Driving Channel Performance

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ABSTRACT
In the quest to generate sustainable brand commitment and above quota performance, operating channel incentive programs today has become table stakes. Michael Spellecy of Maritz shares insights and strategies designed to help vendors and channel partners build better business relationships and facilitate the co-creation of next generation programs. Employing real world examples, Spellecy sheds light on the new research-based approaches that leading companies will need to adopt in order to make the most of these partnerships.
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I. Introduction – The Current Situation

Between 40 and 90 percent of high technology sales are sourced through a channel partner, dealer, value added reseller. With so much success riding on channel partners, vendors need solid partnerships grounded in mutual trust and reinforced by the genuine business relationships that naturally generate loyalty and brand alignment. Unfortunately, many vendors are facing decreasing satisfaction – from channel partners and from their end customers – because they have been unable to build sustainable business relationships. Vendors recognize channel loyalty as a holy grail: it’s a key pathway to delivering business results, improving end customer satisfaction, increasing revenue and building stronger brands.

It’s no wonder that billions of dollars have been invested in Partner Relationship Management (PRM) strategies and programs; what is surprising is that partner satisfaction is still in decline and vendors continue to raise concerns about alignment (Exhibit 1).

While vendors struggle to gain business alignment, channel partners express frustration with vendors. Sales performance incentive funds (SPIFF) and market development funds (MDF) are still the dominant approach used to motivate partners; unfortunately, these tactics often miss the mark and prove ineffective in the long term. They fail to provide the motivating incentives necessary to build a high-performing channel. Meanwhile, factors like expansion into the small and medium business (SMB) market, with its promise of high growth, introduce new challenges for all vendors.

Today’s channel partners demand improvements like stronger integration with their vendors, better sharing of information and more relevant training. In addition, they seek recognition and incentive programs that reflect a more informed understanding of their business.

Both vendors and partners desire the same basic business results; they hope to run profitable and sustainable businesses, increase revenue and satisfy customers. Their similarities are great and their differences small, yet fundamental failures to effectively manage the relationship occur far too often. Today, forward-thinking vendors have an unprecedented opportunity to capitalize on the real potential of channel partners, make the most of existing and new PRM programs, maximize the infrastructure investments made and grow business.

A. Goals and Drivers

Vendors and their channel partners operate independent businesses with their own goals and drivers, but they actually have much in common (Exhibit 2).

A closer look reveals that, in many instances, vendor and partner needs reflect and complement each other. Here are just two examples:

**Attach Rates/Service and Partnership Opportunities:** Vendors want complementary products to be sold with their primary products. Channel partners desire service and partnership opportunities that drive sales revenue and create service opportunities.

**Customer Insights/Customer Feedback:** Vendors want to know end-customer perceptions in order to improve product development, channel strategy and other elements of their programs. At the same time, channel partners are looking for feedback into improving their business model and service offerings.
B. Obstacles
With many goals in common, why is achieving alignment complicated? Perhaps, it is because there is so much competition for the channel. More likely, it is because many channel programs fail to make the appropriate connections. Put simply, common missteps like miscommunication, failing to gather the right data, and focusing solely on the best partners can go a long way toward permanently sabotaging more holistic vendor-to-channel relationships. In contrast, forward-thinking vendors who take the right steps can develop a strong, sustainable and evolving program designed to accomplish these goals and more:

- Improve vendor/partner business relationships
- Ensure competency and focus
- Improve sales capabilities
- Grow business for both parties

By "retaining the best and engaging the rest," vendors can break down long-standing barriers and achieve true partnership with their channels.

II. Retaining the Best and Engaging the Rest
In today's high tech environment, it's not uncommon for vendors to list thousands of channel partners and acknowledge that only 20 percent are active. Clearly, building successful channel programs requires a new approach and it is critically important that a framework for improved performance be employed -- not just among the best partners, but across the entire channel network.

