

# Building the Business Case

## For a CIPM Technology Platform



The **9 Drivers** for Automating Channel Incentive Program Management (CIPM)



[www.channelmechanics.com](http://www.channelmechanics.com)



A well-designed channel incentivization strategy pays big benefits. Before long that success manifests as program expansion, involving hundreds or thousands of partners, and dozens of programs.

To sustain and grow this success, an automated Channel Incentive Program Management platform should be capitalized on. This report outlines how to build an ROI-backed business case for CIPM technology investment.

# Building The Business Case For a CIPM Technology Platform

There's no doubt that a well-designed channel incentivization strategy – and the incentive programs that flow from such – pays big benefits<sup>(1)</sup>. It doesn't take long for that success to manifest as program expansion, involving hundreds or thousands of partners, and dozens of programs. But (and this is the industry's dirty little secret (well, maybe not so secret)) the vast majority of channel incentive-fueled revenue operations (incentive program management) is run on the backs of spreadsheets. Why? The answer is twofold:

1. Until recently, viable channel incentive program management (CIPM) software solutions didn't exist.
2. Channel executives and technology decision-makers go with empty hands to the CFO to justify chantech investment.

## But things have changed ...

1. Robust commercial CIPM platforms are readily available today.
2. This report will outline how to build a ROI-backed business case for CIPM technology investment.

## It's Time For Channels To Move Into The Modern Tech Era

Operations executives/organizations have long employed a technology strategy to fuel and monitor their functions (think: ERP), as have sales executives/organizations (CRM). Until recently, channel executives/organizations were "holders-on" of the spreadsheet, but now even they have largely embraced modern marketing automation technology.

Like their corporate marketing brethren before them, channel marketing and operational professionals have long depended on the ubiquitous spreadsheet to manage channel programs. The problems with that approach?

- **SPREADSHEETS DON'T SCALE WELL**

The spreadsheet is a great personal productivity tool, and can even work well with a small group. But the spreadsheet was not designed to support hundreds or thousands of partners (and thousands or tens of thousands of partner company employees) or dozens of program models. One channel executive of a network tech vendor interviewed for this report said:

“We were maintaining 300 partners and a handful of incentive programs in a spreadsheet, a spreadsheet that had grown to 25MB and was about ready to blow up.”

- **SPREADSHEETS DON'T CAPTURE BUSINESS PROCESS**

Channel incentive programs are more than a point-in-time financial model – they represent a number of business processes: design/model, approval, test, launch, progress, fulfill, etc.

- **CHANNEL PARTNERS HAVE NO VISIBILITY OF THEIR PROGRAM PARTICIPATION AND PERFORMANCE**

Those 25MB spreadsheet files are not just bloated – they're for internal use only, not to be shared with channel partners. So, channel partners get nothing, other than perhaps an email when the program launches, and another when it ends.

[Note: goal progression monitoring is a great motivator in and of itself.]

# CIPM Process Automation

## Cuts Costs, Gets You Faster Time-to-Market

Modern CIPM as represented by the Channel Mechanics platform include a robust business process automation engine. In particular, business process automation begets big efficiency gains in the form of:

### 1. ACCELERATED PROGRAM DESIGN TIME

Channel program professionals employ modern CIPM tools to model and test incentive program designs iteratively, adding, discarding, and refining program parameters to optimize programs. Design time can not only be reduced, but the end product is almost always better (i.e. more successful in the field).



**WITHOUT CIPM:**  
½-2 weeks



**WITH CIPM:**  
½-2 days

### 2. FASTER PROGRAM FIELDING TIME

With CIPM process automation, not only is design time reduced, but so is review, approval, and test time.

In competitive situations, i.e. where other vendors wield incentive programs as a competitive weapon, faster time to field can often result in market share gains. [N.B. These market share gains can be temporary in nature, unless fortified with a long-term loyalty program (see “The Not-So-Obvious Upside: Long-Term Loyalty ... and Market Share”).]



**WITHOUT CIPM:**  
1-2 weeks



**WITH CIPM:**  
1-3 days

### 3. REDUCED FULFILLMENT VERIFICATION COSTS

Incentive programs can be designed as front-end programs (additional discounts) or back-end programs (rebates, spiffs)<sup>(iii)</sup>. For back-end programs, CIPM solutions automate the verification process and reduce the associated time dramatically.

Automation also eliminates the situation in which, with only a spreadsheet at hand, verification isn't done, resulting in huge costs in the form of overpayments and clawback accounting.



