



How to Improve Channel Partner Marketing



Why Read This Paper

Companies that sell through independent or quasi-independent channel partners (what we'll call channel vendors in this paper) face a formidable set of marketing challenges. For most channel vendors, the single greatest challenge is that many of their channel partners don't have the time, resources, or expertise to run effective marketing programs on a regular and frequent basis.

In addition, it's exceptionally difficult to ensure consistent brand messaging and brand presentation when marketing programs are being run by dozens, if not hundreds, of independent channel partners. Finally, channel vendors often have little visibility regarding the effectiveness of marketing

Learn about:

- **Why effective channel marketing is critical for brands**
- **Why channel marketing is more challenging than "regular" marketing.**
- **What are the core components of an effective partner marketing enablement system?**
- **Why a growing number of channel vendors are implementing third-generation marketing enablement systems to boost the performance of their indirect sales channel.**

Six key attributes of partner management automation that channel partners will actually use:

- It provides a one-stop shop for all sales content resources
- It enables sales reps to easily and quickly find the content they need
- It allows channel partners to easily customize content for each prospect and each selling situation
- It enables sales reps to share content with potential buyers in multiple formats via multiple communication channels
- It allows sales reps to see which content resources are most effective
- It allows sales reps to access the solution from anywhere using the access channel or method of their choice

programs run by their channel partners, either because their partners don't track the performance of their marketing efforts, or because they are unwilling or unable to share those



Many companies derive more than half of their total revenue from sales made through indirect channels, and most of these companies must rely heavily on the marketing and sales efforts of their channel partners.

results with the channel vendor.

To address these challenges, a growing number of channel vendors are implementing a new generation of marketing enablement programs that are designed to simplify, streamline, and automate marketing activities for their channel partners and thus optimize the performance of their indirect sales channel.

Why Channel Marketing Matters

Every day, thousands of companies around the world sell their products and services through independent or quasi-independent channel partners such as franchisees, distributors, dealers, and value-added resellers.

Channel-based selling is a major feature of the economic landscape in most parts of the world. For example, in 2017, there were over 700,000 franchised business establishments in the United States, and those establishments produced \$769 billion in sales.¹ Franchising is the stereotypical example of channel-based selling, but many kinds of companies sell through channel partners, including:

Insurance companies that sell through independent agents

- Financial services firms that sell through independent financial advisors and/or broker-dealers
- Technology companies that sell through value-added resellers
- Manufacturing companies that sell through independent dealers or retailers

Not only are indirect channel sales a significant part of the overall economy, many companies rely on channel sales for a sizeable portion of their total revenues. For example, many technology companies derive more than half of their total revenues from sales made through channel partners.²

Companies that sell through indirect channels are often dependent on the marketing and sales efforts of their channel partners. Most channel vendors operate in a distributed marketing environment, which refers to a marketing model

in which both a corporate marketing department and channel partners plan and execute marketing campaigns and programs. When channel vendors provide financial and/or other kinds of assistance to their channel partners to develop and execute marketing programs, the practice is commonly called through-partner marketing.

The defining characteristic of distributed or through-partner marketing is that the local marketing entities—i.e., channel partners—have both autonomy when performing marketing functions and the primary responsibility for developing and running marketing campaigns and programs. As we'll demonstrate shortly, this characteristic is one of the primary reasons that channel marketing operations are more difficult to manage.



Channel vendors face the same marketing challenges that confront all types of business enterprises, but they also face challenges that organizations with centralized marketing operations don't typically encounter.

What Makes Channel Marketing Challenging?

Channel vendors face the same marketing challenges that confront all types of business enterprises. They must deal with a growing number of marketing channels, create and deliver marketing messages and materials that are relevant to individual prospects and customers, and maximize the productivity of marketing operations. In addition, however, channel vendors face challenges that organizations with centralized marketing operations don't typically encounter.

