LogicBay

Build, scale, and optimize your channel.

PRM SOFTWARE AS POWERFUL AS YOU NEED IT TO BE

How to Minimize Channel Conflict with a Partner Relationship Management System

Emerging companies eager to grow their business will almost certainly consider developing a channel network of independent partners to resell their products. Signing up and ramping up new dealers or resellers takes a concerted effort, but if managed successfully, the growth in sales and profits can be well worth the investment. Partnering with established distributors is a quick way for a company to enter a market without expending the resources required to develop an internal sales force. But, launching an indirect channel of distribution for the first time can be a daunting task and must be managed carefully. One of the most difficult issues to deal with is the price conflict that inevitably arises when partners compete among themselves or with a manufacturer's own sales force.

When a company is selling its products solely through its own direct sales force, the only price conflict is with its competitors. No one worries about crossing a competitor's boundaries and taking its customers. That's the goal. But when partners (dealers, resellers, VARs, distributors) are introduced into the sales process, pricing conflict between these "partners" is almost inevitable.

What is Channel Conflict?

Channel conflict occurs when a company's indirect sales partners compete against each other or when they compete against the company's own sales force. To a certain extent, conflict is unavoidable when there's more than one sales force marketing a product. But it can (and should) be mitigated as much as possible.

Why is Channel Conflict a Problem?

If not managed well, channel conflict can cost a company and its partners' profitability as they undercut one another on price. It can also reduce morale within the channel, lowering employee mindshare. "Mindshare" refers to the limited amount of attention available to a channel partner to focus on a particular brand. An important objective of a company that markets products and services through the indirect sales channel is to maximize partner mindshare, therefore making it more likely partners will sell the company's products over its competitors.

What Causes Channel Conflict?

The degree to which channel conflict occurs is directly driven by two things:

- Friction: How hard or easy it is for partners to do business day-to-day with a manufacturer.
- Lead traffic management: How leads are handled and how lead flow is managed consistently.

The next two sections of this white paper will discuss the two drivers of channel conflict in depth and will suggest strategies to mitigate them using a partner relationship management (PRM) system. They will be followed by a discussion of why this can't be accomplished with a customer relationship management (CRM) system.

Reducing Friction: Engaging with Sales Channel Partners

Companies gain partner mindshare and reduce friction in the channel by increasing the quality of their engagement with channel partners. Engagement can be thought of simply as how easy or hard it is for dealers to do business with a manufacturer. Channel partners usually have a variety of brands competing for their attention. They will naturally choose to dedicate greater mindshare to the brand that is easier to work with than the one that gives them problems.

We have found that effective channel support requires balanced support in each of the following four areas. We call this the 4Core Framework:

Marketing and Communications

Effective channel partner marketing is critical to the success of any company selling through an independent channel. Partners need to see clear, understandable communications coming from one source. They need alerts, reminders and announcements about product introductions sent on a timely basis. And they need to be able to quickly locate previous communications. A partner relationship management (PRM) system allows a company to successfully synchronize all business communication activity within a channel. When a company can communicate its products and brand effectively, its partners will be more informed and enthusiastic about it and more likely to effectively sell its product, increasing return on investment (ROI).

Training and Certification

Today's PRM technologies manage and deliver online training, classroom training, assessments, webinars and other e-learning activities. This provides employees and their managers the ability to create, manage, and view a defined learning plan and certifications for specific job roles. This kind of well-balanced, channel training can contribute significantly to reducing partner ramp-up time and costs, and increasing individual performance, delivering a positive impact on a business's ROI.

Performance Management

Measurement is an important key to successful enterprise performance because it helps managers make more effective decisions. Today, most channel management technologies include a reporting dashboard for managers to access information about the people and organizations they manage. Having good information at their fingertips helps managers make good decisions and increase ROI, particularly as an enterprise scales up and adds more partners.

Collaboration

Given the widespread acceptance of social media, employees are expecting to be able to collaborate with others in their channel. A PRM system can provide a good forum for this to take place, where it can be overseen and managed to the benefit of the enterprise and its channel partners. This peer-to-peer communication can help resolve current issues by providing a repository for best practices. Companies who just a few years ago were trying to stifle this kind of communication today are embracing it because they know it produces more informed, more effective, and more brand-loyal channel employees. As the level of information shared by many people increases, so does ROI.

