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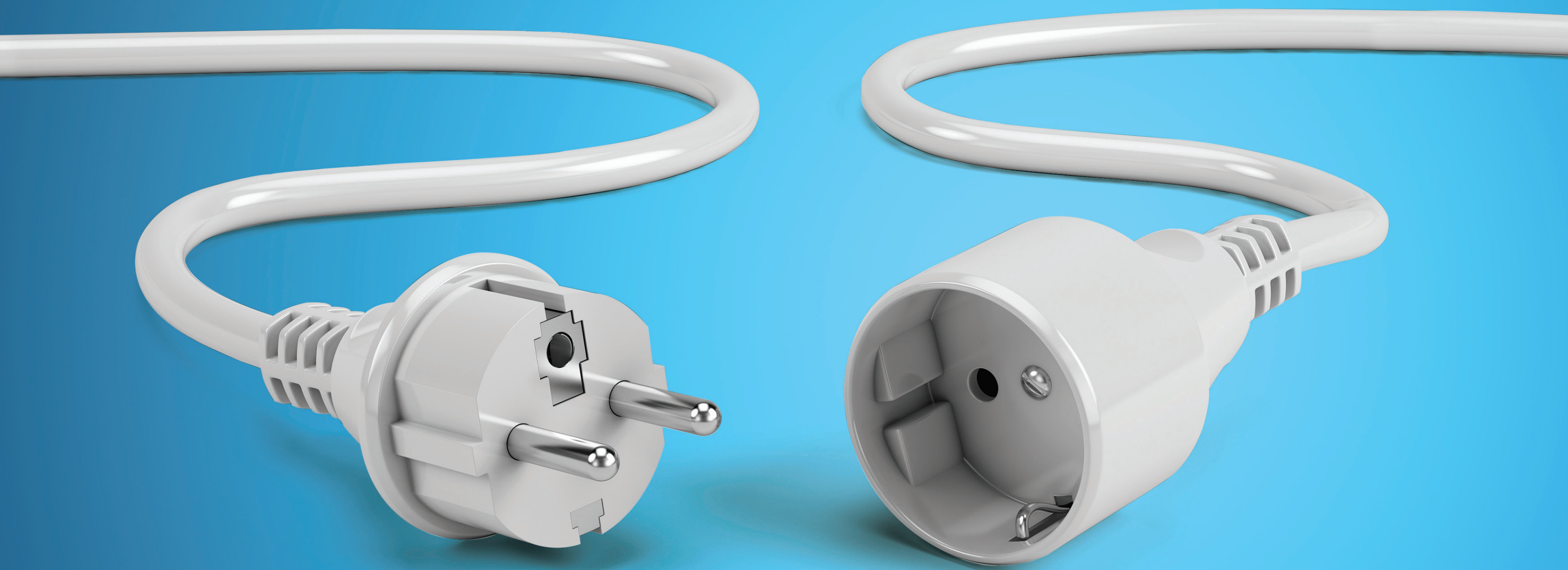

HITACHI VANTARA'S KIM KING:

AUTOMATION CAN REDUCE FRICTION

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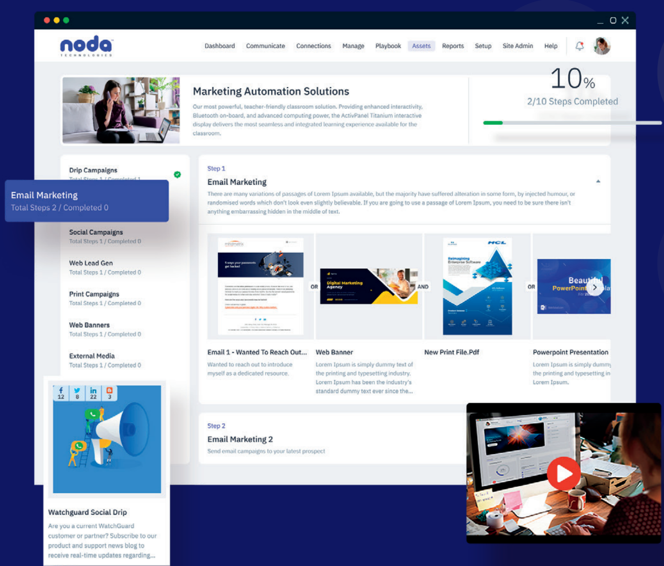

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Channelnomics™ believes exceptional insights enable channel professionals to turn vision into reality. Channelnomics is a business strategy and research firm focused on connecting channel professionals with the people and insights they need to optimize and evolve their channel strategies. Our industry experts work with companies around the world to provide the evidence to validate and structure their strategies. Our clients, in turn, benefit from improved go-to-market performance, faster time to market, and better return on partner relationships. Channelnomics Quarterly (ISSN 2831-9869) is a publication of 2112 Enterprises LLC.

