Growing your Business the Indirect Way – a 6 Step Process

White Paper

6 Steps to Grow the Indirect Way – Channel Partner Recruitment

Executive Summary

B2B customers tend to be sophisticated and risk averse buyers. It can take significant time to build trusting relationships and direct sales but you can accelerate that by selling indirectly through channel partners who already have trusted relationships with your target customers. This white paper outlines the process of channel creation while understanding and mitigating the risks of selling through a channel.

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INTRODUCTION

Many companies count on Channel Partners to maximise their revenues, help them increase penetration into foreign markets or alternative business sectors, to raise their profile and promote their brand, and achieve high levels of recognition and customer satisfaction.

Sounds like quite a tall order? Sounds like a big risk? It is – and there is no guarantee of success when embarking on Channel Recruitment, particularly if this is your first indirect selling venture. Your Partners represent your brand so it is essential to choose them carefully – to protect your reputation with good planning, research and selection phases as well as excellent Partner Management procedures further down the line.

Any type of successful sales requires trust between buyer and seller – in business to consumer (B2C) sales it may be based on trust of a brand but in business to business (B2B) sales it is usually based on relationships. B2B selling is usually harder and slower than B2C selling, not least because of the time it takes to build trusting relationships but also because B2B customers tend to be both sophisticated and risk averse buyers.

Therefore, to sell to B2B customers you need a direct or indirect sales force capable of building those relationships. A common way to accelerate B2B sales is to skip the process of building direct relationships and instead sell through channel partners who already have trusting relationships with your target customers.

In addition, a channel can typically deliver much greater geographic coverage more economically than a direct sales force. This is because an indirect sales force of Channel Partners usually sells a variety of complementary products and services, not just your products and services. As a result their costs are amortised across many products and services, whereas the costs of a direct sales force are amortised across just your products and services. Also, you carry all the risk in a direct sales force, if any sales target isn't achieved you still have the non-commission costs. A channel is usually lower risk, like a commission only sales force – no sales, no commission or margin – so little or no cost.

Since 1992 Business Advantage's team of specialist researchers and buisness developers have undertaken Channel Recruitment and business development projects on a worldwide basis. Our combination of in depth industry knowledge, B2B research expertise and extensive lead generation business development experience enables us to gather the accurate and actionable information you need to gain and maintain competitive advantage. As a result of our experience in helping many companies build effective channels, we have developed a set of tips on how to make a Channel Partner Recruitment Campaign focused, accurate and cost effective.

1. UNDERSTAND TODAY'S MARKET

Once you have decided to research the idea of establishing or extending your Channel Partners, there are many factors to consider. Are you looking at an entirely new geographic region, or a new sector? Launching into a new market requires an understanding of the opportunities and risks, and an analysis of this market should always be conducted first, to establish whether there is a need for your product or service before attempting to engage potential partners.

Look at the competitive landscape – is there room for your portfolio? Do some background research into your competitors and any channel partners they have - what is their market activity and penetration? If there is a low level of competitor activity in the area, why is this? An all round market study will answer these questions. It should be noted that this can be resource heavy and may be a lengthy exercise if you do not have sufficient resource available – particularly if you are looking at countries outside your own with a different native language which will incur the obvious cost of recruiting native speakers (if you do not have them on the staff) and translation costs. It may be worth considering outsourcing this stage of the project to a specialist organisation.

"You don't lead by pointing and telling people some place to go. You lead by going to that place and making a case."

Ken Kesey

Will you need to develop or make changes to your portfolio to fit the market? Again, look carefully at who is currently servicing the market, what their offering is and how you could differentiate yourself to attract Channel Partners.

Ask yourself the following questions about your potential or existing Channel Partners:

- Where are they or where should they be geographically - plotting locations (and perhaps territories) so as to be aware of possible conflicts and over exposure is useful.
- If you have existing Channel Partners, are they hitting revenue expectations, is marketing working as expected? If not, do you need to give more training, replace one or more partners, cut or change their territory or market focus?

2. WHO TO TARGET?

Establishing clear parameters that define the criteria for identifying, qualifying and recruiting new partners will ensure that the companies that are targeted for recruitment possess the competencies and business models that match your own. This profile information and more can be established through a combination of desk research and primary or telephone research.

"Associate yourself with men of good quality if you esteem your own reputation, for 'tis better to be alone than in bad company."

George Washington

"The three great essentials to achieve anything worthwhile are first, hard work; second, stick-to-itiveness; third, common sense."