The value of your best partners is clear, but are existing programs enough to keep them engaged and develop a powerful loyalty relationship? Further, emerging partners have the potential to make an incredible impact on vendor bottom lines. Simple mathematics indicates that even a small increase across this large group of partners would provide a huge benefit to vendors. Further, many of these partners are the competitor's best partners -- a shift in their mindshare would result in tremendous gains.

By understanding and focusing improvement on the entire channel network, companies can drive engagement of a larger percentage of their partners (Exhibit 3).

This model improves decision making for the entire channel, increases value to the vendor and improves channel loyalty when directed to key channel business drivers. It creates an opportunity to both improve partnerships with the top performers and to offer meaningful benefits for incremental performance in the middle and lower tiers.

This approach to channel development is not only possible but is achievable through proper program design. By connecting to the business drivers of both best partners and the larger concentration of emerging partners, vendors can realize significant gains.

III. Extending Your Reach - The Solution
Building effective channel programs requires capitalizing on the knowledge and experience of best performers and collaborating with them to co-create next generation offerings. It also requires capturing best practices from best partners, and packaging and communicating those practices to emerging partners in ways that will be meaningful and actionable.

Additionally, program design must meet the needs of multiple groups within the channel network. For example, best partners, those partners that could be best partners, and small and medium sized businesses that want to grow.

Fortunately, by co-creating a program with their best partners, vendors can provide an offering that improves business relationships, leading to lasting partner loyalty. This collaboration, when communicated to the greater partner network, also will entice some of the competitor's best partners to shift mindshare, moving them into the vendor's
best partner category. Finally, as new programs reveal best practices, vendors can pass these along to the small and medium sized partners, strengthening their capabilities, fostering their growth and adding value.

The chart below outlines the process to achieve a deeper penetration into both the best channel partners and the emerging channel partners in the network (Exhibit 4).
IV. Your Best Partners – Programs that Provide Results

Your best partners represent a dynamic asset, and getting the most out of them requires equally dynamic efforts. Below are five steps designed to enable vendors to increase engagement and build better business relationships with best partners (Exhibit 5).

Exhibit 5:

1. Enable vendor sales representatives to become business allies

2. Use VOC and VOP research as a filter

3. Create individual performance plans that include:
   - Sales & Marketing
   - Customer Satisfaction
   - Attachment Rates
   - etc.

4. Reward and recognize top performers to drive incremental improvement and cross-pollination of ideas; incent improvement by all

5. Create new alternatives for Market Development Funds that drive business success

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Step 1: Enable Vendor Sales Representatives to Become Business Allies

Most vendors already have frequent contact with their best channel partners through internal channel sales representatives and relationship managers. Unfortunately, many are missing an important opportunity to take these business relationships to the next level and maximize the impact of existing connections.

Often reduced to simple watchdogs that guard vendor interests and provide sales support, these representatives have the potential to establish themselves as so much more: strategic business partners, advisors, coaches and allies. But in order to build real partnerships, they need to be given the tools and skills to do more:

- Understand what it takes to operate a channel business
- Know what successful channel partners are doing
- Be prepared to serve as an effective business coach
- Bring value to the partnership

Armed with expanded sales knowledge about the market, business knowledge about the channel, and partner-specific knowledge about processes, practices, issues, and challenges, these representatives can rise to the next level, leveraging their expertise and becoming value-added partner resources.

How do I do this?

The shift into the role of business ally is a process and requires both up-front preparation and ongoing reinforcement. Vendors must:

- Inform: Help representatives develop a deeper understanding of market and partner issues
- Educate: Provide training and coaching; arm representatives with practical, hands-on techniques that impact problem-solving, improve performance and address key issues
- Support: Reinforce learning; traditional training doesn’t work unless it is reinforced on a regular basis. Ensure that tools are available to reinforce training and provide coaching opportunities for sales managers to support ease-of-execution in the field

Finally, the vendor’s channel-facing representatives must have “skin in the game” – they must be evaluated, rewarded and recognized for channel partner success. To accomplish this, clear roles, responsibilities and performance measures must be in place for all channel-facing vendor personnel.
Driving Channel Performance

Step 2: Use VOC and VOP Research as a Filter
Creating effective business relationships with your best partners cannot begin with guesswork. Vendors must acquire and employ actionable, qualitative data through both voice-of-the-customer and voice-of-the-partner research.