Editor's Letter

Three Important Things to Understand About Partners

>> BY **T.C. DOYLE**

AUTHOR, ANIMAL RESEARCHER, AND advocate for the autism community Temple Grandin says, "If you've met one individual with autism, you've met one individual with autism."

The same can be said of the partner community, where no two partners are exactly alike. (By the way, if the comparison bothers you, please note that I've spent more than 25 years in both communities and am comfortable with the assertion.)

While many channel partners have things in common, they also have different customers, skill sets, strategies, vendor relationships, ambitions, and more.

Vendors that can't see beyond their own objectives struggle to fully understand the businesses of their partners. This includes some of the very basics, including how they make their money, market themselves, and view their customers. If you take the time to truly understand more about your channel partners, you'll build better programs to serve them and enjoy greater success as a result.

Here's a "cheat sheet" to help you better understand the partners that you depend on.

Partners make their own money

At 5K Technical Services, an MSP based in Plano, Texas, business owner Corey Kirkendoll makes money selling a blended stack of vendor-developed cloud, BDR, cybersecurity, and unified communications technologies that are sold in yearly or multi-year contracts and billed on a monthly basis. That's the business model.

Sure, Kirkendoll's company collects rewards, discounts, and other fees from vendors that add to his bottom line. But the business is selling *its* technology services to customers that hail from financial services, engineering, healthcare, insurance, legal services, manufacturing, nonprofits, and real estate. If you want in — i.e., access to these customers — you need to understand whose tech stack (not yours) is going to take priority.

Partners have unique branding ideas

A generation ago, I got to know the founders of a networking VAR that catered to law firms and venture capitalists in Silicon Valley. The owners were convinced that a Waspy name would attract blue-chip customers, so they made up one that they thought would fill the bill: Bancroft & Masters.

The company was a hit until the owners pushed things too far and registered the URL "masters.com." That attracted the attention of some very determined lawyers from Augusta, Georgia, who acted on behalf of Augusta National Inc. (ANI), operator of the Augusta National Golf Club — and holder of several federally registered trademarks for "Masters" — in asking the VAR to cease and desist its use of masters.com. Lawsuits were filed, ANI prevailed, and the rest was history.

The point is that partner marketing is often unsophisticated, unscientific, and unrealistic. Oftentimes, partners' branding efforts won't align with yours. You can expend a great deal of energy trying to change this fact, but that would be like trying to catch the wind.

Partners view their customers as their own

I know a channel partner in Middle America who got so busy during the COVID-19 pandemic helping customers that he couldn't hire and train workers fast enough to satisfy his contractual obligations. When he explained the predicament to one of his customers, the customer responded, "Why don't you route some of your support calls to my guys? You have us so protected and well-trained that we can share some spare work cycles with you."

Ever had a customer love you that much? Partners have, which is why they get testy when your salespeople call on their customers unannounced, or when you try to assume responsibility for contract renewals.

Remember that no two partners are alike, which is why getting to know as many as you can is a key to your success ●

T.C. DOYLE is the vice president of strategic content at Channelnomics. Connect with him on LinkedIn at **linkedin.com/in/tcdoyle**.

Tip of the Quarter

Getting Ready for Takeoff

AS YOU HEAD INTO DAYS 121 TO 180 OF YOUR CHANNEL chief position, you should feel confident in the groundwork you've worked hard to lay.

You've played the observer, collecting data on your company's products, channel programs, partner profiles, value proposition, strengths, and weaknesses. You can explain its go-to-market strategy, identify its top five competitors, and define its top three business drivers. You've played the role of planner, building alliances with key stakeholders, setting up a project management office, and laying out an 18-month plan.

