

Topic:
CAD/CAM
Resellers

Incentives, VARs and Vendors

Views from both camps on what encourages VARs to hit the heights

iCAD is produced by Business Advantage, a B2B research, business development and marketing consulting practice operating in the global IT, Digital and Telecommunication sectors.

Dangling carrots in front of VARs is one way of encouraging commitment to the cause. We asked a selection of CAD/CAM VARs and vendors what factors make incentive schemes work...

"The best incentive is money in the pocket!" one CAD/CAM VAR told us in a discussion about what makes their business tick. No surprise there, nor in the fact that most incentive schemes are based around discounts and commissions.

However a wide variety of other means are used by vendors and their distributors to spur VARs on to greater things. But do they work? What are the key factors in a successful incentive programme?

"This of course varies depending on what a vendor wants to achieve," explains Juan Marcos, EMEA Channel Manager at Autodesk. "However, overall we can say that:

- a) an incentive programme needs to be clear, simple and easy to understand*
- b) the actual incentive must be sizeable and as attractive as possible*
- c) the programme should reward extra effort... pay-per-value!*
- d) incentives must be achievable for a significant proportion of the channel*
- e) the programme needs to be fair to everyone."*



In recent years the trend has been towards business-related incentives; however 'freebies', day trips, air miles etc are commonly on offer to resellers. Very welcome to some; however in the day-to-day slog of running a business, motivation to take advantage of such incentives can be hard to muster. "We don't really bother with these schemes," said one VAR, "they create more administration than they're worth." Luxury rewards are still available as part of wider packages - for example the top performing resellers for SolidWorks will be invited to Hawaii this year - but resellers are far more likely to find their carrots taking the form of additional marketing funds rather than the loan of keys to a Ferrari.

Opinions on whether rewards for individuals are divisive will of course depend on whom you speak to; there will always be salespeople who thrive on beating the external and internal competition and who want to gain recognition for doing so. Peter Dickin,

Marketing Manager at Delcam, feels however that a more inclusive approach is required. *"Incentives targeted just at salespeople neglect the contribution of others, which can be rather de-motivating for the rest of the company.*

"Incentives targeted just at salespeople neglect the contribution of others..."

We tend to favour schemes that foster team building." One VAR we spoke to who wished to remain anonymous (in fact all the resellers we spoke to wanted anonymity!) said: *"Currently the incentives on offer tend to be based around discounts and commissions, but I think a mix of both company based and individual rewards would achieve better results."*

Incentives schemes that reward a group of high-performing VARs have to be carefully structured to create a level playing field to give companies of different sizes/locations a chance. Clearly this is not always being achieved; one disgruntled reseller told us: *"I have never, ever been incentivised by any incentive scheme I have worked with in the past - in most cases it is a means by which overpaid VAR channel managers justify their own existence - even so far as coming up with jollies that they had a prior interest in e.g. driving racing cars and sailing around the Leeward Isles."*

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Schemes based mainly on the volume of sales can have negative implications for all parties. *"The aims of the incentives that we work to are not those that suit our long-term business goals, nor the needs of our customers,"* said one reseller; *"they are generally incentives to motivate short-term business."*

The opportunity to secure additional marketing funds is another regular element of incentive schemes, particularly where a vendor wants to make inroads into a particular market. IBM for example offers a special marketing fund to companies who join their Top Contributor programme and commit themselves to selling \$100,000 of software to the SME market. At Autodesk the pan-EMEA discount scheme provides a percentage for funding marketing activities to be used according to set guidelines. While there was some agreement among the resellers we spoke to that such schemes have their place, they can be too restrictive if alternatives are not available. *"I believe the incentives offered by vendors play a large role in motivating sales personnel and in focusing the sales team generally,"* said one, *"but they should not all be directed to Market Development Funds as is usually the case."*

As free trips and luxury gifts become less prevalent, terms such as 'active business management' have crept into the language of incentives.

"We don't incentivise our channel on volume."

EDS' focus on encouraging resellers to improve the overall quality of their organisation started three years ago in Europe. *"We don't incentivise our channel on volume,"* explains John Mitchell, Manager of Indirect Channels, Europe, PLM Solutions. *"We incentivise them to invest in their business and improve the quality of their service to our customers. When we acquired the business from Integraph, one of the first things we did was to change the discount structure. So we now have a base discount structure that every reseller gets; on top of this they are then able to earn additional points, but by fulfilling agreed qualitative goals, not quantitative ones. For example, this could be to hire a new salesman, or attend a particular training course. Each partner has the opportunity to achieve up to 20% additional margin by achieving the goals - the more they invest in the business, the more they get in terms of a margin from us."*

Once qualitative goals become the focus of incentive packages, training provision becomes the obvious complement to this. Eighteen months ago EDS invited its top 40 resellers in Europe and a similar number in the USA to participate in a programme called 'Advant-Edge.' Participating resellers pay a monthly subscription to gain access to workshops covering a wide range of management, marketing and sales skills.

Ultimately it's impossible to develop an incentives package that all resellers will buy into, but clearly getting the majority on board is essential if it is to have any impact. Good channel management is vital if this is to be achieved.

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"It's important not to pressurise them," says Chris Flynn, International Sales Manager, UK, in Nemetschek's Department for International Business. *"You need to work on a one to one basis with them and show them where the advantages of working in a particular way are for them."*

We didn't speak to enough resellers to gain a sense of overall attitudes to incentives, but most of those we did speak to were dubious that the incentives on offer actually made them do anything differently. Not offering incentives doesn't go down well either! One VAR told us: *"Our own main vendor doesn't offer any incentive schemes (or even buy drinks at the bar at sales events), so we will have to do our best focusing upon making money for ourselves."*

Balancing the motivations of the vendor, channel managers and VARs is not easy when developing incentives packages. All the VARs we spoke to thought a mixture of individual, company based and business support rewards achieves the best results. Last word to a VAR: *"With a well thought-out structure, one can develop a package that suits the business objectives of all parties."*

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