- **Lack of Expertise and Resources**—Many channel partners are small organizations that don't have the time, resources, or expertise to run effective marketing programs on a regular and frequent basis. In a recent study by the Aberdeen Group, almost half (48%) of survey respondents identified lack of marketing expertise at the local level as one of the biggest challenges facing channel vendors.³
- **Maintaining Brand Consistency**—In a company where a central marketing department manages all communications with customers and prospects, it is relatively easy to maintain consistent brand messaging. That changes dramatically when a company has dozens or hundreds of independent channel partners executing marketing programs. In the Aberdeen study mentioned above, survey

respondents said that maintaining brand consistency is the greatest challenge for distributed marketing organizations.⁴

- Inability to Measure Local Marketing Performance—Companies with centralized marketing operations can use a variety of technologies to measure the performance of their marketing activities. Measuring the performance of marketing programs run by channel partners is a different story. Many channel partners don't track the performance of their marketing efforts, and even when they do, they may not be willing to share the results with the channel vendor. As a result, channel vendors often have little visibility regarding the effectiveness of marketing programs run by their channel partners.



Companies with the best-performing channel marketing operations combine all three types of programs to equip channel partners with the tools, education, and resources they need to develop and execute successful marketing programs.

Three Approaches to Channel Empowerment

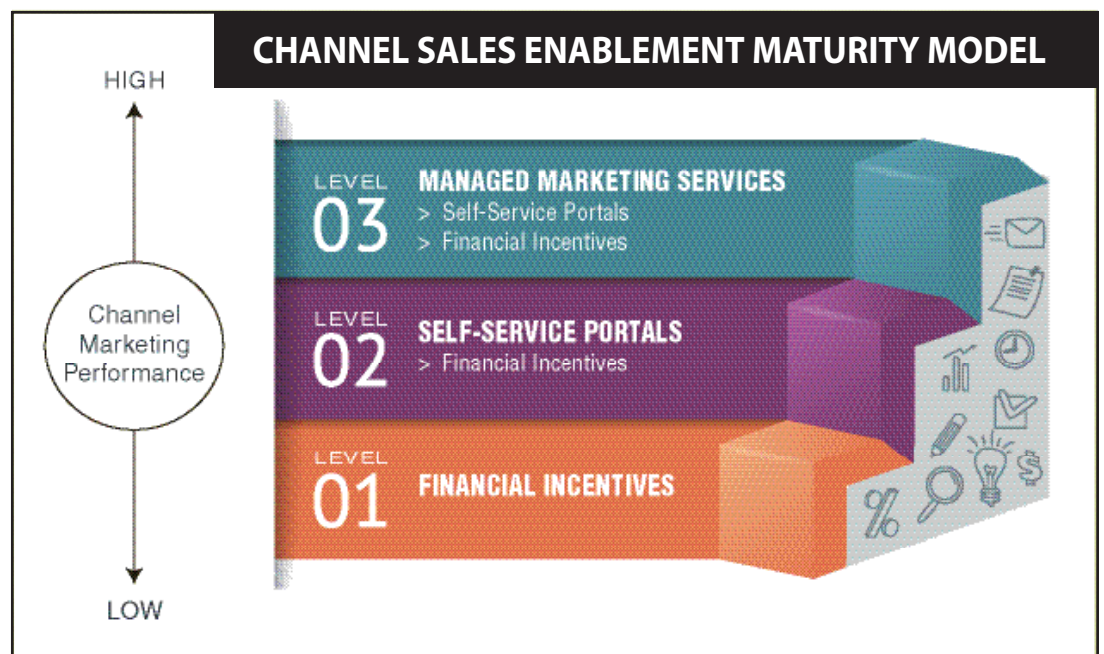
To address the inherent challenges of channel marketing operations, channel vendors have implemented a variety of marketing enablement programs. Some types of marketing enablement programs have been used for decades, while others are more recent in origin. While the details of these programs can and do differ substantially, all marketing enablement programs are ultimately designed to increase the effectiveness and frequency of channel partner marketing efforts.

There are three main types of marketing enablement programs in use today:

- Financial incentive programs
- Self-service partner portals
- Managed marketing services

These three types of marketing enablement programs are not mutually exclusive, but rather they are complementary components of an effective marketing enablement system. In fact, companies with the best-performing channel marketing operations combine all three types of programs to equip channel partners with the tools, education, and resources they need to develop and execute successful marketing programs.

The diagram below shows a basic maturity model for channel marketing enablement. Enterprises with “Level III” marketing enablement systems have implemented all three types of marketing enablement programs, and they exhibit a high level of channel marketing performance. At the other extreme, companies with “Level I” marketing enablement systems use only financial incentive programs, and their marketing enablement systems don’t typically perform as well.



Each type of marketing enablement program is designed to achieve specific objectives and/or provide specific capabilities that are critical for successful through-partner marketing. As the following discussion indicates, however, none of these programs alone provides everything that is required for a high-performing marketing enablement system.

