to return partners to performance par

Use quarterly level scenario modeling (for an annual leveling period) or monthly (for quarterly leveling) to catch partners that are regressing per tier performance criteria. You can then invest in resources to identify those partners' issues, and coach them back to growth.

This early-warning-sign system and remediation can have a significant upside impact on revenue and forecasts.

Best Practice 2(b): Spotlight over-performers

After each interim-period modeling run, highlight over-performers in a leaderboard. The leaderboard should have different categories for benchmarking "like" partners.

Best Practice 2(c): Upon regression, apply probation, not demotion

When interim-period coaching fails and leveling indicates falling a tier, don't immediately demote that partner. Instead, place the partner on "probation" (e.g., for a quarter), and have the Channel Account Manager (CAM) and the partner collaboratively build a remediation plan, perhaps involving special incentives. That plan can be automated in the form of regular communications and daily updated performance gauges, along with a number-of-days countdown clock.

Using Leveling Automation for Partner Tier Program Definition Modeling

Every year and a half to two years, channel professionals take a hard look at their partner tier program, with an eye towards redesign to meet market conditions and ever-changing partners' needs & capabilities. Here, too, they can use partner leveling automation to effect proactive scenario modeling for:

DRIVER #3
"What-if" impact analysis

Returning to the previous 5-criteria example (revenue, revenue growth, training investment, marketing investment, and partner portal activity), imagine the potential model "adjustments":

- **Add a new criterion** – for example, adding "business planning"
- **Delete a criterion** – deleting "partner portal activity"
- **Replace a criterion** – replacing "marketing investment" with "marketing yield"
- **Raise a threshold** – raise "revenue" target for Gold by $100K
- **Add a choice conditional** – instead of "revenue AND revenue growth AND …", "(revenue OR revenue growth) AND …"

Applying these changes in all the possible permutations result in an overwhelming number of scenarios. With a leveling automation solution, channel professionals can run many what-if scenarios with minimal work vs. weeks of grueling spreadsheet updates.

Best Practice 3: Communicate tier performance model changes in advance

What if you could lay the performance targets groundwork for your partners six months to a year in advance? Partners could prepare for those targets in modifying their investments in skills and resources appropriately – and get off to a running start when the new program is put into effect.

DRIVER #4
Pinpoint budgeting

Too often, channel program budgeting is done using the "*sticking a finger in the air to gauge the wind*" methodology. But there's a better (more accountable) way to approach budgeting. Say, for example, that in one of Driver #3 scenarios, some partners fall from Gold to Silver. This would result in a quantifiable reduction in rebates, MDF, and other benefits. Likewise, another scenario may advance partners a tier, indicating an increase in enablement program and benefits investment. Running a number of what-if scenarios will unveil the optimal tier criteria thresholds for the budget targets for their channel operations.

Summary

In this day and age of channel professionals widening the partner performance lens apertures, to include a broader range of revenue and engagement behaviors and activities, managing channel partner tiers has become a very involved, complex process. In order to cut significant time and cost out of the process – and, more importantly, to get out in front of the productivity and loyalty risks associated with underperforming channel partners – channel pros should look to modern partner leveling automation solutions.

ABOUT CHANNEL MECHANICS

Channel Mechanics provide a cloud-based Channel Enablement platform delivered as a low-cost SaaS model. Vendors and Distributors, including Cisco, Zebra Technologies, LG Electronics, Extreme Networks, Comstor, D&H, ScanSource, NCR, Securly, BAK USA and Mitel, use our platform to deliver their channel partner programs in a more efficient way than previously possible.

Our cloud-based Channel Enablement Platform transforms channel offerings by providing the capability to:

- Design, deploy, track, evaluate and change channel offers in real-time.
- Rapidly execute channel programs and promotions, globally or locally through all tiers, with minimal investment.
- Target offers to specific segments of the channel and reward partners based on investment levels.
- Provide Partners and Distributors with greater upfront visibility, significantly accelerating time to revenue and ease of doing business.
- Deliver sales incentives to Distributors and Partners that align with a Vendor's strategic imperatives.
- Measure and manage program metrics to ensure Program ROI is achieved while gathering business intelligence for future use.

The platform enables users to rapidly deploy programs with precision targeting and have real-time visibility into ROI. Ultimately creating a competitive advantage as it enables sales ideas to be quickly transformed into targeted and focused offers, giving partners the offers they need, when they need them and eliminating the old 'Spray and Pray' approach.

To find out more about how the Channel Mechanics Channel Enablement Platform can transform your channel, contact:
Phone: **+1 (855) 637 8820**
Email: **info@channelmechanics.com**

channel **mechanics**

www.channelmechanics.com

(i) Recording artists Syl Johnson and Sly and the Family Stone, respectively, popularized the phrase "different strokes for different folks" in their songs "Different Strokes" (1967) and "Everyday People" (1968). Muhammed Ali was quoted, "I got different strokes for different folks" in 1966. But as early as 1945, the Philadelphia Tribune published a story that referenced a quote: "One has different strokes for different folks." [Source: https://english.stackexchange.com/questions/349826/different-folks-different-strokes-british-american-or-other]

(ii) [Reference on behavioral economics.]

(iii) There is a plethora of behavior performance criteria that can be used to gauge (define) partners' performance (tier level), including, but not limited to: training investment, marketing investment, marketing "yield," business planning, engagement (incentive program participation, partner portal utilization, conference attendance, meetings, co-selling, etc.), professional services (portfolio, performance, custsat), customer service/support satisfaction.