

Indirect Sales Channels:

Key Factors in Building a Successful Indirect Sales Channel Strategy

By David Sanderson

Today many companies rely on indirect sales channels to provide additional sources of market share and revenue that normally are not attainable with a direct sales force. These channels, if well managed, can provide expanded market share in existing markets, open new markets and be cost effective without a large investment.

Utilized correctly, indirect channels can quickly provide a significant part of corporate revenues and augment a sales cycle in times of economic difficulties. However, in our experience many corporations have indirect channels in place that are underperforming or under utilized. The outcome usually produces limited results and revenues. Based on our experience working with indirect channels, Global Partners Inc. has designed a three-stage approach to aid struggling indirect sales channels. In this article we have outlined this approach and in subsequent articles, we will examine in more detail each stage and various examples in industry.

The challenge is to develop a process that will assist in managing the indirect channels to ensure their long-term success. Building a successful organization requires many elements, which we identify in these stages by outlining the critical success factors.

The process can be broken down into three stages: Market Plan, Organization and Management.

Stage 1: Market Plan

A plan to guide the development of the channel is key. The Market Plan should provide a way to measure the results of the channel and evaluate its effectiveness. The important elements that should be included in the Market Plan are:

- **Identify Corporate Goals** - work with senior management to mandate the importance of the indirect channel and establish a vision to be bucketful.
- **Partner Selection** - Identify and qualify the correct partners with careful criteria and competency requirements
- **Segment Target Markets** - determine the targeted markets, and identify the size and priority of them.

- **Clearly Defined Roles** - determine who is in charge of the channel and who is running the program.
- **Create a Business Plan** - develop an annual operating plan to achieve targeted goals in P&L.
- **Define the Capabilities of a Partner** - include important factors that will enable the partner to work with the indirect sales channel team.

Once a plan is complete the next step is to execute and build the organization. However, an infrastructure must be developed, laying out the details of the indirect programs. To run an effective program there must be a clear line of communication and support for the channel.

Stage 2: Organization

The next stage is to develop the organization and support to effectively run the channel program. This involves the specific understanding of the channel itself and areas such as account, compensation, and product selection. The key elements include:

- **Education** – develop knowledge of channels and of the system.
- **Account coverage** - define specific territories/accounts to be handled by channel.
- **Compensation** - detail commissions and other programs.
- **Corporate support** – provide a program/process for customer support to handle channel issues.
- **Product Selection** - detail and advise product groups and availability.
- **Conflict Elimination** - determine where channels may conflict and set rules for possible troubles.

The third stage of channel development will provide a method to manage the plan and organization that is now part of the company strategy. It requires monitoring so that the indirect channel has long-term success.

Stage 3: Management

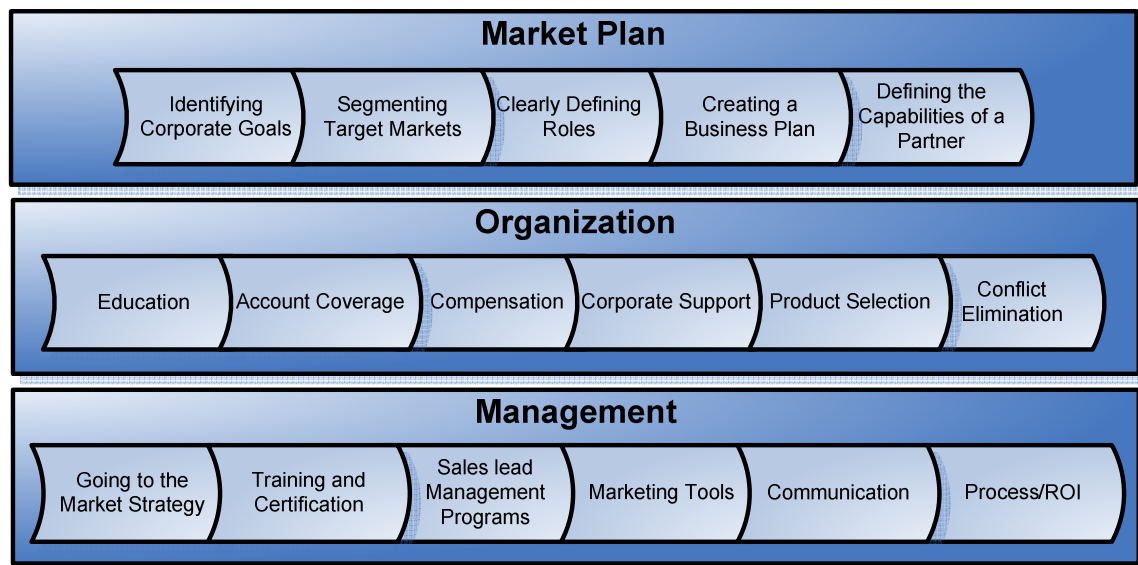
The third stage provides ways to control and review the results of the channel. Some of the key elements include:

- **“Go to the Market” Strategy** – plan a market strategy to enter and work the targeted channels. Provide roadmap to selling into these channels.
- **Training and Certification** - provide training to distributors on business procedures and products. Include certification if necessary.
- **Sales Lead Management Programs** - create lead generation programs with marketing and e-mail campaign.

- **Marketing Tools** - provide collateral (e.g. sales brochures).
- **Communication** – put communication vehicle in place with distributors such as a website/portal, phone lines, email, etc.
- **Process/ROI** - measurement and reporting of the distributors on a monthly/yearly basis (e.g. performance clause).

The chart below summarizes the 3-stage process to operate the indirect channels and key elements to be considered and included.

Creating Framework for Channel Management



In summary a successful indirect sales channel program should contain the following key factors:

- Compelling business proposition
- Clear communication lines
- Shared expertise – training and support
- Ease of doing business
- Treat as equal partners
- Corporate commitment –financial and organization

To establish and run a successful indirect sales channel, the most important aspect includes the selection of the best channel partners. An infrastructure to support the partner and motivational materials and training are essential. These basic principals are dynamic factors for a successful indirect sales channel program and can be used to evaluate an existing program.

David Sanderson is a Principal at Global Partners who focuses in areas at the intersection of technology, consumer products and healthcare. David has over 20 years of international management experience with Global consumer product leaders such as Reebok, technology leaders such as ST Microelectronics and Healthcare leaders such as MedApps. For more information, interested readers can contact Dave at dsanderson@globalpartnersinc.com