While most vendors do have processes in place to collect data, much of that data is comprised of relative comparisons; because these surveys are limited to ranking a static group of items, they cannot paint a complete picture of what matters to partners. Key values and challenges that don’t make it to the survey will leave significant gaps in information.

Vendors must find creative ways to reach partners and end customers and gain qualitative information about their experiences with the brand. This information will help to define partner and customer needs and identify paths to improvement that will deliver on those needs.

How do I do this?
Every vendor/partner relationship is different, but one key to successful research is to select methods that establish trust, like anonymous data collection or use of an active third-party vendor to collect and analyze information.

Research can be collected through several means, but an integrated approach that utilizes several sources often works best:

- **Qualitative Research** – Focus groups and advisory boards can provide perspectives through active probing on issues, taking information beyond rankings to find out what really matters to partners and customers
- **Satisfaction Surveys** – Standard and extended surveys can often provide insight into the overall customer and partner experiences
- **Text Analysis** – Newer technology can collect and analyze freeform text received through existing feedback sources
- **Technology Based Tools** – Web sites, electronic surveys, online message boards, partner portals, automated call center surveys and other technologies can provide a valuable channel to collect feedback
- **Symposiums and Events** – Opportunities are created when customers and/or partners come together

Insight gained from informed research can include valuable data on the market, user demand, attach characteristics and partner needs.

When acted upon, the information will serve as the foundation necessary for creating an informed business plan that will deepen relationships between a vendor and their partners (Exhibit 6).
Step 3: Co-create Individual Channel Partner Business Plans
When a vendor sales representative possesses the right skills, collects the right information and builds the right relationship, he or she can become a trusted ally to the partner organization. This trust is achieved through knowledge, respect and collaboration. Once established, it enables both parties to elevate the sales conversation to a co-creative strategic planning exercise.

Vendors that use this opportunity to its maximum potential accomplish three key objectives. First, they deepen the relationship with a valued partner and benefit from their expertise. Second, they create an opportunity for the partner to grow their business in a way that they will attribute to vendor support. And third, the vendor creates an opportunity to move more products by aligning to the partner's individual growth strategy.

These plans may consist of any number of desired outcomes, including, but not limited to:

- Sales and marketing goals and strategies
- Customer satisfaction benchmarks
- Attachment rates for hardware and services
- Standards of operation
- Service strategies
- Channel networking goals

This opportunity should enable vendors and each best partner to challenge each other with a plan that reflects their experiences and goals and promises to be achievable, mutually beneficial and professionally inspiring.

How do I do this?
As co-creators of the business plan, vendors need to listen to partner challenges and points of view and share expertise. The first step in facilitating trust and collaboration is creating an open dialogue where both parties meet as partners with shared goals and mutual respect.

Most of the best partners will already have a strategic planning process in place. In this case, representatives will need to know how to plug into this process and align with each partner's existing approach.

By collaborating and working within the partner's framework, representatives can create more buy-in, strengthen trust and achieve quicker adoption.

In the rare instance that a partner has no process in place, representatives should be ready to help with tools that simplify process development and implementation.

Co-creating or enhancing a performance plan is a clear avenue to adding value for partners. Armed with research, vendors can become experts on what business practices really work across the entire channel. By sharing those best practices, vendor representatives have a unique opportunity to reinforce their role as business allies – and to ensure growth for the vendor, the partner and the relationship.

Case in Point
Client: A Luxury Car Manufacturer

Objective: Facing declining sales and declining customer satisfaction, our client was seeking help to improve the dealership experience at thousands of retail locations across the country.