Managing Lead Traffic: A Clear System

Without a way to delineate territories and accounts across the channel, a company's partners and its internal sales force will be competing in many instances to sell the same products to the same customers. This drives profits down and increases frustration within the channel. A channel will operate more smoothly and profitably when all of its members understand which accounts and territories belong to them. Partner relationship management software can provide the "gates and fences" to assign and manage customers and territories.

Lead Registration and Flow

One of the most important aspects of minimizing or avoiding channel conflict rests in a channel manager's ability to manage the entire sales process with partners. It includes deal registration, a system allows channel partners to register and protect new customers and sales opportunities; and lead management, which provides the tools to manage the process from lead generation to sales success at the partner level and at the channel manager's level. Lead management also includes the ability to authorize, approve, or redirect leads that are registered by competing partners so that the right partner pursues each lead.

Aligning Market Development Fund (MDF) and Incentive Strategies

Market Development Funds (MDFs) are distributed by manufacturers to support their partners' local marketing activities. Typically, the goal of an MDF program is to generate demand and, therefore, leads. Incentives, on the other hand, typically focus on results – turning leads into sales. Both incentives and MDFs should be balanced and in alignment with the overall sales objectives of the channel manager. A PRM system can provide channel managers with the metrics they need to intelligently distribute market development funds and plan incentive programs.

A PRM Solution Healps Avoid Conflict

The latest web-based Partner Relationship Management (PRM) systems from software-as-a-service (SaaS) providers offer an excellent method to manage partners and territories, provide pricing consistency, and maintain brand integrity, thus greatly reducing the channel conflict inherent in sales partner relationships.

A well-designed PRM maps the genome of the distribution channel.

Distribution channels can get complex over time: A group of independent partners becomes a territory eventually. Territories become regions. Management teams form at each level of the growing organizational structure. A PRM system maps functionality to this structure. PRM systems are role-based. They track exactly who has just logged in; what role he or she plays in the organization; his or her experience level; and so on, and then maps an environment of support in each of the four core areas of support described above based on that profile.

PRM vs. CRM: The Right Tool for the Job

Most modern companies use some type of customer relationship management (CRM) system to automate and manage their direct sales force. But, while CRM systems work well for direct sales, they lack some key functions for managing indirect sales, especially for reducing conflict in the channel. PRM systems can:

- Identify customers and territories.
- Integrate lead management.
- Offer training, certification, and collaboration tools for dealers.

A CRM system will not provide these functions. In addition, linking the two separate tools can enhance the effectiveness of each. Combining information from both a CRM system and PRM system can provide a company a more global view of its entire sales channel, from dealer to customer, while preserving the individual value that each system provides.

A company looking to grow itself quickly through the development of a channel sales and distribution system needs to be able to integrate new business partners into its sales and pricing strategies quickly. It needs a means to efficiently manage a two- or three-tiered pricing approach. Today that can't be done cost-effectively without a partner relationship management system.

A PRM System With Tools to Minimize Channel Conflict

LogicBay's web-based PRM system unifies each of 4Core elements for reducing friction in the indirect sales channel into a single platform using customized partner collaboration portals. It includes functionality for managing leads and defining sales territories.

LogicBay Performance Center

LogicBay's Performance Center can capture your sales process, enforce its compliance in your channel, train and prepare your sales force for success, and measure their progress. Take a look at how a successful performance management system functions by learning about our software.

LogicBay Software helps you build, scale, and optimize your channel.

GET A DEMO

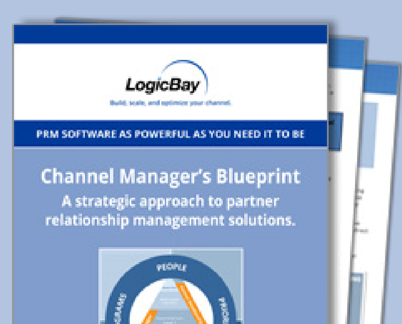
The Channel Manager's Blueprint Program

Not sure if a measured partner relationship management program will help your company reach the next level? Let's find out.

Through the channel manager's blueprint program, we will deliver a PRM blueprint to address any potential problems you may be facing in your indirect sales channel (even if that problem is not yet having an indirect sales channel).

THE CHANNEL MANAGER'S BLUEPRINT FROM LOGICBAY

Get **EXPERT** analysis and **ACTIONABLE** Recommendations to increase partner sales.



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