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Shift to the Right—Improve the Performance Curve of Your Channel Partner Portfolio

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Achieving consistent sales performance through indirect sales channels is a persistent management problem. Since indirect sales channels are independent businesses whose economic models, objectives, capabilities, and interests often differ from those of the manufacturer, it is difficult for a management team to determine how its channel partners are likely to perform. To gauge performance potential, a management team must understand the degree to which each partner is capable and willing to grow its sales.

To do this, many management teams have traditionally relied on their experience and intuition. From our research and experience, setting performance objectives, managing them, and realizing the results presents an ongoing challenge when a management team uses this approach.

FL&A's Channel Partnerlytics and Management™

Ideally, 60% - 70% of a manufacturer's channel partners should achieve or exceed their sales goals (similar to the performance of a manufacturer's direct sales team). Therefore, the ideal performance curve for a group of channel partners looks like the one depicted in Figure 1. For many manufacturers, such as an HVAC manufacturer, their channel partner performance curves are skewed to the left and many of their channel partners do not meet their sales goals. In the HVAC manufacturer's case, only 38% of its channel partners met their sales goals in 2014 and, collectively, they only represent 30% of its revenue. For those channel partners that did not

meet their goals, each 10% improvement in their collective sales performance represents a 7% increase in the manufacturer's overall sales. Consequently, the HVAC manufacturer has sufficient economic motivation to improve their performance.

To help shift the channel partner performance curve to the right, management teams need a structured way to assess their channel partners and proactively manage them. FL&A's Channel Partnerlytics and Management™ process provides a structured and objective way to determine whether individual channel partners can perform and whether a portfolio of channel partners can deliver the growth objectives. It provides the structure, information, and insight that enables management teams to focus on aligned and growing partners, define specific actions to improve their performance and develop and execute plans that deliver better and more consistent results. FL&A's Channel Partnerlytics and Management™ process involves three steps—assess, plan, and manage.

Assess Your Partners; Evaluate Your Portfolio

An in-depth assessment of each channel partner is the core of the analysis. Given the nuances of managing channel partners, FL&A has designed three unique analytical frameworks to assess their performance capability: Channel Growability™, Channel Mindshare™ and Channel Window™. Through this analysis, management teams can determine the degree to which each channel partner can perform on a company's behalf.

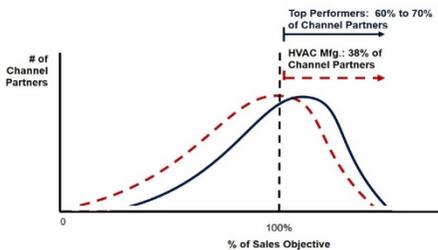
Will a channel partner grow? Channel Growability™ lets a company evaluate each channel partner's growth posture. It enables management teams to determine whether a channel partner is: 1) capable and willing to charge forward, grow the company's sales, and take market share (a "self-growing" channel partner); 2) willing to grow the company's sales but lacks the skills to do so (a "growable" channel partner); 3) not willing or capable of growing the company's sales (a "non-growable" channel partner); or 4) likely to simply fund its own lifestyle (also a "non-growable" channel partner -- while "lifestyle" channel partners often help maintain current business levels, they typically do not drive incremental growth).

Once a management team understands the "growability" profile of its channel partners, it can invest its time to facilitate the growth of the "self-growing" channel partners, work more intensively with the "growable" channel partners and reduce the amount of time it works with the "non-growable" partners. In essence, it can spend its time in the most productive way. Companies need this "growability" insight to design, maintain, and manage market coverage models that meet their growth objectives.

Will a channel partner support me?

Channel Mindshare™ objectively calibrates a company's position within each of its channel partners' businesses and provides the insight it needs to understand whether a channel partner will invest resources to drive sales of its brand. It helps a company explore whether it can enhance its position within each channel partner or leverage its existing position to a greater extent.

