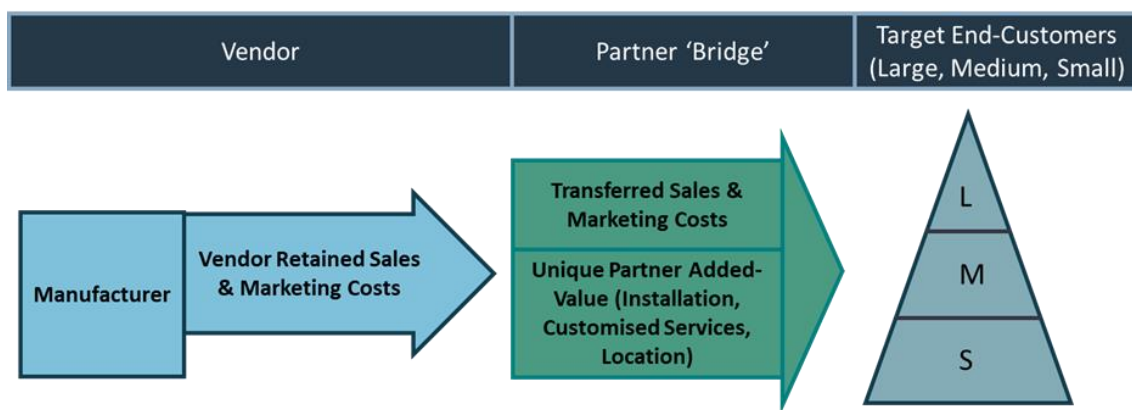


Channel Partner Purpose and Value to Vendors

A common question that Frank Lynn & Associates is regularly asked is: *“Why use channel partners, they add cost and demand their margin and, therefore, they make our brand less competitive?”*

This common question is based on the false assumption that partners add cost (and margin) without adding value. Simple economics suggests that channel partners would not persist unless they deliver value. So, what is that value?

Channel Partners form a ‘bridge’ between the vendor and their target end customers. The channel partners add value by performing some of the functions of selling, serving and supporting these end customers. They can also add some unique value such as installation, customization and local support.



To be valuable, a channel partner needs:

- The location, focus and capabilities to reach the target end-customers
 - This is demonstrated by the presence of target end-customers within their existing customer base.
- Suitable unique added-value to attract and serve these target end-customers
 - Partners often provide better installation and customized services because they are focused on the wider end-customer needs and not solely the requirements of a single brand.
- Capability to deliver the sales and marketing functions transferred from the manufacturer
 - Partners need the resources to deliver the defined role in sales, logistics and support. Manufacturers provide a suitable discount to motivate the channel partners to use their resources on behalf of their brands.

The channel partner provides incremental value to the manufacturer if the discount the manufacturer provides to the partner is less than the cost the manufacturer would incur to perform the sales, logistics, and support roles directly.

Direct sales channels are suitable for targeting specific customers, generating demand, and managing key customer accounts. They are a directable sales resource that is ideal for launching new products, entering new markets, and securing larger key end customers.

Channel partners are suitable for extending market coverage, generating sales efficiencies, and leveraging the wider range of end-customer purchasing of brands, products and services. Channel partners leverage their broader offerings to absorb their cost of sales and support.

If you believe that partner value issues are important to your organization and the sales growth you are seeking, then FL&A can help. Feel free to contact Stephen Martin at smartin@franklynn.com for further discussion.