Solution: Maritz worked with the client to develop a program that improved the customer experience, drove new vehicle sales and improved partner profitability. The resulting program contained four key components:

- Customer satisfaction metrics for both the sales and service processes
- Facilitated, co-creation of performance plans that addressed localized research findings in both sales and service delivery
- Client developed product and service training offerings
- Rewards and recognition for improvement

Results: During the 12 years of operation, the program has elevated the brand from the bottom 50 percent to consistent #1 or #2 rankings in both sales and service satisfaction. The client was also ranked #3 overall in a cross industry service study by BusinessWeek. Based on this success, the program has now been deployed across most of the holding company's portfolio, consisting of eight car brands.
Step 4: Reward and Recognize Best Partners for Incremental Performance

In order to inspire best partners to reach new heights of achievement, vendors must provide incentives that are adequate when compared with the evolving performance challenges channel partners face. As best partners, these channel partners deserve special rewards and recognition. Vendors know they need to thank key people in meaningful and lasting ways that correlate to their expanding demands and expectations.

Most vendors focus on travel programs, which have the potential to deepen relationships and foster the cross-pollination of ideas among participants. In addition, there is some interest in using points-based accumulation programs, which can reinforce business plans, to reward best partners. These programs can represent a significant expense; however, by understanding what your partners value, programs can be designed that are more effective — leading to optimal results.

How do I do this?

Today, vendors must do more than guess what will keep partners happy and earn the best ROI. In the next generation, research-based approaches will nail down precisely what motivates channel partners and leverage those insights to co-create truly motivational rewards strategies.

For example, by actively asking for and leveraging participant information regarding incentive travel through a conjoint analysis study, companies can not only improve program effectiveness, but also drive business results. These studies can reveal destination and activity preferences that make a real difference in motivation. Vendors may learn that participants have a strong preference for regional events over national events or for beach destinations over ski trips. Study results will help vendors create an experience that generates excitement, performance and ROI.

Similarly, in points-based accumulation programs, vendors can design an optimal reward structure and create genuine traction that drives improved performance by finding out what types of rewards genuinely motivate those participating. Ultimately, insights gathered from this process will allow the best program design and provide insight into communication preferences and rule structures that will motivate the greatest number of partners.

Case in Point

Client: A Major Wireless Carrier

Objective: After completing a merger, our client wanted to revamp their existing incentive travel program. The ultimate goal was to implement the most motivating program to drive performance and maximize business results.

Solution: To better understand the needs of the participants, Maritz conducted research that was designed to address diversity, increase motivation and move middle performers to higher levels of achievement. The research consisted of:

- An electronic survey which tested the alignment of program objectives with business objectives, as well as the program’s ability to influence behavior and activity.
- A survey in which respondents viewed multiple travel program design options side-by-side, and selected the option they would work harder to earn.

Results: The study radically changed basic assumptions about existing travel incentives. Surprising findings included the fact that participants demonstrated a strong preference for regional over national programs. The research also revealed the reasons for this preference: individuals felt that connecting with leaders into their line of sight, rather than national leaders or those from other regions, would give them more opportunities to build relationships that would be meaningful to them.

Step 5: Create New Alternatives for Market Development Funds that Drive Business Success

Finally, and perhaps most critically, the best performing partners will further benefit from expanded applications for their existing market development funds. While some channels might get the most from traditional marketing efforts like trade shows or direct mail, others might have different needs. The best use of these funds should be established at the local level.
Vendors should give partners a broad range of options so they can choose to spend these funds in the way they value the most. Options might include:

- Vendor-sponsored conferences and learning opportunities
- Individual incentive programs that support the co-created business plan
- Tech road shows that promote vendor products
- Facilitated learning opportunities that drive business success

By adding options to the portfolio, vendors can increase the value of this currency – leading to stronger demand for a specific vendor’s market development funds, and building deeper business relationships across the channel.

**How do I do this?**

Establishing alternatives to market development funds is not an overly complicated task, but it requires compiling a set of solutions. The critical driver is to select opportunities that are aligned to the business goals and needs of both the vendor and the channel partner, for the purpose of driving business results.

