

Clarity Comes From Building The Ideal Channel Template

Strong results across markets and product categories demonstrate that the most effective channel partner programs are based on “pay for performance”. Best-in-class programs clearly state the activities, investments, and results they value from their channel partners, objectively measure the channel against these expectations, and reward channels accordingly.

But what happens when internal stakeholders cannot agree on what the company values from its channel partners? The design effort gets bogged down by these internal conflicts. The resulting pay for performance program lacks the clarity needed to effectively communicate the supplier’s expectations to its channel partners.

We have found that manufacturers with market leading channel programs use a remarkably consistent approach. Their inherent advantage is adopting the ideal channel template as the basis for program design.

Rather than starting by looking at current partners, the ideal channel template begins with a clean sheet of paper. The strategic question is framed from two perspectives. 1) What does the end customer value from the channel partner? 2) What does the manufacturer value from the channel partner? The company uses these inputs to create the model of the ideal partner. The model also provides objective benchmarks from which to design a company’s channel program and measure/reward existing partners.

An ideal channel template considers four components that define the channel’s business model. The top 4-5 characteristics are identified for each, resulting in a detailed view of your desired channel partner business models and capabilities.



Management – The channel management component assesses the characteristics that ensure your channel partner has the capability and willingness to engage in your go-to-market strategy.



Sales/Marketing – The sales/marketing component defines the relationship your partner has with the end customer. Do you require your channel partners to create new customers? Or is a transactional relationship appropriate? Does the partner need to deliver post sale service, field service and customer support?



Operations – The operations component defines what is required to minimize the overall cost of your go-to-market strategy – without sacrificing your brand promise to the market.



Finance – The finance component is defined in the context of what investments are required from your channel partner to fully support your go-to-market strategy.

Use a Scorecard to Assess and Accelerate Channel Results

In addition to clarity, the ideal channel template provides for channel program design, it can be used as an objective tool to assess current channel partners. Manufacturers often do this by creating a channel scorecard. The scorecard provides a systematic way for your leadership team to evaluate individual channel partners, gauge their likely reaction to your new channel program, and construct channel management approaches for each partner. Here are some ideas on how to create your company's scorecard:

Scorecard (continued)

1. Create a scorecard that lists and assigns points for each of the factors contained in the ideal channel template. (Note: For simplicity, the total across all factors should total 100 points.)
2. Assess each of your channel partners, (or at least those that represent 80% of your revenue), using the scorecard. Rate them by assigning points for each of the factors in your scorecard. (Note: The channel partner cannot score more points than each factor is worth!)
3. Discuss the ratings for each channel partner. What would their likely reaction be when presented with these results? How would you manage that conversation?
4. Define your approach to managing each partner considering the “gap analysis” represented by their scorecard. Do you have tools/resources to help the partner address management gaps? Sales training and/or marketing programs to help them improve their performance? Etc.
5. Develop your channel program around the template and build the necessary communication tools.
6. Armed with your individual partner scorecards, introduce the program to your channel management organization and channel network.

We have found that adopting the ideal channel template and scorecard approach lends clarity to your go-to-market strategy and accelerates results. For example, a market share leader in industrial process equipment was in the process of pivoting its go-to-market strategy to address evolving customer buying practices. The new strategy required transformative changes in the capabilities and roles of their channel partners. The company developed an ideal channel template to guide its channels partners through the transformation. As a result, the company accomplished a five-year goal to transform its channel strategy in three years, resulting in annual growth above plan and increased profit for both the manufacturer and its channel network.

Another example is a leading building materials manufacturer that enjoyed widely varying share position by local market. In their top markets the company was the clear share leader. In poorly performing markets, the company occupied only a tertiary share position. One of the culprits driving this uneven channel performance profile was their channel program. Requirements and rewards did not align well to what the manufacturer valued, and their program was inconsistently managed and enforced. The company used an ideal channel template to provide greater direction to the channel's investment in and execution of the supplier's strategy. Today the manufacturer enjoys primary or strong secondary share position in each of its local markets.

If your team wants to roll out an impactful program in 2024, the ideal template is a good place to start. We have helped many companies build an objective ideal channel partner template and integrate it into their channel program design and channel management process. We would be happy to discuss your situation and our experience.

Please contact Carl Cullotta at 224-239-2525 or cpc@franklynn.com.