



# Turning the Crank On Channel Performance, 1 to 1 Partner Management<sup>1</sup>

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**Dimensions of EXCELLENCE™ is based on the four dimensions of performance and organizational excellence. These are the foundation for our development programs oriented to achieving performance and organizational excellence in sales, marketing, and customer service.**

**These white papers provide concepts and ideas based on the application of these principles of these programs and our work with our clients. We welcome your comments and observations on these topics.**

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The other day I was having lunch with a friend. He is the CEO of a \$125 million reseller organization. As usual, when I have lunch with Don, or his peers, much of the time is spent venting, expressing frustration with the channel programs and management of the companies they represent. Almost all the time, their complaints are valid.

Don's complaint was this, "Dave, a few months ago, XYZ was having training for a new product they are introducing. I had to send my 30 sales people to 3 days of training for the product. I told them the product fit only in what 5 of the sales people were doing, but they insisted everyone had to come. They came back from the training, guess what, only the five people are selling the product, the others aren't spending any time. I lost 75 days worth of sales productivity and spent thousands in travel expense to support this stupid program. When are manufacturers going to start listening to us?"

There are a number of points that can be made from Don's statement, but I'll focus on one, the next big step in performance management in the channel is to create 1 to 1 relationships with your channel partners.

Companies are continually tuning their reseller programs to maximize performance and the return they get through their channels. Programs are being segmented into integrator, consulting, reseller, and other programs. Programs are tiered to include platinum, gold, silver, bronze, and all sorts of other precious metals. These are all effective means of segmenting your partners, tuning the programs based on their performance, what they do, and other factors. They help manage the investment and return from each channel category.

Just as companies are starting to better understand their customers and manage relationships on a 1 to 1 basis, leading companies are beginning to manager their relationships with their channel partners on a 1 to 1 basis---not just on a reseller by reseller level, but down to the sales person level within each partner.

Leading companies are starting to understand the performance and capabilities of the sales people in each partner organization. They are measuring their skills, effectiveness, product knowledge. They are understanding their territories and customers, learning about how effectively they address the needs of customers and how they present their products and solutions. Leading companies are now beginning to tune their channel programs to engage the individual sales people, as well as their firm. They are no longer doing a single mass approach to everyone within the partner category. Leaders no longer require every sales person to participate in training for products that sales person will never sell.

Why do this, why make these investments? Simply put, it enables manufacturers to produce better results, maximizing the return they get from every partner and every sales person in their channel organization.

My purpose in this article is not to promote Partner Relationship Management Systems being currently promoted by CRM and other vendors. My purpose is to provoke channel managers to begin thinking about what they do, what they measure, and what they execute through their partners differently.

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## **Where To Start**

The first part of starting is to know where you are. Measuring and profiling the performance, markets, strengths and weaknesses of your partners—down to the individual sales person level if possible—is critical.

Unfortunately, most channel managers look simply at track sales volume for each partner. Some organizations have lead management, marketing programs (i.e. direct marketing, seminars, etc.), opportunity management, and similar metrics in place. These are a great start. At a minimum, we believe metrics in the following categories should be tracked.

- **Performance management:** Sales volume is important, can you track that to the sales person level. Customer satisfaction, product sales mix, new customer acquisition, market or customer share, customer retention and growth are other performance measures that may be useful.
- **Activity management:** Activity levels are a leading indicator of sales performance. What activity level metrics are you tracking? For example, lead management, number of opportunities they are working on in which your product is part of the solution, percentage of deals they work on in which your product is part of the solution, number of customers participating in seminars, webinars, and other marketing programs, number of times they are asking your executives to participate in closing calls. There are many other activity measures. Funnels and forecasts can provide a rich source of activity indicators, as long as you are looking at the right things. Activity metrics can provide insight into future sales results as well as insight into mindshare of the partners and sales people.
- **Capability:** Capability measures look at the understanding your partner has of your products, services, and solutions. They look at how well they understand your strategies, target markets, customers, and value propositions. Capability measures provide you insight into the strengths and weaknesses of each sales person and each partner and help you establish the right training programs to improve their capabilities.
- **Effectiveness and efficiency measures:** These are generally ratios of some of the other metrics cited above. Sales per partner employee, close rates, margin, growth rates, and others provide measures that enable you to identify those sales people and partners producing the best results. They enable you to compare sales people and partners, learning from the best ones, sharing those lessons with the poorer ones, eliminating the poorest. They help you identify where you need to make investments, both to improve performance or to maximize the impact of a program or product launch.

A strong base of metrics enables you to easily evaluate your partners and identify areas for improvement. A few words of caution, however.