**WITHOUT CIPM:**  
½-4 hours per  
partner rebate/spiff



**WITH CIPM:**  
Immediate

# CIPM Partner Visibility

## Drives Participation/Engagement, Cuts Additional Costs

As noted, the oft-used spreadsheet is the tool used by channel program managers to model incentive programs ... but channel partners get zip. CIPM platforms deliver the incentive programs into the hands of channel partners. Through a portal, channel partners can examine and subscribe to programs; are apprised of their progress compared to that of peers or against goals (gamification); can submit proofs of purchase; and can redeem points for rebates or rewards. Channel partners' visibility into the incentive programs they participate results in:

### 4. REDUCED SUPPORT COSTS

Without that visibility, partners resort to phone calls or emails to get information on programs and updates on their participation progress, placing a significant contact center burden and cost on the tech vendor.



**WITHOUT CIPM:**  
Measured in days  
or weeks  
(depending on program complexity  
and communications)



**WITH CIPM:**  
Virtually zero

### 5. INCREASED PARTICIPATION

Our research has shown that channel partners' participation in incentive programs increases significantly in circumstances where they can monitor and self-manage their participation.

**WITH CIPM:** 10-100% increase participation

**COROLLARY 1.**  
↑ PARTNERS' VISIBILITY + WELL DESIGNED PROGRAMS = ↑ PARTICIPATION

### 6. INCREASED NEAR-GOAL EFFORT

With visibility, partners can see when they approach performance/reward goals. Research indicates that partners will strive harder the closer they get to a goal.

**WITH CIPM:** Faster goal attainment, more partners over achieve their goals

### 7. REVENUE UPLIFT

Greater participation and near-goal effort correlates directly to increased revenue production (see Corollary 2).

**WITH CIPM:** 1.5 - 3x revenue production

**COROLLARY 2.**  
↑ PARTICIPATION + ACCELERATED GOAL ACHIEVEMENT = ↑ REVENUE

# CIPM Program Insights

## Match the Right Partners to the Right Programs

Some modern CIPM solutions sport a robust analytics capability – not just for monitoring in-field programs, but to analyze program effectiveness and partners’ engagement (think: heat maps). Such learnings are invaluable for:

### 8. SMARTER TARGETED INVESTMENTS

Attributional analytics are invaluable for designing future programs and directing marketing & program investment to those partners with which those program elements have resonated in the past.

## The Invisible Upside: Long-Term Loyalty ... and Market Share

Too many channel incentivization strategies are based on short-term objectives.

- “Can we boost revenue for a slow product this quarter?”
- “How can we reduce overstock?”
- “We’re taking a beating by our competitor’s program.”

But short-term incentive programs can have benefit beyond the scope of their terms. Incentive programs, designed well – both as standalone programs or in conjunction with one another – can have an even greater impact as “components” of a long-game loyalty program.

For example, consider the NASCAR racing circuit points system: Drivers earn rewards for each individual race, but also accumulate points for achieving various performance goals in those races – points, that when accumulated over the course of a season, get them into the big-stakes post-season Playoffs (see Figure 1). Similarly, long-term partner loyalty can be engendered by “stringing together” complementary incentive programs, which have both a short-term and accumulation benefit to partners, as components of a “macro” program.



## NEW POINT SYSTEM

### Top 10 in Points after the 26th Race

1 2 3 4 5 6 7 8 9 10 **11** **12**



#### Points Explained

Winner	43
2nd Place	42
3rd place	41
Last	1

#### Maximum points per race

1st Place	43
Race Winner	+3 bonus
Led any Lap	+1 bonus
Most Laps Led	+1 bonus

#### Positions 11 & 12

Wild Card

As long as they are in the top 20 in total points after 26 races

(Figure 1)

Loyalty is ultimately affected too, as a result of the aforementioned drivers for considering CIPM technology solutions. In essence, partners' technology user experience (i.e. partners' involvement and participation in the CIPM solution), from simple visibility to gamification to BI visualization, is, as our research indicates, a direct correlate to:

## 9. INCREASED LONG-TERM PARTNER LOYALTY AND MARKET SHARE

A positive technology user experience for partners is a critical ease-of-doing-business (EODB) factor, which is increasingly a critical decision point for guiding partners' investments in their vendors. And EODB results in higher partner engagement levels, which yield loyalty behaviors and, ultimately, increased market share (see Corollary 3).

### COROLLARY 3.

↑ TECHNOLOGY UX = ↑ EODB = ↑ ENGAGEMENT = ↑ LOYALTY = ↑ MARKET SHARE

# Summary

Spreadsheets and email do not represent a modern technology approach to strategic Channel Incentive Program Management (CIPM). Channel automation solutions such as the Channel Mechanics platform create competitive advantage for Vendors leveraging the channel as part of their go to market model and improve ease of doing business for their channel partners.

## 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 'Spay 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**



**www.channelmechanics.com**

(i) Refer to "Building the Business Case for a Strategic Incentivization Program,"

(ii) Refer to "Building the Business Case for a Strategic Incentivization Program,"