Now, you'll put your plan in motion. And that will require a discrete set of tasks:

- **Collaborate with communications and marketing teams:** This is critical, as these two groups create the collateral, content, and messaging that support the channel throughout the transformation.
- **Tell stakeholders what's coming:** You should develop a baseline message and set of FAQs by route to market. Communicating what you're doing, why, when, and how it benefits partners will drive acceptance.
- **Train internal teams and partners on program and operational changes:** Be sure to establish an enablement plan for in-house teams and a phased cadence of training for partners. Topics for the latter should include process and program changes, new and sunsetting benefits, timelines, and new requirements.
- **Amplify changes through press briefings:** Also, gaining buy-in from key partner execs ahead of time will help create positive buzz around the changes and give the press third-party sources to quote.
- **Launch the program:** Once enablement and promotional activities have been completed, all systems are go for the program rollout.
- **Schedule check-ins with higher-ups:** Formal 120- and 150-day reviews will help you gauge alignment and support, highlight accomplishments, and discuss any challenges that arise.

Of course, putting your plan in flight is just the beginning. After that, you'll need to sustain the positive momentum of transformation by establishing a feedback loop of inspection, input, analysis, and course correction. You should review KPIs on a regular basis, conduct formal business reviews, schedule partner calls, and set up a partner advisory council.

As you move ahead, be sure to focus on both soft skills (e.g., cultural awareness) and concrete data (e.g., ROI). That balanced approach will help you garner support from all constituents, make the channel chief journey your own, and create a lasting impact at your organization. ●

▶ This is the final installment of our series on winning your first 180 days as channel chief. Subscribe to Channelnomics Quarterly at **www.channelnomics.com/cq** for more insights and advice.

Cover Story

Disconnected Channels

>> BY LARRY WALSH

Misunderstandings about partner business models and capabilities hamper channel program performance. Here's what vendors need to know about their partners.

IT'S SHOWTIME. ATTENDEES MILL ABOUT THE CONFERENCE center, eagerly awaiting the next keynote. Vendor marketing teams put the final touches on presentations. They've been preparing for months — the rollout of a new product, the tweaks to a channel program that promises to reward solution providers "handsomely" for their dedication to the partnership.

The goal is to get partners to commit to selling more stuff and generating more revenue. And the common refrain that punctuates all this activity: "We care about your profitability."

Yet vendors struggle to get partners to engage and meet their expectations. In our 2022 Channelnomics Channel Chief Outlook report, we reveal some interesting stats. Among vendor respondents, 85% concede that they struggle to get their partners to meet or exceed their sales goals. The same percentage say they're challenged in getting partners to adopt new products and services. And 71% wrestle with getting partners to adopt new go-to-market models, such as service- and subscription-based offerings.

If the programs are so great and lucrative, why the struggle? Why the challenge in getting partners to jump on obvious opportunities with clearly defined incentives and rewards?

The problems stem from a fundamental misconception about the nature of vendors' partnerships with solution providers and a lack of understanding — if not appreciation — for the businesses in the channel operating downstream from them.

While vendors struggle with unmet expectations of partners, partners say vendors have a lot to learn about their business models. In our cover story, find out five truths that define solution providers today. For five more, look out for an upcoming post at the ***Channelnomics Brainstorm Repository****.*

Wrong Starting Point

When developing channel programs, vendors typically start from the center, the point at which they sit in the go-to-market equation. They design programs that radiate out through one- and two-tier relationships with the expectation that they'll reach customers and generate revenue. A channel program is nothing more than a set of rules and instructions that constrain the node choices between the vendor and the customer. Through channel program development, vendors create controls that limit their expense exposure (so they don't give up too much discount or overpay incentives) while compelling partner performance and compliance.

Make sense? Sure it does. It's Channel 101, the basics of strategy and structure handed down from the channel elders that built the system we use today.

But here's the problem. Partners aren't nodes in a network. Channel chiefs like to say that partners are an extension of their sales force, but it's not true. Solution providers have choices when it comes to whom they work with, how much they sell, and where they'll place their bets. What's more, vendors aren't the chief source of partner income or profitability. At best, vendors are a means to an end for generating lucrative service-based revenue.

So, what about those channel programs full of instructions and parameters? Think of the channel as a current flowing through an electrical grid. As any electrical engineer knows, those charged particles will follow the path of least resistance. Channel programs that create obstacles or put opportunities too far out of partners' reach will often face greater performance challenges than those that don't, even with rich rewards as the promised end result. Partners naturally gravitate to programs with less friction and more easily addressable opportunities.

