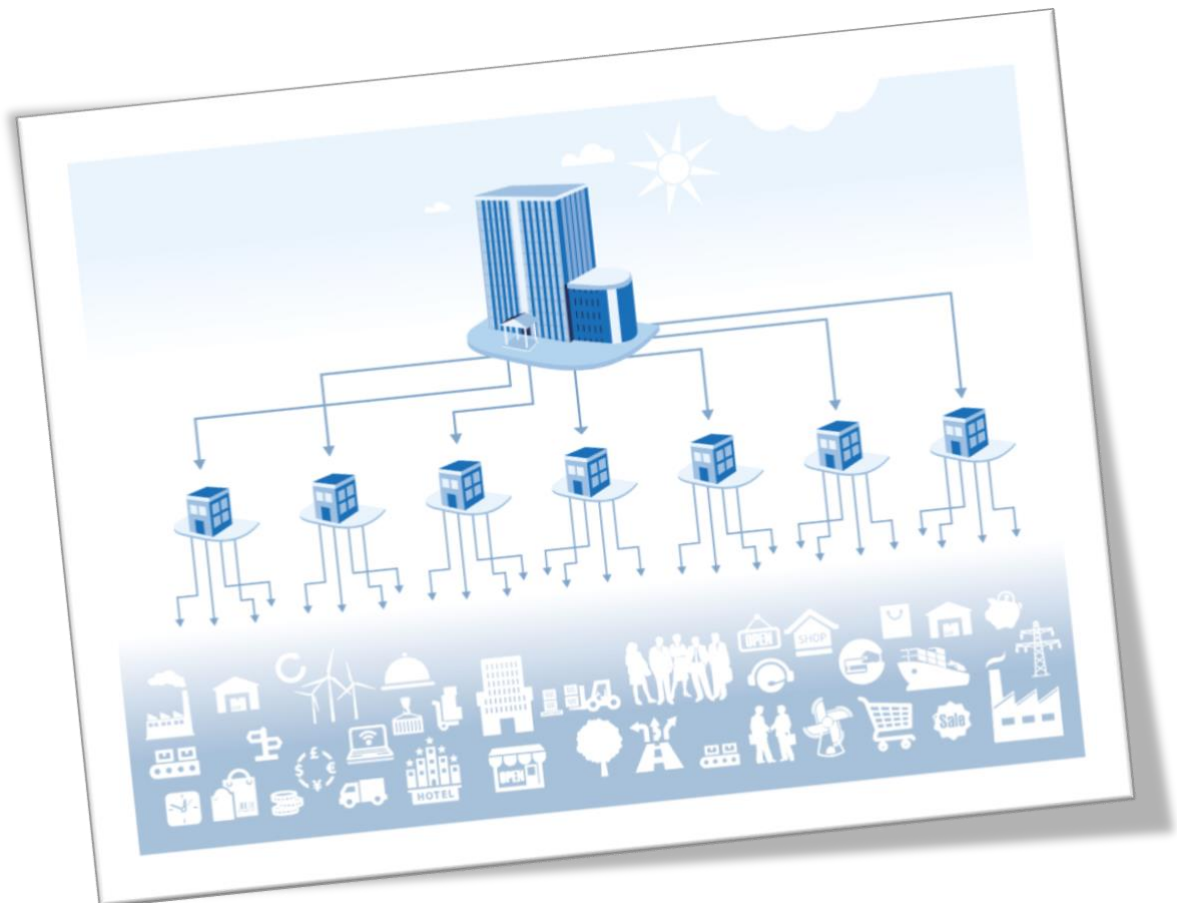


Building Successful Partner Channels in the Information Technology Industry

Syllabus v. 6



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Preface

The objective of the workshop “Building Successful Partner Channels in the Information Technology Industry” is to give the attendees an opportunity to review and discuss the issues related to growing local and global market share through a channel of independent business partners. The workshop is facilitated by Hans Peter Bech and is based on his Amazon bestselling book of the same name.

The purpose and structure of the syllabus

The syllabus is the basis for the workshop and explains the learning objectives, the structure and the content.