- Make sure the metrics are simple, clearly understood by your channel managers and marketing people, and clearly understood by your partners.
- As much as possible, capture them from information you are already getting. Minimize the additional reporting you require to capture the information. The more reporting you require, the less time spent selling and the less mindshare you get from the partners.
- Report on them. Provide your partners the reports of the results. Let them see how they are performing, let them compare their performance to other partners. More on this later.
- Keep it simple, yes I said that before, but it is worth repeating. With today's information systems, we have the capability to track so many things. Identify 2-3 metrics in each area outlined above and use those. Generally trying to measure and report on too many things is expensive and time consuming. It is also confusing, keep it simple, and focus on the areas that make the greatest difference in driving the performance levels you want. Change them when you need to.

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These measurements can tell you tremendous things about what each partner organization is doing. The metrics may need to be different for each channel, for example, a systems integration channel is likely to require different key measures than your internet channel or your reseller channel.

As much as you can try to drive the metrics to the individual sales person level in each organization—yes, that is a lot of data, but computers are wonderful things, they help make that task easier. Your partners may be hesitant to do this, but this data, provided in a proper manner can help them better manage and improve the results in their own firms. Aggregate the individual sales person data at the partner firm level, look at it across all the other firms to compare performance.

### **What Next**

The metrics are meaningless unless you take action. Leverage these metrics to drive the decisions you make and actions you take to produce the best results.

- Your channel partner managers can use these metrics with each partner. They provide the base for developing the annual business plan. They identify strengths and weaknesses. They can help you and your partner identify the things that should be done to produce the best results for both of you—a real win-win.
- Your product managers can use this data to help maximize the impact of new marketing programs and product introductions. For example, do you want to invest in providing training, materials, and support for all of the sales people in your channels or would you be better off investing in the 20% of the sales people that produce 80% of the results for that product line. With this data, you have the capability of managing your investments in marketing programs to produce the best results.
- Use the results to prune your current channels. There was a time when any reseller that could fog a mirror and correctly spell your company name could be a reseller. Companies are getting away from that, but there is still a tendency for companies to have too many resellers. This has a tremendous cost, you are supporting all of them to varying degrees, they take some time, and you are investing in communicating, managing, and other areas. Even though the investments in the lowest tiers of performers may be small, it takes dollars that could be more effectively invested elsewhere. Use the data to rank your partners. A Partner Performance Matrix<sup>2</sup> could identify underperformers, that may not be obvious through normal metrics. For example, you could have a very large reseller producing large volume sales, but their sales per employee may be the worst. While you may not want to eliminate them, they are underperforming and you could achieve tremendous value by improving results. Every year prune at least the bottom 20% of your partners.
- Use the results to help recruit new channel partners. Identifying the characteristics of high performing partners, with real data, provides a template for finding new channel partners. Your recruiting process becomes one of matching those characteristics with those of the new partners you are interviewing. For example, if your best performing partners are very good in new customer acquisition, you will want to see the performance data with the potential partner on their new customer acquisitions.
- Use the data to set the priorities for your marketing and sales programs. We see too many companies implementing new marketing and sales programs, investing critical resources, money, and time in programs that are “cool,” or the current fashion, or in response to competitive moves. The data can clearly show what works and what doesn’t with your channels and who in the channels it work with and whom it doesn’t. Invest only in what and on who can produce results.

Finally, use the data to tailor your plans and programs to the needs of your channels, not just each category (i.e. the platinum partners), but to each firm and each individual in each firm. It sounds like more work, but current leaders in the industry are doing this today, producing tremendous results, and making sure each dollar they invest in each firm and individual produces the best return possible.

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## **What About Your Partners, What Will They Think**

Properly implemented, your partners will embrace this. Their goals are to grow their firms. They only want to invest their people, time, and resources in things that produce return for them. 1 to 1 partner management means you are identifying and responding to the specific issues that will help them become more effective. You will not only win their support, you will win their mindshare. Ask my friend, Don.

- 1 Peppers and Rogers have been leaders in promoting 1 to 1 marketing, sales and related concepts. For more information about 1 to 1, refer to Peppers and Rogers Group, their books, materials, and website.
- 2 The Partner Performance Matrix is a set of tools, processes, and reports developed by Partners In EXCELLENCE to help measure channel performance. For more information, contact Partners In EXCELLENCE.

Partners In EXCELLENCE is a boutique consulting company focusing on performance improvement, effectiveness, and efficiency of the sales, marketing, channel, and customer service organizations. We work with companies and their partners producing the highest levels of performance and return for each. For more information contact us at [channels@excellenc.com](mailto:channels@excellenc.com), call us at (949) 305-7146, or visit our website: [www.excellenc.com](http://www.excellenc.com).

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