

## The 6 P's of Channel Strategy and Management™ The Key Attributes of Channel Savvy Companies

By Jim Fogarty and Bob Segal

Over our 42-year history, Frank Lynn & Associates (FL&A) has worked with thousands of clients to solve issues related to channel strategy and management in industrial, commercial, technology, and a host of other industries. Across these industries, most of our clients market and sell their products and services through some type or combination of indirect sales channels. In other words, they market and sell their products and services to their end customers through manufacturers' representatives, system integrators, value-added resellers, wholesalers, distributors, dealers, catalogs, big-box retailers, web-based resellers, etc.

Through our work, we have identified key attributes and practices of companies that profitably grow their sales and market share through indirect sales channels. FL&A has organized these attributes and practices into an integrated framework, the 6 P's of Channel Strategy and Management™. Collectively, we believe they represent the key characteristics of channel savvy companies. The six characteristics of the framework are position, philosophy and culture, plan, people, processes and tools, and programs.

Rarely does a single manufacturer score highly on every one of the six dimensions. However, channel savvy companies are aware of each of the 6 P's, and they proactively and appropriately target, track, and work on the underlying components of each one.

### *Position*

To become channel savvy, companies typically need to develop a position that exceeds a certain scale and intensity of involvement with indirect sales channels. The scale required to support a basic channel structure requires a substantial fixed or semi-fixed investment (in sales management, processes, programs, legal support, IT infrastructure, etc.). We estimate that a company needs to generate ~\$100M annually from its indirect sales channels to design and execute a focused, well-supported channel strategy and program. Certainly, many companies



generate less revenue through indirect sales channels; however, they typically do not have the channel expertise and support that is characteristic of companies with greater scale.

Even with sufficient scale, a company must also possess the second element of position – intensity. In our experience, a successful channel strategy is one in which revenue through indirect sales channels exceeds 20% of a company's total revenue. Below this threshold, companies often overlook the importance of their indirect sales channels. As senior management, sales, marketing, product development, etc. focus on the needs of direct customers, they often do not provide adequate support for their indirect sales channels. To avoid this problem, companies need to define a strategy that explicitly grows its indirect sales channel business into a larger percentage of its total revenue so that indirect sales channels receive adequate strategic commitment and investment.

### *Philosophy and Culture*

The role that a manufacturer defines for its indirect sales channels in its go-to-market strategy reflects its philosophy. Channel savvy companies recognize that indirect sales channels add functional and economic value beyond their own capabilities. Rather than viewing their indirect sales channels as customers, channel savvy companies embrace them as “partners” with whom they collaborate to market, sell, and support their products and services. They define the markets and stakeholders that their channel partners cover and serve, as well as the activities and functions they perform. Channel savvy companies hold their channel partners accountable for performance and differentiate compensation based on it. Channel savvy companies balance their need for market coverage with the need to manage conflict and thereby ensure that they have adequate coverage and their channel partners earn a fair economic return.

Channel savvy organizations also engender an internal culture that supports and celebrates the role that their indirect sales channels play in maintaining and growing their sales, market share, and profits. Channel savvy companies applaud their channel partners when they close big opportunities, create innovative solutions to satisfy customer needs, meet or exceed their performance expectations, etc. They continually evolve and enhance their people, processes, and tools to facilitate and enable the success of their channel partners and their own organizations.

### *Plan*

Channel savvy companies design their go-to-market or channel strategies (“plans”) to support their overall corporate strategies. Rooted in the dynamics of the market, channel savvy companies size, segment, and target their end-markets, and they select channel partners that call on and satisfy the needs of their target end customers. Channel savvy companies explicitly define the roles and responsibilities that their channel partners play in their market coverage models. They create “rules of engagement” that define how their companies will manage their relationships with their channel partners and the issues of inevitable conflict (e.g., what happens when several channel partners compete for the same sale?). Their strategic channel plans include the types and numbers of channel partners they need and the means by which they will differentiate themselves to recruit, motivate, and retain them. Importantly, their channel strategies ensure that their network of channel partners can deliver their revenue, market share, and profit objectives.

## *People*

Channel savvy companies recognize that the people who successfully manage its relationships with its channel partners (e.g., their channel managers) have a set of competencies and skills that are different from their direct sales managers. Their channel managers have a deeper understanding of financial concepts (e.g., profit margins, inventory turns, expense ratios, and cash flow) and the business and economic models of their channel partners. Their channel managers understand the selling, marketing, and operational processes unique to companies that resell products (rather than an end-customer who uses or consumes the products). Oftentimes, their channel managers become key resources and advisors for their channel partners' executive teams and earn the right to engage in strategic rather than simply tactical relationships with them.