Thomas Edison

Lists of prospective organisations that meet the profile may be commercially available, depending on your criteria, and the cost of this should be built into your budget. These lists can be constructed by you or via a research agency. Aim to acquire or build a database that contains all contact data (name, company, address, telephone number, email address) to enable you to be flexible with the initial approach.

Constructing a plan before any kind of research commences will minimise both the time and the cost of the crucial preliminary stages of a recruitment project. For example, in our experience, a normal screening list needs to identify about 5x the number of partners a client is looking to recruit (for example, if a company is looking to recruit 10 new highly qualified partners in a territory, we would normally identify 40-50 partners that meet the initial screening criteria).

3. REFINING THE SEARCH

Once the initial list of target partners is established, you will need to apply further primary research techniques (making direct contact by phone, video conference or in person) and verify that the contact data collected is current and correct, and obtain the names of additional qualified contacts. This stage is vital in the process, as the secondary research conducted can rapidly become out of date and will almost always be incomplete.

Other criteria can also be established or verified at this stage, enabling you to draw up a short list of potential partners to whom you wish to present your value proposition.

Some considerations for potential partners should be:

- Geographic coverage
- Their target business sectors
- Size of company they sell to
- Company revenue/profit
- Percentage of total revenue from your target market
- Other products/services currently sold
- Number of sales staff
- Number of specialist support staff
- Number of years in business
- Names and (if appropriate) qualifications of Senior Executives and key personnel
- Current partner agreements with other vendors – could these be restrictive?
- How they market their products or services
- Their hunger for, or attitude towards, adding your product or service to their existing offering.

In short, you should now have an understanding of the prospects' business model, their own value proposition, territory, vertical market focus, business plan and go-to-market strategy, thus being in a position to make an assessment of the involvement they may have with your offering.

4. VALUE PROPOSITION

The design of a concise but powerful and convincing Channel Partner value proposition on your products or solutions is essential – ensure that your in-house or outsourced telemarketers have a complete understanding of what this is. Investing time in their training to ensure that the opportunity is presented accurately and fully will pay dividends later. The proposition should include:

- A description of your company
- A description of products and/or services and solutions
- Target markets
- Unique selling points (USPs)
- Market share information
- Products that your portfolio interfaces with or works with, if applicable
- Examples of clients, including case studies and testimonials where available
- Benefits of your Channel Partner proposition including margins, marketing development funds and other support you provide
- A competitive Product Comparative Matrix showing how your product compares to those of other market players
- Details of your current partner network, if applicable.

"Lose money and I will forgive you, but lose even a shred of reputation and I will be ruthless."

Warren Buffett

Always remember that their main interest in you is not your channel marketing program, not how committed you are to your channel and not the finer details about your company – their main interest will be in how they can make an increased margin by adding your portfolio to theirs. This may include their wanting to know about the opportunity to add value beyond the margin on your product services by adding complementary products or services of their own such as implementation, customisation, training, support, development of add-on products etc.

Be very clear about who the telemarketers should speak with – those with direct responsibility for deciding who the prospect should engage with, what they can sell and so on, namely the Managing Director/CEO, Director/VP/Manager of Strategic Alliances or similar.

Try not to restrict your window of opportunity here - be prepared for several attempts to be made to gain access to these executives. It is also highly likely that if interested in the proposition they would wish to discuss commercial terms separately with an official from your company, and that they will ask to "test drive" your offering before committing to engage, all of which takes time and resource.

Another alternative you may consider is presentation of the proposition by email to prospective partners' decision maker contacts.

5. RECRUITMENT AND SUPPORT

Once you have gained a partner's commitment to join your channel program, the form signing and due diligence is over and done. However, critical steps are ahead of you to maximise the benefits of establishing or growing your partnership and interdependence.

Each new channel partner will likely need a degree of 'hand-holding' to ensure they achieve early and growing success commensurate with the value proposition presented and anticipated. Enabling and supporting your new partners requires time, resource, dedication and clear parameters. You do not want to see a list of unproductive partners that are not generating revenue this time next year, so put the effort in early to achieve mutual success and prevent that happening.

6. ON-GOING GROWTH

Once you have established a channel, use effective mechanisms to maximising channel productivity, such as quarterly reviews, implementing a channel advisory board and running annual surveys. These help ensure strong relationships and adaption to changes in local markets and competitors through insights into local markets, and they monitor the effectiveness of your sales tools, training, and pricing. At the same time expect some churn in your channel and never stop recruiting new partners.