Target Audience

Variable	Level 1	Level 2	Level 3
Company Maturity	Start-up Looking for a profitable and scalable business model	Stable Growth Profitable and growing faster than the market	-> Leadership Domestic market share >20% and global market penetration initiated
Market Maturity	Emerging Market There are only a few, small providers of this type of solution	Fragmented Market Several providers of this type of solution, but none with >20% market share	Mature Market A few clear market leaders with >20% market share
Channel Maturity	Low Less than 25% of the market can be reached through channel partners	Medium 25-50% of the market can be reached through channel partners	High > 50% of the market can be reached through channel partners
Customer Touch and Sales Cycle	Low No field sales required - avg. sales cycles <3 months	Medium Field sales required - avg. sales cycles are <12 months	High Field sales required - avg. sales cycles are >12 months
Value-add Potential	Low Auxiliary products and services are <50% of CLV ¹	Medium Auxiliary products and services are 50-75% of CLV	High Auxiliary products and services are >75% of CLV
Channel Importance	Low <25% of the revenue is from channel partners	Medium 25-50% of the revenue is from channel partners	High >50% of the revenue is from channel partners
Channel Development Stage	Early Mode <25% of the revenue is from current partners	Growth Mode 25-75% of the revenue is from current partners	Mature Mode >75% of the revenue is from current partners

Note: CLV = Customer Lifetime Value

The workshop primarily designed for information technology companies with a maturity Level 2 or 3, penetrating markets with a maturity Level 2 or 3, where there is an independent channel at a maturity Level 2 or 3, where the customer

touch levels and sales cycles are Level 2 or 3, where the value-add potential is Level 2 or 3 and with a channel importance Level 3.

Companies switching from a direct go-to-market approach to an indirect go-to-market approach will also benefit from attending the workshop.

Course participant prerequisites

The workshop and learning of the syllabus assumes general knowledge of and some experience with sales and marketing of information technology products. The workshop also assumes experience with general business financial concepts such as revenue, Cost of Goods Sold, Operational Expenses and return on investment considerations. Knowledge about the Alexander Osterwalder Business Model Generation and Value Proposition principles will be an advantage, but not a prerequisite.

Recommended Literature

Osterwalder, A., Pigneur, Y., & Clark, T. (2010). Business model generation: a handbook for visionaries, game changers, and challengers. Hoboken, NJ, Wiley.

Bech, H.P., (2015). Building Successful Partner Channels in the Software Industry. TBK Publishing®, Copenhagen, Denmark.

“Building Successful Partner Channels” - Agenda

Day 1

Time	Agenda item
08:30	Arrival, coffee and registration
09:00	Welcome, objectives, agenda and presentation of participants
09:40	The reseller approach in a business model context: <ul style="list-style-type: none"> ▪ A short review of the Alexander Osterwalder business model framework and a discussion on the differences between the principal and the resellers.
10:30	Break
10:45	The reseller approach in a business model context: <ul style="list-style-type: none"> ▪ Using the business model framework to optimize your reseller channel.
12:15	Lunch
13:30	Partner types and general rules for when to partner and when not to partner: <ul style="list-style-type: none"> ▪ A review of the various types of resellers available. ▪ Introduction and discussion of when and when not going through resellers is the best approach for market penetration.
14:35	Break
14:50	The partner program: <ul style="list-style-type: none"> ▪ A review of the objectives of the partner program and a discussion of what the program should include.
16:30	End of day

Day 2

Time	Agenda item
08:30	Arrival, coffee
09:00	The partner program continued
10:15	Break
10:30	Partner recruitment: <ul style="list-style-type: none"> ▪ A review of the partner recruitment process and how this process changes as we gain traction.
12:00	Lunch
13:30	Partner management: <ul style="list-style-type: none"> ▪ A review of the principles of partner management and how to grow the business with the various types of resellers.
14:45	Break
15:00	Exclusivity, resellers margins and channel conflict: <ul style="list-style-type: none"> ▪ A discussion of how to deal with typical channel issues.
16:00	Questions & Wrap up
16:30	End of day

Three case stories



The workshop uses three case stories to illustrate how to use the business development frameworks in the real world.