Financial Incentive Programs

For decades, channel vendors have used various kinds of financial incentives to boost the sales and marketing efforts of their channel partners. Some of these programs normally relate to specific products and typically involve sales performance incentive funds (SPIF or spiffs), rebates, or special pricing. In the marketing area, financial incentive programs have historical-



Research shows that content “findability” is a significant problem for many companies forcing sales reps to spend, on average, eight hours per week searching for content.

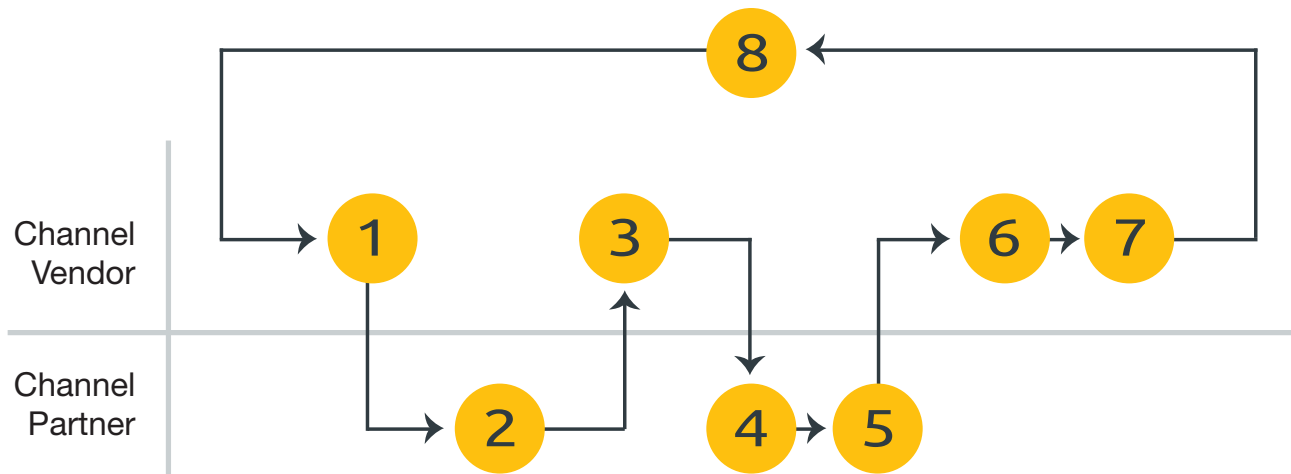
ly taken one of two forms—market development funds (MDF) programs or co-op marketing (advertising) funds programs.

Market development funds are funds that channel vendors allocate to their channel partners on a discretionary basis. MDF programs are typically used to support marketing activities that require the advance approval of the channel vendor. Co-op marketing funds are typically allocated to channel partners based on a percentage of their sales during a defined time period, or some other performance metric. Therefore, co-op marketing funds essentially reward channel partners for their past performance. In this white paper, we’ll refer to both of these program types as MDF programs.

MDF programs are an essential component of any high-performing marketing enablement system. As noted earlier, many channel partners are small organizations that don’t have sufficient financial resources to market effectively. However, MDF programs are usually not sufficient to significantly boost the marketing efforts of channel partners.

Various research firms have estimated that up to 50% of MDF program funds go unused by channel partners. A recent study by Borrell Associates asserted that between \$5 billion and \$7 billion of co-operative marketing funds go unused annually.⁴

Channel partners often fail to take advantage of MDF programs because the “rules” governing the program are unclear or because the process for accessing the funds is overly complex. The diagram below shows the major steps that are associated with a typical MDF program. Even if a channel vendor uses an online portal to facilitate the approval/payment process, channel partners can still see the process as too complex and time-consuming.



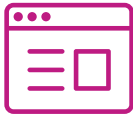
PROCESS STEPS

1. Channel vendor defines MDF rules & budgets MDF funds
2. Channel partner defines project & submits approval/funding request
3. Channel vendor approves project/funding request
4. Channel partner executes the project
5. Channel partner submits claim for payment
6. Channel vendor approves claim for payment
7. Channel vendor issues payment
8. Repeat process for next project

More importantly, MDF programs are underutilized because they are missing what many channel partners need most—help with planning, designing, and executing marketing programs that will produce significant and measurable results. In addition to financial constraints, many channel partners don't have the marketing training or expertise required to plan and execute effective marketing programs. MDF programs address the financial issue, but not the other circumstances that frequently prevent channel partners from engaging in effective marketing.

