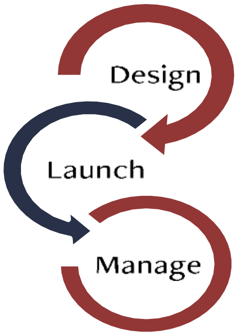
Frank Lynn & Associates, Inc.®
MARKET STRATEGY CONSULTANTS

Communiqué Classics

Three Phases of Channel Program Management

On the surface, effective channel program management appears straightforward. It consists of three phases: program design, program launch, and ongoing program management.



- **Program Design** assures the channel program is most relevant given your business objectives and market dynamics.
- The **Launch Plan** introduces the program to your channel partners in a way that sets them up—and the program overall—for success.
- The **Ongoing Management** phase ensures that the program remains a central part of your overall channel management efforts.

As consultants, we are surprised by how rare it is to see a manufacturer excel at all three. We have observed a common set of "fatal flaws" associated with each phase.

<u>Frequency</u> is the issue associated with the design phase. Most manufacturers are reluctant to review and modify the program often enough to sustain the effectiveness of it.

<u>Under-resourcing</u> is the most common fatal flaw in the launch plan. Given that the manufacturer is typically working with a set of longstanding channel relationships, we see a tendency to assume that the new program will launch itself. Manufacturers often commit insufficient resources to sell and educate channel partners (and field sales/channel managers) regarding the compelling benefits of the new program.

<u>Timing</u> is the concern associated with ongoing management. Frequent communication related to channel performance is not provided in a timeframe that allows the channel partner to self-correct. We also find that the provisioning of rewards is often not timed in a way that clearly associates rewards with the channel partner's performance. Both situations create a disconnect that reduces the effectiveness of the program.

How can your company avoid fatal flaws and boost the effectiveness of your channel programs?

<u>Phase One – Program Design</u> – Markets are dynamic enough that even well-designed programs only have a "shelf-life" of ~24 months. Below is a checklist of factors we recommend you review annually to determine if and how your company's channel program should evolve.

1. Your business objectives and go to market strategy have materially changed.
2. End user buying practices, decision criteria and/or sourcing preferences have changed.
3. The business model for key channel partners has evolved in response to changing economics, business priorities and/or capabilities.
4. Competitors have caught up to your channel programs. Elements that represented a competitive advantage in the past are now "table stakes" to play.

Channel Programs Have A 24 Month "Shelf Life"

<u>Phase Two – Launch Plan</u> – Given the impact on your channel partners' roles and economics, the launch of a new channel program needs to be one of the most carefully considered elements of your go to market strategy. The effects of a poor launch can be immediate and severe, especially if the channel partner has a significant influence on the customer's brand decision.

Channel Programs Have A 24 Month "Shelf Life" (continued)

A solid launch plan minimizes uncertainty and risk to the channel and guards against negative, unintended consequences. Focus on these launch plan elements:

Phase Two – Launch Plan (continued)

1. Creating an effective communication plan and timeline. Any change in a channel program that impacts the channel's activities, investments, metrics, and compensation requires a rigorous education and communication effort. We recommend scheduling a series of conversations over 1-2 quarters to both educate and sell channel partners on the rationale and benefits of the new program. At the same time, it is equally important to get the buy-in of your field sales/channel management resources who will be tasked with managing the channel partners under the new rules of engagement.
2. Developing a "shadow program", is the most effective approach we have seen for introducing a new channel program. This approach involves introducing the new program to channel partners 1-2 quarters before you go live. During the shadow program period, each channel partner elects to be compensated under the existing or new program, thereby minimizing the risk. The shadow program also provides sufficient time for channel partners to adjust their business approach to thrive under the new program.

Phase Three – Ongoing Management – Effective ongoing management of a channel program is not complicated. It just requires consistency and communication. FL&A has found that companies that are most adept at this use a simple set of tools and approaches to assure positive outcomes.

1. Communication protocols. Frequent communication is necessary to keep the channel program (and its potential rewards) top of mind for the channel partner. Importantly, your field sales/channel management organization should be included in these conversations to avoid surprises.
2. Data analytics tools. A channel program is not actionable without data. Channel partners should be provided a scorecard, ideally monthly, that tracks their performance against each of the criteria that are part of your channel program. A scorecard enables the channel partner to remedy any weaknesses in a timely manner. This objective tracking tool also minimizes the potential for negotiation or an "exception" request from a channel partner because performance evaluation is rooted in data.
3. Pragmatic timelines. The closer a channel reward (or consequence) is timed to the behavior that earned it, the more effective it will be. A timeline that provides the channel partner with any earned rewards (financial or otherwise) on a more frequent basis is likely to drive the desired action. We recommend a quarterly cycle for channel review and rewards.

For more information or to discuss your approach to channel management, contact Carl Cullotta, cpc@franklynn.com.