Channel savvy companies specifically recruit, screen, and hire people who possess these unique characteristics. Similarly, they design training, processes, tools, compensation plans, and sometimes career paths that are different from those they have in place for their direct sales teams. Channel savvy companies structure their organizations and processes to enable their channel managers to collaborate with their direct sales peers and with managers in other functional areas (e.g., marketing, customer service, finance, operations, logistics, legal, etc.) so that their channel managers can successfully execute their channel strategy.

## *Processes and Tools*

To drive consistent performance through their channel partners, channel savvy companies design and implement structured management processes that include the following key elements:

1. **Analyze, Plan, and Optimize**—channel savvy companies analyze their markets and channel partners. They quantify the size of the market and their market share. They understand how much of the market they address, cover, quote, and win. Through this structured analysis, they understand what limits their market share and, importantly, the actions they can take to profitably increase it (see Stephen Martin's article, [Market Share Management Using PPH®](#), for more insight on this issue).

Channel savvy companies also evaluate the quality of their portfolio of channel partners. They understand the degree to which each of their channel partners have the characteristics, capabilities and willingness to successfully cover and serve their target customer segments. They also understand the ability and willingness of each partner to grow their sales and increase their market share (see Jim Fogarty's article, [Shift to the Right—Improve the Performance Curve of Your Channel Partner Portfolio](#), for more information on this topic). Channel savvy companies perform this analysis so their channel managers can develop and execute territory plans that align with their business strategies and growth objectives.

2. **Target and Recruit**—channel savvy companies target, recruit, screen, and engage with channel partners that meet their specific requirements. For each category of channel partner, they create a profile of an ideal candidate which explicitly describes the characteristics and capabilities required to successfully market, sell, and support its products and services. Channel savvy companies ensure their channel managers consistently use these profiles to qualify channel partner candidates.

3. **On-board and Ramp-up**—channel savvy companies define and structure a process to effectively and efficiently bring new channel partners on-board and reduce the time it takes each partner to generate revenue. Channel savvy companies understand that the first 90 days represents a “honeymoon” period that they must use to engage with each channel partner and convert each one to a champion for it. Channel savvy companies create explicit “ramp-up” plans with each channel partner and their plans include the short-term marketing, sales, technical support, logistics, inventory, performance review, etc. activities required to minimize the “time to revenue” for each one.
4. **Train and Support**—channel savvy companies ensure that their channel partners access and use the appropriate training and support programs that enable their long-term success (see “Programs” for examples). Their channel managers discuss the training and support needs with their channel partners during annual business planning sessions (see “Manage and Grow”), make mutual commitments and track performance.
5. **Manage and Grow**—channel savvy companies define and execute an explicit process to manage their ongoing relationships with their channel partners as a means to improve their partners’ long-term performance. Channel savvy companies use a structured business planning process; occasionally track and measure sales pipelines; track, measure, and review performance relative to expectations; recognize and celebrate successes; recognize and address performance problems; terminate non-performers and proactively fill market coverage gaps.

Channel savvy companies systematically and consistently execute each element of their channel management processes. They define management mechanisms that integrate and synchronize with their other management processes and engage their channel partners throughout the performance period.

### *Programs*

To enable the success of their channel partners, channel savvy companies provide a menu of programs to ensure their channel partners have the training and support they need to succeed. Channel savvy companies wrap these programs in a defined framework (for example, a three-tiered “Gold, Silver, Bronze” structure). They use their program frameworks to clearly and transparently communicate their expectations, define and differentiate their benefits based on their channel partners’ level of commitment and performance, and motivate them to improve. Their channel managers coach their channel partners to use the appropriate elements of the program offerings to achieve success.

Collectively, the 6 P’s of Channel Strategy and Management™ represents a transition from traditional, informal, experienced-based channel strategy and management practices. It creates an environment that provides a more structured and repeatable set of processes. The 6 P’s of Channel Strategy and Management™ enables management teams to institutionalize knowledge and practices and realize higher and more consistent performance results from their channel partners.

Jim Fogarty, Principal  
[jfogarty@franklynn.com](mailto:jfogarty@franklynn.com)  
312-558-4803

Bob Segal, Principal  
[bobsegal@franklynn.com](mailto:bobsegal@franklynn.com)  
312-558-4808