Defining the Disconnect

In dozens of interviews with Channelnomics, solution provider executives lament the disconnect between what vendors think and what's really happening in the field. Painting all vendors with a broad brush is a mistake, as not every complaint applies equally to all vendors, but some of that criticism from partners does point to poignantly flawed thinking on the part of vendors.

For example, solution providers say that many channel programs are too insular. Like casinos, where the odds heavily favor the house, channel programs impose constraints that favor vendor interests over those of the partner and, in some cases, the customer.

The zeal to control the cost of channels also creates imbalances in compensation equity. Consider the experience of partners in a vendor program that includes incentives for hitting sales targets. The vendor pays rebates for sales once the target is achieved, but it also excludes certain sales based on the types of products sold and the deal size. That handicaps partners' ability to retire quota. And it means that a partner closing a million-dollar deal may not get paid because it would cost the vendor too much money.

Training and certification requirements are another source of contention between vendors and partners. Vendors say they require certifications to ensure that partners are properly equipped to sell and support their products. Partners must invest valuable time and money in vendor training, which they say is often little more than going through product marketing materials. Vendor certifications, they say, frequently don't translate into value for the end customer.

Finally, partners know when they see empty rewards and benefits. Amused when vendors tout great program benefits such as partner portal listings, access to free marketing materials, and invitations to partner webinars and events, partners see many of those assets as padding on channel program announcements and nice-to-have items featured on PowerPoint slides.

What partners really want is clarity on their role, vendor expectations, and the opportunity value. They want simple, direct information and communication. How does the vendor make money? How does the partner make money? Where are the intersecting roles, responsibilities, investments, and returns? From the partner perspective, vendors exert too much effort obscuring their intentions and not enough on transparency.

> ***“ Without simplified messaging, sensible engagement practices, and easy-to-use support systems and sales assistance, partners won't engage.***

The Need to Know

If vendors hope to expand their affiliation with partners, it's vital that they understand the fundamentals of partners' business models.

Here are five immutable truths about channel partners today:

1) ***Partners make more money on their own services than they do on vendor products and services.*** Today's channel partners have developed tech stacks of their own. They understand them, know how to scale them, and know how to charge properly for them to create a predictable and steady stream of profits. Unless your innovation offers significantly more margin, don't expect partners to push your ideas ahead of their own.

2) ***When there's a choice, partners will push a product that moves off the shelf on its own rather than spend time educating a customer on another innovation that may be better in quality or more profitable.*** Partners are as intrigued by disruptive innovations as end customers. But they also recognize that their core buyers — IT professionals — have their favorite brands and standards. What's more, they know that customers aren't likely to take a risk on something new until it's been vetted thoroughly. Taking all of this into account, partners have learned that sales velocity, not margin superiority, is what powers their businesses.

3) ***Partners will avoid vendors whose technologies limit add-on sales potential or, worse, negate the need for partner services.*** If your ideas and innovations reduce or eliminate opportunities for third parties to create value-added services, don't expect to make many friends in the channel. Partners love platforms on which they can create complementary services. In fact, they expect to generate anywhere from $4 to $7 of additional revenue from services for every $1 of technology they sell on your behalf.

4) ***Partners will disengage from a vendor they perceive as difficult to work with even if the vendor's technology offers tremendous money-making potential***. So, you have the greatest technological innovation of the past decade? Great. But without simplified messaging, sensible engagement practices, and easy-to-use support systems and sales assistance, partners won't engage. Worse, if you develop a reputation for being difficult

because of overly rigid rules and requirements or poorly designed automation systems, partners will withdraw their support and move on to another company that's easier to work with.

5) ***Partner business models are complex and don't align with vendor channel programs that demand specific behaviors and/or commitments.*** When devising your partner program and rules of engagement, keep in mind that partners generate revenue from multiple activities and operate hybrid business models that don't easily align with inflexible programs. Listen to what partners want; then build accordingly.

Prescriptive Action

Channelnomics hears from vendors virtually every day about how they don't fully know their partners' value propositions, operating models, and capabilities. These admissions would be stunning if uncommon.

Vendors, though, aren't ignorant. Most channel chiefs and their teams have good insights about their top partners and intuitive knowledge about their general partner population.

