

Channel Partners

Coaching Questions

“Do channel partners make sense for your business?”

Topic Introduction

Create a networking of channel partners is a great way to extend your business without the fixed costs. However, you need to be able to make it worth their while.

Discussion Questions

- What is your margin?
- Can you afford sales people?
- Do complementary businesses have established relationships with your ideal clients?
- Can you keep them interested in selling your offering?
 - o Do you profit share?
 - o Do you have regular communication with them?
 - o Is there strategic synergy?
 - o Is there a high cost of entering the market and doing what you are doing?

Key Learning

When looking for channel partners, you want to make sure that you are investing the time and effort in the right ones.

“How do you to select a channel partner?”

Topic Introduction

The best strategic channel partners are the same size, same culture, the same values, and having mutuality (needing each other equally).

Discussion Questions

- Are there other businesses that target the same target market?
- Are there other businesses that have a complementary offering?
- Are they approximately the same size as you? Or is the business unit you are working with the same size as you?
- Do they have a similar organizational culture?
- Do they have similar values?
- Is there mutuality? Do you need each other equally?

Key Learning

The more alignment on these factors, the higher is your chance of success of forming a lasting and profitable relationship.

“How do you avoid channel conflict?”

Topic Introduction

Other than the obvious (very carefully), there are some best practices to follow.

Discussion Questions

- How are you setting up your relationship?
- Is there exclusivity within markets?
- How are you protecting yourself?
- How do you know if there is a channel conflict?
- How do they know if there is a channel conflict?
- How could you terminate the agreement and end the relationship?

Key Learning

Having a channel conflict policy and a way to police this will save you from trouble down the road.

Examples

Real Life Example: Do channel partners make sense for your business?

A hosting company wanted to expand their business, but they didn't have the internal strengths to hire sales people directly but their management was great at building relationships. So they decided that rather than focused on hiring, training, and retaining their own sales people that they would set up channel partners with organizations that were selling to their target clients. By doing this they were able to grow their revenue by 3 times in 2 years.

Channel partners are extremely common in the IT business, due to the scalability of IT platforms and online businesses. Once the fixed costs of an IT business are covered, there is a huge marginal benefit for every additional client that you have. That allows for the margin to allow for channel partners, as well as the necessity of volume to compete. It is a perfect storm to have a plethora of channel partners.

That challenge for the IT sector is that it is also important to have knowledgeable channel partners. Often the sale is complex and the channel partners need a higher level of knowledge than an average individual. This means that there is training involved and the business needs to be accessible to channel partners to respond to specific questions.

Most large IT companies leverage channel partners including Salesforce, Apple, Google, and most hosting companies.

Real Life Example: How do you to select a channel partner?

A telecommunications company wanted to expand their market share within the small business sector. They realized that they didn't have the skillset or client knowledge to enter this marketplace. They also realized that the small business sector is scattered with millions of small businesses. So they decided to leverage a channel partner approach to reach this target client.

To do this, they looked at the following criteria to offset their weaknesses;

- Access to the small business target market
- Existing experience and knowledge of the target market

As their sale is more complex and they were a large organization, they required that the channel partners also had;

- Deep technical knowledge
- A strong team with a minimum size and capability to scale
- Security protocols and systems in place

The businesses that fit these requirements were extremely small compared to the telecommunications business. So this meant that there were different cultures between the businesses and it took a long time to foster the relationship into a strategic partnership.

Mini Case Study

Charlie, a photographer, wanted to get more wedding business, but was finding it hard to find the clients.

CHARLIE: It is hard enough doing all of the weddings that I'm doing, I can't make it to all of the wedding tradeshow and other events to keep getting new business. But I want to grow!

COACH: Why does it have to be you all of the time?

CHARLIE: I guess it doesn't have to be. That would be a relief. But I can't afford a sales person.

COACH: You don't have to. You can find a channel partner. This is a business that sells something different than you, but to the same type of client. Who else sells to people who are getting married?

CHARLIE: Lots of people! A wedding usually has a caterer, an event space, a DJ, and sometimes even a wedding planner.

COACH: Right. And all those businesses are trying to sell as well. Who do you think would be the best partner?

CHARLIE: Well, it would be great to have a wedding planner. Or a caterer. But now that I think about it, the first thing that someone books is the event space. And the event spaces have staff, so they are always at the tradeshow. They plus they run other events other than weddings. Plus most wedding planners already have photographers they are working with. So maybe the easiest thing would be to reach out to some event spaces as channel partners.

COACH: Sounds like a good plan Charlie. You don't have to do everything in your business. Nice work.