- MySignature is providing a solution for the central management of personal signatures in emails. MySignature can be delivered as a cloud-based service or in an on-premise format, it is a relatively inexpensive product per user and there is minimum effort required in implementing the solution.
- Tangeryne helps application producers and enterprises increase application usage and security, enhancing the value they derive from their software. The challenge of vulnerability due to lack of software patching is fairly unrecognized thus Tangeryne need to educate their potential customers before a sales process can be initiated.
- AvRORA is providing solutions for expenses management and cost controlling. The need for such solutions is well recognized in the industry and most customers already have solutions in place that requires a substantial effort to replace.

The three case stories will help the attendees understand the application of the business development frameworks and prepare them for their use in their individual businesses and channel development efforts.

The Channel and the Business Model Framework

In this module we will discuss the impact on the nine business model elements of choosing an indirect approach to get to and/or serve our customers.

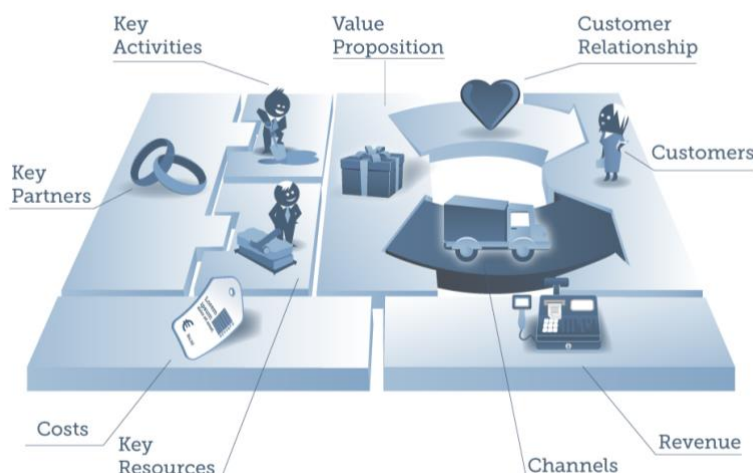


Figure 1: Business Model Canvass

Most information technology companies choose the direct channel approach in their domestic markets. As they grow and embark on penetrating international markets the idea of using independent business partners as a channel emerges.

This module of the workshop will review the fundamental differences between the direct and the indirect model and how the choice of channel has substantial impact on all other business model elements. The module will also discuss the implications of entertaining hybrid models of direct and indirect approaches.

Finally, the module will introduce the concept of the partner-based eco-system.

Learning Objectives

After completing this module, the attendees will understand the principles behind the business model framework and how the business model of the principals differs from those of their resellers. The attendees will understand how a go-to-market approach through resellers will impact the business model and the changes required to be successful with the indirect approach.

Partner Definition and Partner Types

This module starts off by defining the concept of the partner channel. It explains the various go-to-market models including direct, OEM, white labelling, distribution (2-tier), VAD, VAR and franchising. Which are channels and which are not will be discussed.

Learning Objectives

After completing this module, the attendees will understand the various reseller type options available and will be familiar with the differences between 1-tier and 2-tier approaches.

When “to Partner” and When “not to Partner”

In this module we will discuss the fundamental characteristics, which makes an indirect channel-based approach appropriate.

Some value propositions and business models are by definition not suited for an indirect market approach, while others are designed for an indirect channel from its' first conception.

This module will also discuss how the issues change over time as the awareness of the brand increases.

Passing the “tipping point”¹ the channel may even be pulling at the product offering opportunities we didn't think of in the early days.

¹ The tipping point is reached when market share passes 20%. Beyond 20% the dynamics change and demand becomes self-reinforcing.

Learning Objectives

After completing this module, the attendees will understand the premises for analysing and deciding if a go-to-market approach through independent resellers is their best option.