The disconnect between vendors and partners is more about perspective and priorities. When developing and administering channel programs, vendors need to consider the relative value that their channel partners bring to the go-to-market equation, the opportunities open to the vendor-partner collaboration, and how partners make money both with and after the product sale.

By better defining the role of the partner in serving the end customer, vendors will go a long way toward clarifying the total economic opportunity that's available to the channel, setting the level of investments and rewards they must provide to partners, and better balancing the compensation and resources they offer channel partners that sell their products.

The trick is not starting in the center and radiating channel programs out to the market; it's about starting with customer needs, relating those market expectations to partner capabilities and models, and building channel programs that align with both. That's how you close the channel disconnect. ●

Unfiltered and Unvarnished: What Partners Say About Vendors Among Themselves

Gripes cut across many aspects of partnering, but slow response times come up often.

"Do these jeans make my butt look big?"

Does anybody ever answer "yes" to that question?

The point: Partners don't always give honest responses to specific questions. But imagine being a "fly on the wall" during private partner conversations. It's possible, if you tune into Reddit.com and other forums. Here's a sampling of recent partner gripes about vendor responsiveness at Reddit.com.

Things are worse than I've even seen before. Calls to tech support go unanswered, calls to sales go unanswered, e-mails end up in a black hole. What is going on with this industry? We're sitting here stuck in the middle between the client and their hardware/software vendors, who are completely non-responsive.

This is becoming a significant issue with all the vendors. Good vendors are getting acquired, and the support staff is leaving or being downsized to maximize profits. But, at the same time, they're gouging the MSP for more money and three-year contracts.

What is with the current trend of vendors not answering the phone for sales?

Too many have gone to e-mail only support, which really pisses me off. A ticket that could be closed in 10 minutes on the phone takes three weeks to close because they're only allowed to send one response per day.

I'm astounded at this as well. Multiple vendors. Big names. Absolutely unresponsive. Any response isn't helpful. Sometimes we just want to place an order or get a quote, you know...to give them money. It's like [pulling] teeth.

[I'm] repeatedly calling in about the same issue and wasting hours trying to find someone competent enough to answer my question or willing to find someone who can.

Guest Column

Are You Prepared to Operate at the New Speed of Business?

>> BY **KEVIN DEAN**

THERE'S AN EXPRESSION IN business often attributed to Bill Gates and others that goes like this: Less happens in two years than we predict, but more occurs over a decade than we imagine.

On the whole, it's true. But the way we get to inconceivable change over 10 years is by making the most of the two-year increments immediately before us.

Today, that's not by embracing decentralization, change management, or any other popular business buzzword of the past decade. It's by operating with greater speed and agility than previously imagined. Executive leaders understand this.

More than two-thirds (67%) believe that agility is the new currency of business, according to KPMG Research. Furthermore, more than half of CEOs (57%) fear their company isn't implementing change fast enough.

To combat this problem, businesses must optimize and innovate everywhere, especially when it comes to automation. Studies show that fully transformed digital enterprises enjoy competitive advantages over their counterparts, outperforming them financially (as per McKinsey Digital), leveraging data to drive new business and adapt to change (Accenture), and providing superior customer and partner experiences (PTC).

These realizations help explain why a majority of U.S. CEOs (74%) believe they need to act faster when shifting investment to digital opportunities, and why 60% of execs say digital transformation is their most critical growth driver in 2022 and beyond.

This brings me to you. Automation is one of the most effective tools that you can implement to improve the speed and effectiveness of your channel organization, but you must employ it wisely. This means making the most informed decisions possible. To automate effectively, you must:

1. **Recognize that channel automation isn't an island:** Today, automation platforms must integrate fully with the broader automation technologies that more tech vendors run on, including CRM, ERP, financials, MAP, and more.
2. **Make the lives of your IT colleagues easier:** The era of buying line-of-business applications and then expecting IT colleagues to integrate, customize, manage, and secure them is over. You can't burden IT with overly customized solutions, complex architectures, and innovations that pose security risks.
3. **Be able to present C-suite leaders and channel decision-makers with actionable data:** This intelligence can be used to better manage go-to-market activities and justify additional investment.

Armed with the latest integrated, cloud-based automation platforms, channel leaders can expect several benefits. They can implement new solutions more quickly and upgrade more dependably; they can better match their spending to consumption needs and budgets; and they can better align their workflows and optimize internal processes.

