

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

By Jim Fogarty

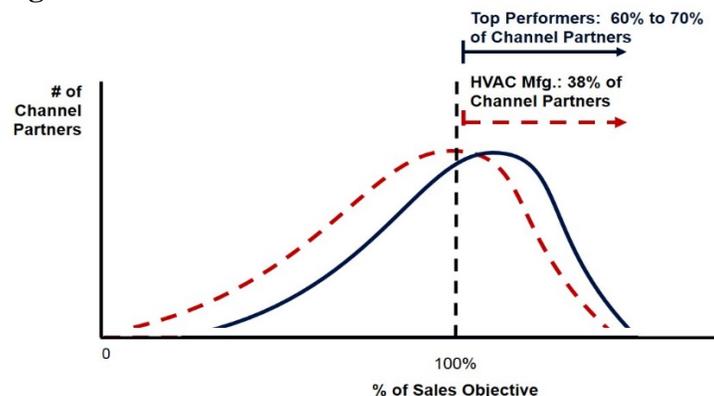
Achieving consistent sales performance through indirect sales channels is a persistent management problem. Since indirect sales channels are independent businesses whose economic models, objectives, capabilities, and interests often differ from those of the manufacturer, it is difficult for your management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

Figure 1—Ideal Channel Partner Performance Curve



To help shift the channel partner performance curve to the right, your management team needs a structured way to assess your 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 your portfolio of channel partners can deliver your growth objectives. It provides the structure, information, and insight that enables your management team 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. Using the Channel Partnerlytics and Management™ approach, your sales management team can assess your partners using three FL&A analytical frameworks: Channel Growability™, Channel Mindshare™ and Channel Window™. Through this analysis, your management team can determine the degree to which each channel partner can perform on your company's behalf.

Will a channel partner grow?

Channel Growability™ lets your company evaluate each channel partner's growth posture. It enables your management team to determine whether a channel partner is: 1) capable and willing to charge forward, grow your company's sales, and take market share (a "self-growing" channel partner); 2) willing to grow your company's sales but lacks the skills to do so (a "growable" channel partner); 3) not willing or capable of growing your 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 your management team understands the "growability" profile of your 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. Manufacturers 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 your company's position within each of your channel partners' businesses and provides the insight you need to understand whether a channel partner will invest resources to drive sales of your brand. It helps your company explore whether it can enhance its position within each channel partner or leverage its existing position to a greater extent. Ultimately, it helps your company set realistic expectations for the degree to which each channel partner will proactively engage with and support your company.

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, your management team defines the characteristics and capabilities it believes a channel partner must have to successfully market, sell, and support your products and services. It requires your team to define the target markets and stakeholders that your channel partners must see along with the marketing, sales, technical, operational, logistical, etc. capabilities they must have to successfully serve them. The tool enables your team to create a shared understanding of what it takes for a channel partner to succeed on behalf of your company. It allows your company to objectively and systematically determine whether, and the degree to which, each channel partner meets your requirements. Importantly, it also enables your 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 your management team to determine whether your channel partners are aligned with your business and can grow it. It also enables your team to create a Channel Partner Portfolio Performance Map™ so it can determine whether your network of channel partners can deliver your desired financial results.

Develop Your Growth Bridge and Action Plans

Armed with these insights, your management team can focus on the channel partners with the highest potential. With Channel Partnerlytics and Management™, your team can develop a “growth bridge” that compares your current sales to your growth targets and quantify the degree to which each channel partner can contribute to close the gap. Importantly, your management team can quantify and assign goals to channel partners so they align with the capabilities of each channel partner and your corporate goals. Field-level channel managers can 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 can 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, your sales management team can create a structured mechanism to manage its relationships with and the performance of each channel partner. It can create joint business plans with the appropriate channel partners, track sales funnels, measure and assess performance, recognize results, address lagging performance and rationalize 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 your 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, your management team enjoys better insight and more consistent results and channel partners enjoy more productive and profitable relationships.

Implementing FL&A's Channel Partnerlytics and Management™

The level of improvement a manufacturer can realize through FL&A'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 9% growth objective in the current performance year and embed the Channel Partnerlytics and Management process in its normal management practices.

"FL&A's channel management process enables our channel managers to supplement their experienced-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

The discipline and analytics inherent in Channel Partnerlytics and Management™ enables your management team to drive performance improvements. Your management team understands what it takes for a channel partner to succeed and it can 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, your team and your channel partners can focus on the activities that influence the desired outcomes. Your company can continually track, measure, and review performance with your channel partners and adjust to changing conditions. Your management team essentially replaces unstructured, intuition-based channel management practices with a disciplined process that is objective, structured, and repeatable.

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