The Partner Program

Building an indirect channel essentially requires the development of three basic frameworks:

- An ideal partner profile
- A channel partner agreement
- A channel partner program

In this module we will discuss what it takes to design and develop a channel partner program that makes resellers productive and successful.

The Revenue Generation Process

Resellers will assume responsibility for certain parts of our revenue generation process and the partner program must be designed to support these activities.

The module introduces the revenue generation process, which supports the customers' buying journeys. The revenue generation process explains what it takes to find, win, make, keep and grow happy customers. The revenue generation process is the operational marketing and sales process that reflects how customers find our products and how they eventually make the decision to purchase.

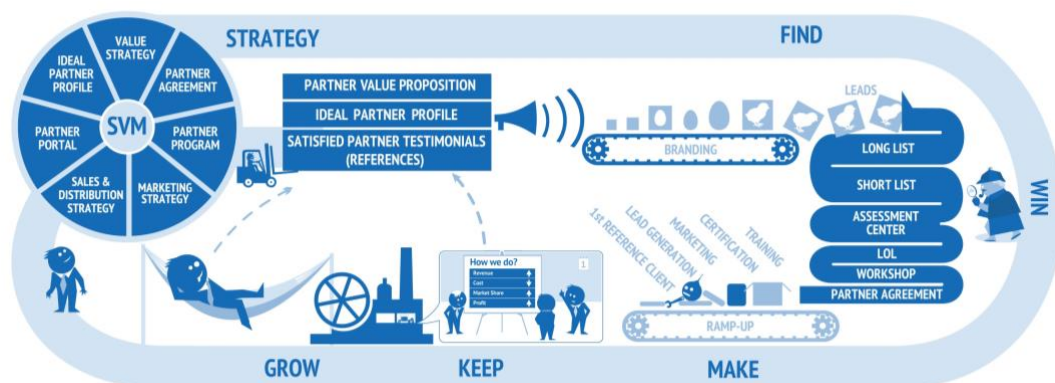


Figure 2: Sample revenue generation process

The Partner P&L and the Partner Value Proposition

Building a channel of independent partners through which we are to grow and expand our market shares requires intimate understanding of the dynamics of the channel partner "DNA."

The features and benefits of our product do not motivate a channel. The channel is motivated by the business our Partner Value Proposition can drive.

A partner channel uses the vendor's software as an enabler for selling services and building customer loyalty. Recruiting, enabling and management partners must be based on the Partner P&L model.

This module will introduce the Partner P&L and its' components. We will discuss the learning curve, the bootstrapping, the time to revenue and the time to profit.

From understanding the Partner P&L we can design our Partner Value Proposition.

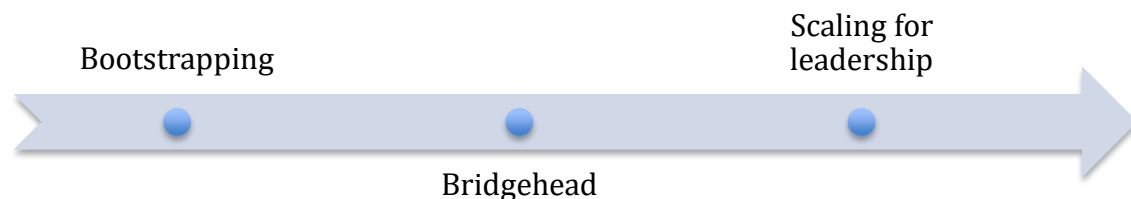
The workshop will review which elements to include in the P&L model and how the P&L model is used in the partner recruitment and account management processes.

The module will enable the attendees to design their own Partner P&L models and their own Partner Value propositions.

The Dynamics Change as We Succeed

Having a proven revenue generation process is a prerequisite for building and growing a successful partner channel, but as our channel matures and we grow our market share the dynamics and the "power balance" changes fundamentally and calls for a change in the priorities of our channel partner program.

We conclude this module with discussing the three phases of market penetration and how our Partner Value Proposition and Partner Programs need to change over time.



Learning Objectives

After completing this module, the attendees will understand the prerequisites for designing a channel partner program, understand the elements that must be included in the program and how the program must change as we become successful.