The solutions can vary, but for best results, these alternatives must move beyond traditional marketing to include options such as building sales competency, engaging facilitators around business processes, supporting experiential marketing through tech road shows and running local sales incentive programs (Exhibit 7).

**Exhibit 7:**

<table>
<thead>
<tr>
<th>MDF Program Offerings</th>
<th>Demand Generation</th>
<th>Lead Generation Program</th>
<th>Experiential Marketing - Tech Road Show</th>
<th>Sales Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotional Merchandise</td>
<td>Redeem points thru online store</td>
<td>Choose plan via online Partner site</td>
<td>Choose options via online Partner site</td>
<td>Coaching Sales Reps</td>
</tr>
<tr>
<td>Lead Generation Program</td>
<td></td>
<td></td>
<td></td>
<td>Presentation Skills</td>
</tr>
<tr>
<td>Experiential Marketing - Tech Road Show</td>
<td></td>
<td></td>
<td></td>
<td>Sales Incentive Program</td>
</tr>
</tbody>
</table>

**Case in Point**

**Client:** An Office Equipment Manufacturer

**Objective:** After three years of market stagnation, our client asked us to look for new ways to gain market share from its competitors.

**Solution:** On behalf of the client, Maritz conducted voice-of-the-customer and voice-of-the-partner research to determine ways to adjust the incentive offering to meet expressed needs of Partners. As a result, MDF offerings were changed to include new opportunities that were of increased value to the partners.

The changes included:

- Development of expanded curricula for sales representatives to include account targeting and acquisition, strategic selling skills, presentation skills and steps-to-sale best practices
- Non-cash incentive programs for meeting training and sales objectives
- Expanded offers for strategic business services, sector consulting services and professional services

**Results:** Within one full year of the program implementation, partner participation grew by 41 percent. Further, while the overall market declined by 14 percent, participating partners experienced sales increases of 9 percent across the board.

**V. Emerging Partners - Programs that Raise the Standards and the Stakes**

While top performers are critical to success, emerging partners represent enormous potential. Though this large group is generally viewed in a homogenous way, it contains a broad spectrum of partner profiles – including those who will become the next generation of best partners.

Emerging partners may include best partners for a competing vendor as well as those partners that are small but growing business. Clearly, these distinct groups need different kinds of support to transition into best partners.
For those emerging partners who are the best partners of a competing vendor, you will want to communicate your VOC and VOP information and offer participation in the best partner program. For the small and mid-sized emerging partners, following these four steps will lead to better understanding, engagement and loyalty of this sometimes underserved population (Exhibit 8).

Exhibit 8:

Step 1: Use Research to Feed Strategic Segmentation Models

Generating improvement among emerging partners must begin with a clear understanding of current business performance. A deep and targeted exploration of past performance data can produce key insights, like reasons for success and unexpected obstacles.

Further, by integrating insights from the best performing channel partners, vendors can identify both strategic and tactical drivers that grow vendor business.

In addition, vendors must continue to pursue both voice of the customer and voice of the partner research. Through the end customer, vendors can learn about the service and satisfaction customers experience with the partners; and through partners, they can identify both the benefits and challenges their partners experience.

When combined, the performance data, voice of the customer research and voice of the partner research will provide a new foundation for informed segmentation, a key first step to developing communication plans, best practices and incentive programs for emerging partners.

There are many ways to segment the partner network, and most vendors already have a model that they follow. But these segmentation schemes must define the strengths and challenges of each group of businesses, thereby informing the best way to build stronger business relationships within each segment.

How do I do this?

By analyzing performance data, VOC research and VOP research – it’s possible to uncover the complex, accurate and actionable data necessary to inform an existing or a new segmentation model.

While there are many ways to capture this data, what is critical is that the segmentation model moves beyond traditional “firmographics” – measures of size, location, employee count, etc. – to include strategic and cultural aspects such as go-to-market strategies, employee capabilities and customer expectations. By understanding how a business is operated, it becomes much easier to understand the partner and customer value drivers.