Self-Service Partner Portals

For the past several years, a growing number of channel vendors have been implementing a relatively new genre of web-based marketing automation technologies. In the marketplace, several terms are used to describe these technology solutions, including distributed marketing automation, local marketing automation, through-partner marketing automat



An effective sales content management solution will enable sales reps to share content with potential buyers in multiple formats via multiple communication channels, including print and digital content, audio, video, microsites, e-mail, postal mail, and interactive customer portals.

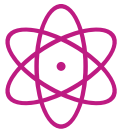
on, partner relationship management, and marketing asset management. In this white paper, we'll refer to these technology solutions as partner marketing automation, or PMA, solutions.

A partner marketing automation solution is a suite of technology tools that (a) provide channel vendors a mechanism for distributing marketing content to channel partners, and (b) streamline and automate some marketing activities for channel partners. The primary attribute of a PMA solution is a secure online portal site that enables channel vendors to manage marketing content resources and allows channel partners to manage and perform a variety of marketing activities.

The core feature of a partner marketing automation solution is a central repository containing the marketing content resources that the channel vendor makes available to its channel partners. These resources will typically include branding components such as logos, marketing collateral documents such as brochures and product sheets, and marketing campaign materials such as direct mail documents, e-mail marketing messages, and advertisements for print publications. The PMA solution will also include an online catalog describing the available content resources and functionality that enables channel partners to order desired resources.

Channel vendors usually need to enable their channel partners to co-brand or otherwise customize some marketing content resources. In these situations, the PMA solution will contain customizable templates that identify which content elements can be modified and which cannot be changed. For those elements that can be customized, the template will usually contain a set of pre-approved customization options. To customize a content resource, a channel partner simply selects a template and chooses the desired customization options.

Partner marketing automation solutions provide powerful capabilities, but it is now also clear that PMA solutions have not provided a complete solution for channel vendors or their partners. Several research and consulting firms, including SiriusDecisions,⁵ have estimated that fewer than 25% of channel partners use the portals provided by their channel vendors.



Managed marketing services typically include pre-packaged marketing campaigns, as well as campaign execution services (production, fulfillment, etc.). With managed marketing services, channel vendors give their partners access to a “storefront” of complete, ready-to-execute marketing programs.

As with MDF programs, the primary cause of underutilization is lack of time and expertise. Most partner portals powered by PMA technologies are “self-service” solutions. They make it easier for channel partners to obtain marketing materials and customize those materials, but channel partners must still have the time and marketing knowledge to effectively use those materials. Therefore, self-service partner portals are best suited for larger Tier 1 channel partners that have the in-house marketing capabilities to leverage the content resources available through the portal to develop and execute marketing programs. Self-service partner portals are less useful for smaller Tier 2 and “Tier 3” channel partners who frequently lack the marketing experience or staff to take full advantage of the content resources available through a portal.

Managed Marketing Services

To increase the frequency and boost the effectiveness of their partners’ marketing activities, a growing number of channel vendors are now adding managed marketing services to their marketing enablement systems. Managed marketing services typically include pre-packaged marketing campaigns, as well as campaign execution services (production, fulfillment, etc.). With managed marketing services, channel vendors give their partners access to a “storefront” of complete, ready-to-execute marketing programs.

When channel partners want to run a particular marketing campaign, they simply “order” it via an intuitive interface that mimics the shopping experience provided by consumer websites like Amazon.com. Once ordered, the channel vendor (or, more likely, the vendor’s marketing enablement solution partner) executes the campaign, making it completely turnkey for channel partners. The campaigns made available to channel partners are typically pre-approved for the channel vendor’s MDF program, so channel partners don’t need to pay for the campaign and then seek reimbursement. Instead, the channel vendor pays any external service providers directly.

Channel vendors that offer managed marketing services typically work with a marketing services firm that provides both the



Regardless of who actually provides the services, channel partners have access to what is essentially a “marketplace” of pre-approved, ready-to-execute marketing campaigns.

partner marketing automation technology platform and the marketing execution services. Most channel vendors find that outsourcing the day-to-day management and operation of a managed marketing services program is more effective and less costly than managing the program using internal resources. In some cases, the managed services offering will include marketing campaigns provided by several marketing services firms. Regardless of who actually provides the services, channel partners have access to what is essentially a “marketplace” of pre-approved, ready-to-execute marketing campaigns.