These are critical capabilities if your company wants to operate at greater speed and with improved agility. They translate into improved competitiveness and greater efficiency.

By implementing channel automation technology, your company can expect significant external advantages too. Consider your partners, which struggle with vendor complexity and inflexibility every day.

Did you know that channel partners will walk away from an otherwise profitable relationship if they determine a vendor to be too difficult to work with? That's right. Partners will align with vendors that are easier to do business with, even if it means leaving some money on the table. Ask partners and they'll tell you: Automation translates into ease of doing business when implemented correctly.

In an era of uncertainty and rapid change, focus on what you can control. This includes IT, which can significantly transform your ability to operate at the new speed of business. It's the fastest way to make unimagined change over the long haul. ●

KEVIN DEAN is chief strategy officer at Pittsburgh-based Mindmatrix, which provides a unified software platform for improved sales and marketing.

Reducing Friction:

How Advanced Automation Can Ease Partner Discontent and Increase Sales Velocity

A Channelnomics conversation with Hitachi Vantara's global channel leader, Kim King

STREAMLINING FOR SUCCESS: King says Hitachi Vantara's revamped CPQ system improves ease of doing business and helps her showcase the channel's value.

> *[Partners] have to decide whether they're going to give up a lot of margin or hold that margin back and drive it into their overall profitability. But we want them to be able to make that decision.*

WHEN ASKED WHAT THEY DISLIKE MOST ABOUT WORKING with vendors, channel partners invariably put "ease of doing business" at the top of their lists. Being tagged as "difficult to work with" is as damning to a vendor as almost anything.

At a time when companies are struggling with inflation, supply-chain woes, and corporate rigidity, there's one form of being difficult to work with that seems to be troubling partners most: getting quotes from vendors in a timely manner. In instance after instance, partners tell Channelnomics that it takes weeks to get quotes from vendors when customers have patience for mere days. But this isn't the case at Hitachi Vantara, where more than 60% of quotes are approved in less than one hour.

In this excerpt of an interview with Channelnomics, Kim King, senior vice president of strategic partners and alliances at Hitachi Vantara, explains how her company achieved this remarkable feat. Two things stand out from the conversation. First is the company's commitment to building a world-class configure, price, quote (CPQ) automated platform; second is the company's decision to change its policies to allow partners to set their own price thresholds.

Channelnomics: *Over the past couple of years, Hitachi Vantara has developed systems to actually take most of the friction out of the quoting process for channel partners. Why don't you tell us what it is that Hitachi has been doing and why?*

Kim King: Sure. So, we completely revamped our process. I have an amazing team that works on the CPQ system and my partner team that runs the overall program. They looked at what we were doing internally and how we could drive more efficiency and automation for our own sales organization. And then the team came back and said, 'We can do this for partners.' And I said, 'Great. Can I have it next week?' So, now we've had it rolled out for about a year-and-a-half. I mean, it's amazing when you look at where we went to, right? My whole goal since I joined Hitachi Vantara was ease of doing business. The No. 1 complaint that I heard from my partners was, 'You're really hard to do business with. It takes me weeks to months to get quoting and pricing done; we don't have any deal registration; we don't have all the basics, etc.'

> *The No. 1 complaint that I heard from my partners was, 'You're really hard to do business with. It takes me weeks to months to get quoting and pricing done.'*

To me, this was basic blocking and tackling. And so, we were looking at the overall process, beginning to end. It took us 90 days to take what we did internally and roll it out to a small set of partners. The system took us from four weeks, or whatever it was, to an hour for our partners to get an approved quote in their hands with all the automated pricing and configuration and discounts that apply to them. And we've made it better and better every time we've upgraded it.

The initial partners we rolled it out to were in North America and Australia. And then from there, we've rolled it out around the globe. And today we see 60% of all of our partner deals go through partner automation, where [they get] basic approval within an hour, which allows them to come back for additional discounting. And typically, what we see is it takes less than four hours to get that additional discount if it's required.