For example, two businesses operating in the same region with the same employee count and revenue totals may have completely different operating models.
One business may be growing through service relationships, while the other is growing through volume sales. These two businesses would value the aspects of their vendor relationships differently and their customers would have different expectations for sales and service.

Building the right segmentation model will vary by vendor organization and their specific partner network. Choosing the right design for the right situation will create the greatest opportunity to optimize program effectiveness.

**Step 2: Identify and Communicate Partner Best Practices**

Vendors possess a birds-eye view of channel performance and best practices, and this perspective can be leveraged to add real value for partners. When vendors are able to compile, package and share the best practices that have worked for best partners by segment, they can help emerging partners define and inspire their own successes.

Best practices may focus on any number of areas, including:

- a. Sales development
- b. Marketing goals and strategies
- c. Selection, training and professional development
- d. Customer satisfaction benchmarks
- e. Lead generation
- f. Attachment strategies for hardware and services

This “blueprint to success” approach adds value for channel partners, giving each of them a template to drive business growth through a prescriptive model they attribute to the vendor. This association between partner success and vendor support is an essential tool in building loyalty. Partners will value this roadmap because it will deliver growth within their organization. This will in turn create program buy-in and motivation for improvement.

Further, when delivered through existing communication channels like performance portals, events and tech support functions, these best practices will help channels to define and envision their success.

**How do I do this?**

By properly packaging and applying the insights provided by research, vendors can challenge specific segments with best practices that have already been proven successful among best partners. Critical activities, like strategy plans, advertising and marketing plans, sales training, technical training, joint sales calls, succession plans, talent acquisition and more, would underlay these best practices and serve as a roadmap to improved performance and enhanced success.

In a sample plan, designed for one partner segment, a general category of “Sales Development” might be defined through several criteria including account planning, solution-based selling capabilities, sales coaching, sales training, incentive programs, account succession planning, etc. Behind each criteria would be a set of best practices that help the vendors focus. However, the real benefit becomes visible when the partner sees the impact of the plan on their individual business results. This will be the lasting motivator that builds and adds depth to relationship (Exhibit 9).

**Exhibit 9:**

**Best Practices:**

<table>
<thead>
<tr>
<th>Sales Development</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Account planning</td>
<td>Detail...</td>
</tr>
<tr>
<td>2. Solution-based selling capabilities</td>
<td>Detail...</td>
</tr>
<tr>
<td>3. Sales coaching</td>
<td>Detail...</td>
</tr>
<tr>
<td>4. Sales training</td>
<td>Detail...</td>
</tr>
<tr>
<td>5. Incentive programs</td>
<td>Detail...</td>
</tr>
<tr>
<td>6. Account succession planning</td>
<td>Detail...</td>
</tr>
<tr>
<td>7. Etc.</td>
<td>Detail...</td>
</tr>
</tbody>
</table>
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Step 3: Create Meaningful Motivation through Incrementally-Based Incentive Programs

Due to cost-to-value ratios, incrementally-based incentive programs are likely the most relevant choice for emerging partner incentives. This strategy creates a virtual bank account for each partner. The bank account grows based on individual performance improvement and helps build relationships with partners by linking success to performance against revenue. Further, it provides the motivation needed to bump channel partners up to the next tier of performance by encouraging them to work a little harder to get a lot further.

Vendors choosing to use this model need to leverage two key principles.

- **Points must be attainable** - Tiered structures must allow for penetration into the middle of the channel network with step-up opportunities for those that execute against the performance plan.

- **Points must be meaningful** - Connecting to partner preferences can create goal setting that drives results.

While top-partner incentives often have distinct cut-offs, offering points - whether connected to tangible rewards, pricing practices or other reward opportunities - are executed in a more equitable manner. A tiered structure often yields widespread adoption by making points attainable throughout the channel network.

**How do I do this?**

In this model, partners are rewarded in increments by achieving in levels. For example, a partner could be evaluated individually for improvement, evaluated against the rest of the network for meeting the category goals or evaluated for meeting specific sales goals. Based on the individual partner’s monthly or quarterly performance, they would achieve a certain value of points – adding to their virtual bank account (Exhibit 10).