Partner Recruitment

In this module we will review issues relating to partner recruitment.

The process required for recruiting channel partners is very similar to the process for recruiting to key positions in our company. First we develop an ideal profile of what we want and then we go looking for candidates. With a long list of

potential candidates, we undertake interviews to shortlist the most appropriate, which we then invite to the final selection event. By the end of the process we negotiate the terms and conditions and sign the agreement.

We will start with discussing the challenges and process for recruiting the first partners in a new market where we have little insight and no track record.

Then we discuss the situation where we have achieved market coverage and finally the situation where additional partner recruitment may lead to over-penetration.

We will discuss recruiting according to the ideal partner profile and how to handle incoming opportunities that do not fit the profile.

Learning Objectives

After completing this module, the attendees will understand the process for recruiting channel partners with a high probability for success. The attendees will also understand how the challenges and priorities of partner recruitment change as we become successful.

Partner Management

Independent channel partners do manage themselves, but not necessarily to our advantage and not necessarily with our best interests in mind. To make sure that we meet our objectives and forge the path to market leadership we must actively manage our independent channel partners.

The main bottlenecks to growth in partner-based business models are:

1. Availability of new partners
2. Learning curve for new partners
3. The growth potential of the individual partner

This module will review the challenges associated with managing and growing the partners.

As you recruit more and more partners you will learn that they fall into three groups:

A – The Stars:

Partners who are capable of running and growing a professional business on their own and do so (<5%).

B – The Hidden Potential:

Partners who – with some assistance – can grow their business (15%).

C – The Majority:

Partners who will never be able to grow their business beyond a small number of customers (80%).

The module will discuss the instruments you must have in place to manage and grow your individual partners.

Learning Objectives

After completing this module, the attendees will understand how to organize and run an effective channel partner management program.

Exclusivity, Resellers Margins and Channel Conflict

As we build our channel there are a number of issues that we will always face.

New partners in new markets will seek to protect their investments in building the market for us and will ask for exclusivity. How do we manage this request knowing that we need the partner more than he needs us?

Channel partners will always ask for higher margins and special bids. What are the mechanisms that motivate our partners and what role does the margin (or discount) really play? Giving away too much margin can have a dramatic impact on the value of our own company and not a corresponding impact on the efforts of our channel partners. How do we manage this situation?

Channel conflict is when we² compete with our own channel partners. This happens when we introduce channel partners as a supplement to our own direct sales channel or vice versa. This may be necessary, and this may make sense, but channels partners hate competing with their vendor. How do we manage this situation?

Learning Objectives

After completing this module, the attendees will understand challenges associated with the request for individual exclusivity, higher margins and channel exclusivity and they will understand how to manage these challenges attending to the needs of both the principal and the channel partners.

² When our channel partners compete for the same business we are talking about over-penetration and NOT channel conflict.

Documentation

Agenda item	Documentation	ID #
The partner approach in a business model context	Business Model Generation – The Emperor’s New Clothes?	TBK-WIPA-007
	The Software Partner Channel in a Business Model Context	TBK-WIPA-009
	The Business Model in the Business Model	TBK-WIPA-022
The value chain concept, the AIDA process and the customer value propositions.	The Software Partner Channel and the Customer Value Proposition	TBK-WIPA-011
	The Value Chain & AIDA Process in the software industry	TBK-WIPA-016
Partner types and general rules for when to partner and when not to partner.	Commonly Used Definitions in the Software Industry Front Office	TBK-WIPA-014
	Growth Through Partners	TBK-WIPA-006
The partner program	Designing Effective Channel Partner Programs in the Software Industry	TBK-WIPA-012
	The Partner P&L – A Key to Building Successful Channel Partners in the Software Industry	TBK-WIPA-017
	Partner P&L Model	Partner P&L.xlsx
Partner recruitment	Channel Partner Recruitment in the Software Industry	TBK-WIPA-013
Partner management	Managing a Reseller Channel in the Software Industry	TBK-WIPA-015