

FROM RELATIONSHIP TO PARTNERSHIP

BUYING MIND-SHARE IS NO SUBSTITUTE FOR PLANNING AND PREPARATION WHEN IT COMES TO EFFECTIVE CHANNEL MANAGEMENT SAYS MILLER HEIMAN CONSULTANT, **RICHARD SHAW.**

The importance of channel sales has increased dramatically in recent times, necessitating a change in the way these business relationships are managed. Traditional approaches have focused on joint marketing activities, training support, incentive schemes and a measure of hospitality. These initiatives still have a place. But in today's dynamic environment, organisations are waking up to the fact that they need a more coherent and structured method of managing and enhancing their channel relationships.

This is happening against the backdrop of globalisation and advancing technology.

World-wide access to competitive information via the Internet means that customers are better informed. They are also more sophisticated and demanding – service elements that were once 'desirable' are now expected as the norm. At the same time the widespread application of technology is diminishing product and service differentiation and increasing the

speed with which new offerings are introduced.

E-commerce has also had a major impact. Opening up additional routes to market and creating new niche areas to exploit on the one hand. Enabling competition to spring from unexpected quarters on the other.

With expertise in short supply, vendors need to concentrate on their core skills. Increasingly they rely on the channel to add value and achieve a degree of synergy that a single company would struggle to maintain alone. The rationale behind this strategy is to:

- penetrate previously untapped markets e.g. geographical and vertical sectors
- offset financial pressures on margins
- reduce overall cost of sales
- improve time to delivery or market
- provide superior customer service through complementary products and skills, specialist knowledge and localised support.

In return the channel partner expects a fast start to market, healthy margins and the pull-through of a well-established name. Whilst the potential benefits of these business models are clear, in many cases organisations are not doing all they can to optimise them and reap the maximum rewards.

CHANNEL ISSUES

Some vendors have been content to rely on buying 'mind-share' – although inevitably the results are only as good as the last lunch bought. The natural tendency is for relationships to evolve as both sides come to recognise the value they are gaining. But these approaches lack any strategic focus and are strangely out of step in a highly relationship-orientated business world.

There are other compelling reasons to evaluate your channel management mechanism and the value it brings to your overall business strategy :

Distribution mix now has a tremendous influence on both brand

success and the ability to ward off competitive threats in a chosen sector. Given that there are only a limited number of appropriate partners, selecting the right companies to approach is crucial.

It's also true that a brand is only ever as strong as the weakest link in the channel strategy. Since the quality of your relationship with the marketplace depends so heavily on channel partners, having an effective management process is not only desirable, but essential.

Channel distribution is tantamount to having a virtual salesforce. Depending on the size of these organisations, there can be tens, hundreds or thousands of people representing your interests – all with their own individual characteristics and operating styles. Having devolved responsibility for revenues to a third party, the issue is then how you 'put the wood behind the arrow' to ensure resources are directed at the right target?

Fundamental to this is for both parties to share the same goals and to work together to achieve them. The foundation is robust business planning to agree objectives and timescales, and allocate resources and subsequent joint tracking and selling.

MAKING THE TRANSITION

Miller Heiman addresses these issues through its Channel Partner Management programme. From making the right channel decisions, to comparing different partners and maximising their particular strengths and minimising weaknesses, the process ensures organisations go to market with their eyes open.

The programme draws on Miller Heiman's experience of working with sales organisations around the globe to develop mechanisms that manage their customer interface. The basic premise is that companies need an

open and transparent sales approach before they can identify the value of their product or service in the market or understand the characteristics of their ideal customer. Only then can they begin to look objectively at sales, eliminate waste and maximise profits.

The Channel Partner Management programme builds on this philosophy to deliver a methodology and set of supporting tools that will:

- increase channel revenues
- increase mind-share and build loyalty
- align areas of channel focus between business partners
- minimise vulnerability to competition
- manage channel partners through all facets of the sales process.

The aim is to centre the channel model on mutual profitability, by helping organisations to assess the main factors for a good working relationship:

Mutual contribution - as in every

other kind of winning combination partnership is at its best when it becomes a necessity for success – one partner is providing the other with a key benefit not available elsewhere.

Shared vision - it is also imperative to share the same aims and to simultaneously recognise the value from the relationship. Do you have common objectives and fully understand each other's expectations? And do you work to meet each other's needs?

Joint goals - once you have determined the value of partnership to both businesses it is essential to work together to lay down tactical initiatives to achieve these goals. The right combination of sales and support programmes will lead directly to increased sales, better understanding and future opportunities.

Implementing a process that creates a shared view of the world and establishes a common sales language quickly translates into tangible benefits. The organisation is able to see the market from the channel partner's perspective and determine what can be done to add value. It also allows them to take a step back – to assess where they are, where they want to be and the action needed to get there. It also becomes easier to analyse customer situations objectively in terms of mutual benefit, increasing the chances of a successful outcome.

In the current commercial climate improving channel effectiveness is becoming a strategic goal across a range of industries. But to achieve improvements in revenue, profitability and customer satisfaction organisations recognise that they will need a new level of commitment to meet the challenge of moving beyond channel relationships to true partnerships.

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