**Exhibit 10:**

<table>
<thead>
<tr>
<th>Elite Group</th>
<th>OS Commitment</th>
<th>Trade Credit @ Commitment</th>
<th>Award Growth Bonus Point</th>
<th>Move Up Bonus</th>
<th>Travel Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>+7.5% Above Prior Year</td>
<td>6%</td>
<td>Elite Award Point Bonus</td>
<td>2,500 Points</td>
<td>Elite Dealer Travel Award</td>
</tr>
<tr>
<td>Gold</td>
<td>+7.5% Above Prior Year</td>
<td>3%</td>
<td>All Dealers earn 10% on purchases over Objective</td>
<td>2,000 Points</td>
<td>Elite Dealer Travel Award</td>
</tr>
<tr>
<td>Silver</td>
<td>+10% Above Prior Year</td>
<td>2%</td>
<td>Paid Quarterly</td>
<td>1,600 Points</td>
<td>Elite Dealer Travel Award Extension for Top Performers</td>
</tr>
<tr>
<td>Bronze</td>
<td>+12% Above Prior Year</td>
<td>1% Paid Quarterly</td>
<td></td>
<td>1,000 Points</td>
<td></td>
</tr>
</tbody>
</table>

Further, in a properly designed incrementally-based motivation program, points are:

- Earned for incremental sales performance and deposited into a virtual bank account
- Redeemable not only for incentive awards but also to fund (or partially fund) Vendor-sponsored business building offerings (e.g., sales skills training, business planning, local incentives, etc.)

Points-based accumulation programs are a great loyalty builder, but without the right design and tiers, they can easily fall flat. With proper, research-based design, a points-based program can be a strong differentiator that drives lasting change and strengthens vendor/partner relationships.

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**Case in Point**

**Client:** A Leading Petroleum Retailer

**Objective:** Our client was seeking to create a consistent customer experience at over 11,000 retail outlets that were independently owned and operated by more than 600 franchisees.

**Solution:** After conducting extensive customer research, Maritz and the client were able to craft a list of best practices that drove business growth. The resulting best practice model was communicated through various existing channels including the channel sales force. Franchisees were measured against these best practices through various means, including a mystery shopping model, and were rewarded and recognized for implementing them.

**Results:** Within one year of the program implementation, customer satisfaction scores increased from an average of 87.1 percent to an average of 93 percent among participating dealers. Further, the top performing partners who were eligible for travel rewards, enjoyed an increase in commodity gasoline sales of five percent above those that were not eligible.
Step 4: Create Affordable Alternatives for Market Development Funds that Facilitate Best Practice Achievement and Reflect Partner Needs

Like your best partners, emerging partners can also benefit greatly from the flexibility surrounding the use of market development funds. Market development funds can easily become an extension of your overall program, offering access to tools and opportunities that will help emerging partners implement the very best practices vendors have recommended. In this new iteration of market development funds, vendors can help partners understand what they need and then take advantage of opportunities aligned to their prescribed best practices, which may include:

- Vendor learning opportunities
- Individual incentive programs that drive partner revenues
- Facilitated training opportunities that drive business success

As with your best partners, by adding options to the portfolio, vendors can increase the value of this currency – leading to stronger demand for a specific vendor’s market development funds and building deeper relationships, and therefore deeper loyalty, across the channel. These funds ultimately drive results by offering the potential to target specific challenges and achieve meaningful, lasting improvement. By investing market development funds with the right partners and in the right manner, vendors can contribution to partner success, compare the effectiveness of specific programs and learn even more about helping partners meet business development goals.

How do I do this?

Vendors must work with partners to understand opportunities and determine the best use of market development funds. As these funds promote best practices, vendors can support the business-building efforts of emerging partners.

The strategy for offering alternatives to market development funds for emerging partners is based on the same model as used for your best partners. The only difference is that opportunities that are financially out of reach must be either removed or toned down to allow for balance and maximum motivation by segment (Exhibit 11).