Channelnomics: *But it's more than just being able to do it fast, right? It's about giving the partners access to information that used to be closely guarded, like state secrets. You didn't want the partners to know everything, or you didn't have the ability to let partners see their incentives or their profit stack, to attach the products, to make decisions in real time. That was something that was taboo — or still is in many places, right?*

King: Right. Well, I think part of it was that we were also trying to change the perception of Hitachi Vantara. We were hard to do business with, really expensive, no margin, not flexible, right? We've completely wiped all of that out. We're easy to do business with now. Partners are making significant margins, front end and back end, with us, and we're giving them opportunities, especially around new account acquisition or new market or new product acquisition, and driving those in tech refreshes. So, our goal was really to show them how they were going to profit from working with us and how [we could be] a key partner of theirs. We weren't oversubscribed. They have this amazing ability to make double-digit margins with us, and it's easy for them to do that and see where they're going to make those margins and drive those dollars, and how they wanted to allocate those. Do they keep them? Do they give them back to the customer? It flows through the whole value chain for our customers and our partners.

Channelnomics: *You said 90 days to map that out, but it took you years to actually build it. What did you discover along the way?*

King: We're constantly looking 180 or 90 days back and [asking questions]. Do we have the best price? Is it a [competitive] market price for this geography? What did that customer buy at last time? So you're taking the analytics into consideration too, which is one of the things that we've done over the last year-and-a-half since we rolled it out. We're really trying to put the right tools and resources into understanding the best price possible for the end user that still allows partners to be competitive. And so, [the flexibility] is really important for them. They have to decide whether they're going to give up a lot of margin or hold that margin back and drive it into their overall profitability. But we want them to be able to make that decision and not take it away from them. It was a lot of introspection, like you said, and decision-making on our part. We had to trust our partner community to do the right thing.

Channelnomics: *It's interesting that you describe it like that. You want to give partners the ability to make decisions on their own. That's not necessarily in the DNA of a large, mature enterprise vendor. What did you have to do to get Hitachi Vantara to actually accept that they were going to do better if they didn't exercise the levers as they've traditionally done?*

King: A couple of different things. I think primarily what we looked at was the velocity to closed business, so one of the things was our 'created and closed in quarter [metric].' And when we looked at that, it was pretty dismal. So, I asked everyone to trust me and the team that this was the right thing to do. And what we saw was amazing. In the first couple of quarters, we went from 13% of business created and closed in quarter to 65% by the fourth quarter. And right now, we sit at about 60%.

Channelnomics: *So, that's the inside view of this. But how do the partners take it? What's it like to actually go back to the partner and say, 'Hey, it's up to you. How do you want to do this?'*
King: Yeah, I think that was probably the biggest challenge for our partner community. In the beginning, it took them a while to adopt it. And that's why I think … the adoption was slow, and then gradually they realized they had control, and it got better and better. And that's where we saw the volume and the velocity really take off from our partner community. But what's interesting is that a lot of this goes through our distributors. They're the ones that are driving a lot of the quoting. And one distributor that will remain nameless came back to us and said, 'We're actually slowing down giving quotes to partners because it's such a quick turnaround that we feel like we're adding zero value.'

Channelnomics: *As you know, there's no shortage of distribution skeptics out there that say, 'Well, look, they're declining in value. What value are they adding?' But there's still a lot of value in things that do come through distribution as a result of their other assets and capabilities that drive partner performance.*
King: Definitely. I think distributors are so undervalued as a part of our overall ecosystem. And I've seen a massive shift from our distribution community. They have the leverage from a marketing perspective. Many of them have their own agencies today, right? We've developed this go-to-market strategy around inside partner managers because [the distributors are] driving value in the form of engagement with new partners and then managing that long tail of partners for us.

King takes the stage at one of her many speaking engagements — this one at the Hitachi Vantara GSI Executive Summit in Lisbon, Portugal.

Channelnomics: *So, Kim, one of the issues that I track personally is non-standard pricing, or special pricing. You've gone from 85% of your deals going through special pricing to about 15%. That's significant. What about partner lift? Are you seeing a difference in the proportion of deals that partners are bringing through the door versus what you're pushing out to them?*

King: Yes, a significant one. We went from about 30% of partner-created deals to probably 65%. In some geographies, it's about 70%. So, we've really doubled down on pipeline development and growth and driving those engagements with partners. ... I wanted to get it to more of a 50-50 split, where we're driving just as much to themas they're driving to us. And so, we've had to catch up with our marketing tools, which we did this year. We're really driving that overall engagement through the partner portal. Now the partners can actually see where MDF dollars are going and how they're turning them around, etc. We've seen a huge — I want to say threefold — increase in the activity on the marketing hub. Then there's new account acquisition, which has tripled this year with partners. I don't want to give you specific numbers, but I will say when I shared the numbers from Q3 with our CRO, he was like, 'Are you sure that number is right?'