Figure 1—Ideal Channel Partner Performance Curve



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Implementing FLA's Channel Partnerlytics and Management™

The level of improvement a manufacturer can realize through FLA's Channel Partnerlytics and Management™ process depends on its starting point and the level of investment and commitment it makes to drive it. To initiate the process, an HVAC equipment manufacturer adopted a structured approach to implement it. It assigned two members of its strategic marketing team to lead the effort and collaborate with its field sales team. The marketing leaders structured and facilitated work sessions with the regional sales teams and helped them identify the critical few distributors that can grow and will support them. Members of the field sales team then created plans to actively manage these distributors and drive sales performance. During the initial planning sessions with the key distributors, the field sales team secured commitments from several of the distributors to: 1) grow sales, 2) increase the manufacturer's share of the distributor's existing sales, 3) carry additional inventory to support the incremental sales, and 4) train its personnel. The HVAC manufacturer designed a scorecard to enable its field sales team to review results each quarter with the distributors. The marketing leaders will provide ongoing support for its field sales team as a means to realize the company's 8% growth objective in the current performance year and embed the Channel Partnerlytics and Management process in its normal management practices.

FLA's channel management process enables our channel managers to supplement their experience-based judgments with data-informed insights. They use the analytics to focus on the most capable and engaged channel partners and evolve from tactical to strategic conversations with them.*

President, HVAC equipment manufacturer

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Ultimately, it helps a company set realistic expectations for the degree to which each channel partner will proactively engage with and support it.

What does "good" look like?

The Channel Window™ defines what it takes for a channel partner to be successful (i.e., what "good" looks like). Using the Channel Window™ tool, a management team defines the characteristics and capabilities it believes a channel partner must have to successfully market, sell, and support its products and services. It requires a team to define the target markets and stakeholders that its channel partners must see along with the marketing, sales, technical, operational, logistical, etc. capabilities they must have to successfully serve the target markets and stakeholders. The tool enables a team to create a shared understanding of what it takes for a channel partner to succeed. It allows a company to objectively and systematically determine whether, and the degree to which, each channel partner meets its requirements. Importantly, it also enables a team to identify how to help a channel partner improve its performance.

Can my portfolio of channel partners deliver results?

Taken together, Channel Growability™, Channel Mindshare™, and Channel Window™ provide a comprehensive diagnostic assessment of each channel partner. The analysis provides an objective and systematic way for a management team to determine whether its channel partners are aligned with its business and can grow it. It also enables a team to create a Channel Partner Portfolio Performance Map™ so it can determine whether its network of channel partners can deliver its desired financial results.

Develop Your Growth Bridge and Action Plans

Armed with these insights, a management team can focus on the channel partners with the highest potential. With Channel Partnerlytics and Management™, a team creates a "growth bridge" that compares its current sales to its growth targets and quantifies the degree to which each channel partner can contribute to close the gap. Importantly, management teams quantify and assign goals to channel partners so they align with the capabilities of each channel partner and its corporate goals. Field-level channel managers use the diagnostic and predictive insights from the Channel Partnerlytics and Management™ tools to collaborate with channel partners and create plans to achieve the targeted results. Together, they define the mutual sales, marketing, technical, logistical, operational, etc. activities that are required to realize the desired results and document them in a structured business plan.

Manage for Success

With the Channel Partnerlytics and Management™ approach, a sales management team creates a structured mechanism to manage its relationships with and the performance of each channel partner. It creates joint business plans with the appropriate channel partners, tracks sales funnels, measures and assesses performance, recognizes results, addresses lagging performance and rationalizes non-performers. A well-designed performance scorecard with the proper mix of leading, coincident, and lagging metrics is an important element of the management mechanism. It facilitates performance discussions and enables the management team

and the channel partners to spot and address issues as they arise. It replaces quarter-end quota visits with structured conversations throughout the performance period that are focused on the activities and measures that influence outcomes. Through a structured management process, management teams enjoy better insight and more consistent results and channel partners enjoy more productive and profitable relationships.

The discipline and analytics inherent in Channel Partnerlytics and Management™ enables management teams to drive performance improvements. Through this discipline, management teams understand what it takes for a channel partner to succeed and allows the team to train its sights on the ones that possess it. Meetings with channel partners evolve from informal, tactical discussions to structured, strategic conversations. During these more focused and intensive sessions, the company and its channel partners focus on the activities that influence the desired outcomes. The company can continually track, measure, and review performance with its channel partners and adjust to changing conditions. The management team essentially replaces unstructured, intuition-based channel management practices with a disciplined process that is objective, structured, and repeatable.

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