Case in Point

Client: A Large OEM of Printers and Copiers

Objective: Following the successful merger of two hardware vendors, Maritz was asked to help increase growth at the dealer sales representative level. We developed an incentive program that quickly identified an untapped opportunity to turn more mid-size dealers into best partners.

Solution: A program was designed to give every partner the opportunity to earn rewards for incremental growth. The incentive program rewards partners with opportunities to earn trade credit rebates and points for exceeding baseline plans. Partners were segmented into one of five level designations (Platinum, Gold, Silver, Bronze and Authorized) depending on their performance against plan. Each of these designations has an assigned growth target and rewards schedule. Additional bonus points are available to partners who raise themselves to the next level designation.

Results: Despite a flat market in the industry, dealer purchases increased an average of 15 percent with mid-sized dealers growing at twice the rate of dealers overall. The program also demonstrated a return on investment of over 580 percent.

Exhibit 11: MDF Program Offerings

<table>
<thead>
<tr>
<th>MDF Program Offerings</th>
<th>Demand Generation</th>
<th>Sales Development</th>
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</thead>
<tbody>
<tr>
<td>Promotional Merchandise</td>
<td>Redeem points thru online store</td>
<td>3rd party training (see course outline on Partner site)</td>
</tr>
<tr>
<td>Lead Generation Program</td>
<td>Choose plan via online Partner site</td>
<td>3rd party training (see course outline on Partner site)</td>
</tr>
<tr>
<td>Coaching Sales Reps</td>
<td></td>
<td>3rd party offering (see course outline on Partner site)</td>
</tr>
<tr>
<td>Presentation Skills</td>
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<tr>
<td>Sales Incentive Program</td>
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VI. Conclusion
Companies wishing to address partner loyalty, increase attach rates, build partner competencies and create brand advocates to increase bottom line growth for themselves and their entire partner ecosystem must engage both best and emerging partners.

By combining a co-creation process designed to retain best partners and a best practices model designed to provide the tools emerging partners need to succeed, it’s possible to strengthen relationships and productivity across the entire channel. Through this approach, vendors can address the needs of their best partners, potential best partners, and small to medium sized partners by helping all channel partner segments find growth, success and satisfaction. When they do, vendors maximize their influence and results with channel partners and create a shared destiny aligned around common business goals that drive sales.

Endnotes:
1. Channel Management Group Research, 2007
2. Sales Executive Council, Enabling Channel Partner Relationships, 2005
3. Sales Executive Council, Enabling Channel Partner Relationships, 2005
About the Author

Michael T. Spellecy, Corporate Vice President and Managing Consultant, Sales Effectiveness Practice, Maritz

As Corporate Vice-President and Managing Consultant, Mike Spellecy is responsible for leading the Sales Effectiveness Practice at Maritz. With 30 years of experience, Spellecy helps clients achieve objectives by developing programs that address the behavior of the people who impact results. He has broad expertise in a number of industries and has contributed to the development and delivery of points of view and performance improvement programs for such companies as Konica Minolta, Coca-Cola, AT&T, HP, Dell, Anheuser-Busch, and HON/Allsteel. Spellecy's expertise helps clients identify gaps between performance expectation and actual results. He educates clients on the development and execution of programs that address organic sales growth, improved productivity, new product launch, share and mix, employee recognition and retention and a host of other applications. Before becoming the leader of the Sales Effectiveness Practice, Spellecy directed the operations group, project management and creative resources for Maritz. Spellecy has served on the St. Louis Sports Commission and the Board of the Olympic Festival.

In this role, he led the effort to develop the presentation and business plan that brought the festival to St. Louis. Spellecy received his Masters of Business Administration as well as his Bachelor of Science and Bachelor of Arts degrees in marketing and finance from Washington University.

Spellecy has expertise in:

• Creating interventions designed to generate greater alignment, mindshare and loyalty from channel partners.
• Developing methodologies to improve the performance and selling effectiveness of direct sales resources.
• Counseling clients in the execution of non-cash performance improvement programs.