

Growing Your Business Through Channel Partnerships

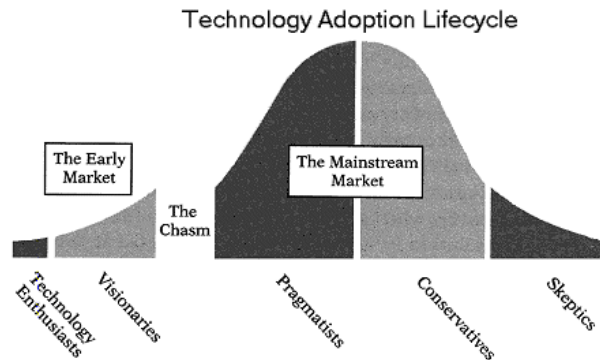
Deborah Merkin

In these challenging economic times, companies struggle with the most productive ways to grow their business. One approach to effectively reaching new markets without making substantial investments is through channel partnerships. However, successful channel strategies require careful partnering.

This white paper will detail one approach to identifying and working with the “best” channel partners for your business, and will highlight differences in strategies for product and services firms.

Product Companies

Channel partnership strategies for product companies vary depending on where your products are in the technology adoption lifecycle. Geoffrey Moore, in *Crossing the Chasm* (HarperBusiness, 1999), provides an excellent overview of the technology adoption lifecycle and the different marketing techniques necessary for success at each stage.



Early adopter or Innovators Phase:

In the early adopter or innovator phase, customers don't know that they need your product. In this phase, your partners must be able to:

- Understand the technology and the vision
- Articulate the need for the product and the problem it solves
- Provide powerful introductions for your company

In this phase, your partners must be large, well known companies, on the cutting edge of technology. While you want partnerships that will help build market integrity and sales muscle, you will still have to conduct joint selling activities. These partners are the door

openers to the market and to new customers. However, when the partner opens the door, he will not be able to articulate the unique benefits of your products. You will have to make sure you are selling jointly with your partner and complementing their value-add with your expertise.

If you have done a good job in training these partners, they will understand where you fit in their mix, and which customers could use your product. These big players see the value in providing solutions which leverage their new software or hardware (Microsoft's .NET, Oracle's Database, IBM's software or hardware). Focus on communications with these partners, as well as identifying the people within their organization that can help both companies to be successful.

Your partners should see you as a unique solution which answers a specific need of their customers and leverages their products. By offering your product solution to their customers, they are now able to fulfill the customer needs in a new emerging market that they could not have fulfilled on their own.

Late Adopter and Early Majority Phase:

Your strategic partnerships help you build brand recognition and open up new market territory. You utilize the prowess of this market leader to help you build credibility and develop new customers in your chosen market place.

In the **late adopter phase or early majority phase**, the market is well understood and the customer generally understands and knows they need the product. You probably have significant competition for the customer. You need channel partners able to present the unique feature set of your product relative to the offerings of your competition. Your channel partners should understand the competitive landscape and where the product fits into the market.

The channel partner in the late adopter phase or majority phase of the product life cycle comes in several varieties:

- Vertical partners – partners that bring knowledge and value to particular vertical market you would like to expand in.
- Geographic partners – partners that help add value by reselling and supporting your product that expand your geographic reach.
- Strategic Partnerships – As in the early product stage, creating partnerships with the big guys (Microsoft, Oracle, IBM, HP) is always critical. Your challenge is to continue to demonstrate value added to their product and technology offerings. Your product in conjunction with their technology/product provides solutions in new or expanding markets.

Channel partners will be your implementers and your first line of contact with your customers. Good partners will help you to understand and support customers more effectively. Therefore, you must develop channel programs and infrastructure that

support continuous communications, feedback and support with both your sales and marketing teams.

What is in it for the channel partner in this adopter phase? Initially it is an understanding of the business opportunity for the vendor in a particular vertical market or unique market niche. In the long run the tools you provide them will help them to be successful:

- Training, and certification on the product
- Support – a support line that helps with installation, bugs etc.
- Marketing – provide channel partners with information, collateral, qualified sales leads. Support your partner’s growth through your own marketing efforts.

Late Majority and Laggard Phase:

In the late majority or laggard phase, your product has been around for a while, has a defined market place and you are trying to “milk” the product for every last bit of revenue. You need a different kind of channel partner strategy.

If you have done things right in the other stages, you have an established indirect sales channel. You have built up strategic partnerships and a channel sales network that has been strong and profitable during the adopter phase of the product life cycle. You now must keep the channel partners selling your product in a declining market and not resell for the competition?

How do you keep their interest and most importantly their income? While you will lose some channel partners during this phase, you won’t lose the good ones if you manage them properly. Ongoing communications and a “show me the money” approach are key:

- Support channel partners sales efforts through marketing and new incentives/packages that keep channel partners interested in selling your product.
- Create programs that will sell the old product with a product upgrade when the new product is released
- Communicate your new products coming down the pike and when and where the new products will be available.

Service Companies:

As you can see, understanding where your product is in its product life cycle helps you form your channel strategy and allows you to target the right partners for the right time in cycle. But what happens if you are a services provider, can you still partner?

The answer is yes. You can build meaningful and deep partnerships with a few good partners. If your primary business focuses on services and implementation, you will probably want to partner with product companies, particularly in the early to late adopter

stage. This helps you differentiate your company as a services provider that will provide solutions that are both cutting edge and practical.

Become the product companies' reseller by adding customization or middleware to form a complete solution for the customer. Following this path will help you to obtain new customers from the product companies while helping you build intimate customer relationships that will see your customers coming back to you as they grow their business.

Make sure you can differentiate your company from complementary product companies.

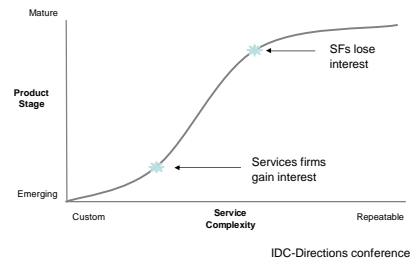
- Focus on the customer rather than the competition.
- Make sure you can clearly articulate your value proposition to your customers.
- Make sure you can determine your services ROI, and provide these tools to your partner.

Whether you are a product company or a solutions company there is always new ways to build strong strategic and channel partnerships that help you grow your business. The key to always keep in mind W.I.F.M. (what is in it for me) for both your partner and your customer.

Understanding the type of company and where it fits in the product life cycle is key to understanding and developing profitable, revenue producing programs and partnerships.

Building a channel program, however, is only the first step to more efficient selling models. Other issues include channel conflict and the best methods of compensating your direct and indirect channel, to be covered in a future white paper.

Product-centric Model



For more information on how the Acelera Group can help to productize and market your services offerings, please contact us at 617 737-7100 or at info@aceleragroup.com