Providing managed marketing services to a network of channel partners adds a significant layer of complexity to a channel vendor’s marketing enablement efforts. When a channel vendor adds managed marketing services, it becomes an active participant in the marketing efforts of its channel partners, and this places new demands on the vendor’s channel management operations.

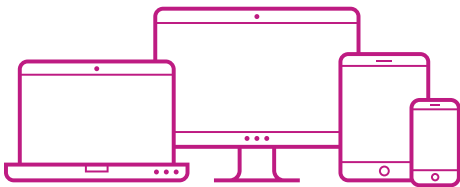
To develop a successful managed marketing services program, we recommend that channel vendors follow five core best practices.

Offer the Right Campaigns and Services – The long term success of a managed marketing services program depends primarily on the effectiveness and value of the campaigns and services the program provides. When determining what campaigns and services to offer, channel vendors will obviously rely on their knowledge and experience regarding what marketing programs are effective for their products or services. In addition, however, channel vendors should talk to their partners to learn what kinds of marketing campaigns, services, and materials will be most valuable. Most importantly, channel vendors should monitor the results produced by all of the campaigns included in their managed services offering and adjust the mix of campaigns and services based on actual results.

Make It Easy To Use – Ease of use is second only to campaign effectiveness in determining the success of a managed marketing services program. Channel vendors must remember that most of their channel partners are probably working with five or six channel vendors.⁶ Most channel partners have only a

limited amount of time to spend on marketing, and they will naturally gravitate to those channel vendors whose marketing programs are easier to use. Therefore, it's essential for channel vendors to make it simple and easy for channel partners to access and utilize the resources provided in their marketing enablement system.

Don't Neglect Non-Campaign Content – When a channel vendor launches a managed services program, there is a natural tendency to give less attention to other aspects of marketing enablement. It's important to remember, however, that high-performing marketing enablement systems will provide support for the marketing and sales efforts of channel partners across the entire revenue cycle. Therefore, channel vendors should also make “non-campaign” content resources available via their partner portal. Non-campaign content obviously includes marketing collateral documents, but it should also include sales enablement content such as presentation slide decks, presentation scripts, and proposal templates.



Include Marketing Concierge Services – A robust and well-designed managed marketing services program will greatly simplify the marketing function for channel partners. However, many channel partners, particularly smaller Tier 2 and Tier 3 partners, may need additional support to run effective marketing programs on a frequent basis. Therefore, channel vendors should seriously consider including “marketing concierge” services in their marketing enablement system. Concierge services give channel partners access to marketing experts who can provide partners one-on-one advice and support regarding how to choose the most effective marketing campaigns and materials for their business.

Educate Your Partners – Even a robust marketing enablement system will be of little value if channel partners don't use it. One key to increasing usage is to make sure that channel partners fully understand what marketing resources and services are available and how to access and effectively use those resources. Therefore, a comprehensive “partner onboarding” program should be an integral component of a marketing enablement system.



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Conclusion

Effective marketing enablement is critical to driving increased revenues from indirect sales channels. Many channel partners don't have the time, resources, or expertise to run effective marketing programs on a regular and frequent basis. Today, a growing number of channel vendors are combining financial incentives, marketing automation technologies, and managed marketing services to create high-performing marketing enablement systems that equip their channel partners with the resources, tools, and education they need to develop and execute successful marketing programs.

For More Information

If you'd like to learn more about how the right technology solutions improves channel marketing performance, contact Tami Marek-Loper at 262-549-8902 or by e-mail at tami.marek@marekgroup.com

Notes

1. Franchise Business Economic Outlook for 2013 (International Franchise Association Educational Foundation, 2012).
2. Keep Your Customers Close and Your Channels Closer: 5 Essential Strategies for Customer Intimacy and Channel Revenue Growth (Flexera Software, 2011).
3. Distributed Marketing Management: Think Global, Market Local (Aberdeen Group, 2012).
4. Ibid.
5. Online Co-op Advertising: A \$1.7 billion opportunity for SMBs (Borrell Associates).
6. Video Interview with Laz Gonzalez, Service Director of Channel Management Strategies at SiriusDecisions (Channel Marketer Report, June 20, 2013).
7. Leverage The Channel Management Technology Spectrum (Forrester Research, Inc., 2014)