CONCLUSION

This process and all of the channel building activities above can be successfully undertaken by you and your organisation.

Often, particularly if your organisation hasn't previously and successfully built a channel, an experienced consulting or outsourced resource can help you achieve your objectives faster. Typically they will bring a structure, follow through and access to more contacts to a systematic process that should achieve more rapid success in growing channel sales than many companies will achieve on their own, particularly for companies that are time and resource contstrained.

Business Advantage has helped many clients make the journey towards building a successful Partner Channel and we stand ready to assist you too. We have successfully completed dozens of Channel Partner Recruitment projects all over the world and specialise in finding the "right fit".

"This was the first market research project that I had done. Business Advantage was on the preferred list of vendors and they were also recommended by the research department. I knew, because I had not put one together before, that I would need help formulating the questionnaire. I knew what content I wanted, but not how to phrase it to ensure that people gave the information we were looking for. Business Advantage also really helped me with structuring it to make sure we came up with effective research."

Susanne Denninger,
Product Manager,
Hewlett Packard

"Business Advantage did an excellent job for us; I was very pleased with the results."

CASE STUDY – HEWLETT PACKARD

Business Challenge

As an indirect sales company Hewlett Packard's channel partners are a vital route to market and the company runs around 280 different training courses for them. The courses are key to keeping their channel partners well-informed, loyal and motivated. However no recent research had been carried out to find out if the courses were meeting the needs of the channel partners, where there were gaps and how Hewlett Packard's offerings compared with those of its competitors.

Methodology

Susznne Denninger, Product Marketing Manager with Hewlett Packard in Germany chose to investigate the problem. "We *make a heavy financial investment in training and needed to know if the way we are doing the training is the right one. We looked at 13 different countries in EMEA so there were a large number of different languages to cover from Portuguese to Arabic."*

Working together with Business Advantage, a telephone questionnaire was developed and interviews in 9 languages were carried out over a period of two months.

Why choose Business Advantage?

Business Advantage's ability to handle multi-lingual projects from one central location was also important. Susanne continues: *"There are not so many people who can do this and it was vitally important that they did it properly. Any company that works with Hewlett Packard has to be able to cope with working in a very dynamic environment and, as a consequence, be very flexible. Business Advantage copes with our dynamic environment very well.*

What impact did the result have on HP's business?

Susanne has been able to share the information with many different departments within Hewlett Packard both within EMEA and worldwide. *"It's important to be able to show our worldwide teams where we need to do things differently. We have to be able to justify the investment we make in training and also have the evidence to drive further investment and this is exactly what the research has given us. It has shown us where we are doing things right and also enabled us to identify gaps, particularly at an individual country level. We have been able to definitively identify where we need to improve our communication to our partners and make recommendations to them on their training programmers."*

"Business Advantage did an excellent job for us, I was very pleased with the results."

BUSINESS ADVANTAGE – ABOUT US

"Business Advantage's excellent research skills and comprehensive understanding of our market have produced research results we know we can trust to underpin our marketing decisions. ***Recent surveys of our target markets discovered a high level of interest in our new product."***

European Channel Manager, Rasterex

If you plan to grow in a new way, perhaps by using one of the ideas above, you should have an advantage, a business advantage. We've helped many companies make their growth journey as our market research and analyses always include actionable recommendations and implementation strategies.

Who we are

Formed in 1992 by CEO, Chris Turner, Business Advantage now has a professional staff of over 30 specialists in different markets, technologies and methodologies.

What we do

Business Advantage is a B2B research, business development and marketing consulting practice operating in the global IT, Digital Broadcasting and Telecommunications sectors. We specialise in:

- Marketing and management consultancy
- B2B market research
- Data services
- Sales development services.

Our mission

To out-perform your competitors, you must get key activities right: strategy and planning; acquiring accurate market intelligence and taking effective action to turn potential customers into real ones.

At Business Advantage, our commitment is to **help you create substantial and lasting improvements in your performance - a sustainable business advantage - over your competitors.**

Our Clients

Our clients include many leading international companies such as 3M, Autodesk, Canon, Dell, HP, Infor, IBM, Intel, Lexmark, Microsoft, Oracle, SAP, Siemens, Sony, Xerox and many small to medium sized organisations.

ADDITIONAL INFORMATION

If you would like more information on this or other research, data or business development topics, please email info@business-advantage.com, call +44 1689 873636 or download other Business Advantage White Papers.

Lastly – if all these options are overwhelming please talk to us about some Consultancy to help you figure out your best Channel Recruitment opportunities …