Channelnomics: *One of the things that channel leaders like you talk about is the difficulty of getting access to meaningful data. So, now you have all this data. You're able to see the triggers, the things that work and don't work. What were the surprises? What did you learn that you didn't know before you went into this?*
King: Wow, so there were a bunch of different things. Prior to two years ago, we didn't know how many partners were transacting in a quarter, how many end-user accounts they were driving. And of those end-user accounts, how many opportunities? We were able to see all the way down from our distributors, to look at how many partners they're actively working with — and of those partners, how many active customers. And then, of those customers, how many active opportunities do they have across the board? When you see those numbers start to become larger and more engaged, you start to think this is working.

Visit our website at **www.channelnomics.com/blog** to listen to the full podcast with Kim King. Or check out another Changing Channels conversation between Larry Walsh, CEO of Channelnomics, and a thought leader in the technology channel.

Guest Column

Distribution's Value Increases When Times Get Tough

>> BY **FRANK VITAGLIANO**

IF YOU FOLLOW ECONOMIC NEWS, you know that high gas prices, elevated interest rates, and reeling equities markets have put many people in a dark, cold-hearted mood.

The idea that winter is coming to the technology economy is prompting many business leaders to consider making significant cuts or changes to their go-to-market plans and strategies.

Given that distribution is often viewed as an expense even in good times, investments in the two-tier channel seem ripe for cutting in an economic downturn. The smart move, however, is to resist the temptation to make imprudent cuts and double down on the benefits that distributors provide. This might seem counterintuitive, but it's sound advice.

It's like driving on an icy road and finding yourself in a frightening tailspin. Rather than slam on the brakes and turn away from a slide, the proper response is to keep your foot off the pedals and turn into it.

As with winter driving, navigating an economic downturn is easier if you keep your speed and focus on the direction you want to go. In a downturn, for example, it makes perfect sense to keep a sharp eye on costs, impose hiring freezes, and take other measures, as long as they don't reduce an organization's go-to-market capacity. A more informed way to react to recessionary conditions is to embrace and expand indirect engagements that preserve momentum while offsetting cuts to in-house sales, marketing, and customer success efforts.

Here are three ways that distributors can help you power through a downturn so you can emerge in a more competitive position afterward.

1) Recruit and reactivate partners: Distributors provide recruitment and reactivation services that can attract new channel partners and convince inactive ones to re-engage with vendors. Leveraging this ability has the potential to result in quick sales wins and short-term revenue gains. In addition to that, it can help you win new end customers that are perfect for "land and expand" campaigns.

2) Augment existing inside sales efforts: While many people think of distributors as warehouse and fulfillment providers, they're also selling machines. Most of them have well-tuned sales call centers and inside sales operations that drive partner consideration and purchasing. Vendors looking to augment or offset their inside sales capacities could turn to their distributors to pick up more of the outreach and inbound sales load.

3) Expand access to credit and financing: Distributors are known as the industry's banks for a good reason: They're a tremendous source of credit and financing for partner and end-customer purchases. During economic downturns, vendors can work with distributors to expand access to credit and extend payment terms to make purchases more palatable for both partners and end users. During the 2008 recession and the COVID-19 pandemic, distributors pumped billions of dollars of credit into the channel as a lifeline to partners and ensured that cash flowed back to vendors.

Those are just three of the ways that distributors can help tech vendors in troubling times. There are many more. The Global Technology Distribution Council (GTDC) has teamed up with Channelnomics to produce "Distribution as a Recession Countermeasure," a guide designed to help channel professionals make better decisions and take more decisive steps in difficult times. You can get your copy at https://bit.ly/GTDCCN22.

The guide serves as a reminder that distributors can be both a cost-saving resource and a growth enhancer in a downturn. All you need to do is pull the right levers and push the right buttons. (Notice I didn't say brakes.)

Our guide shows you how.

FRANK VITAGLIANO is CEO of the GTDC, where he focuses on highlighting the ongoing value of distributors to the IT supply chain.

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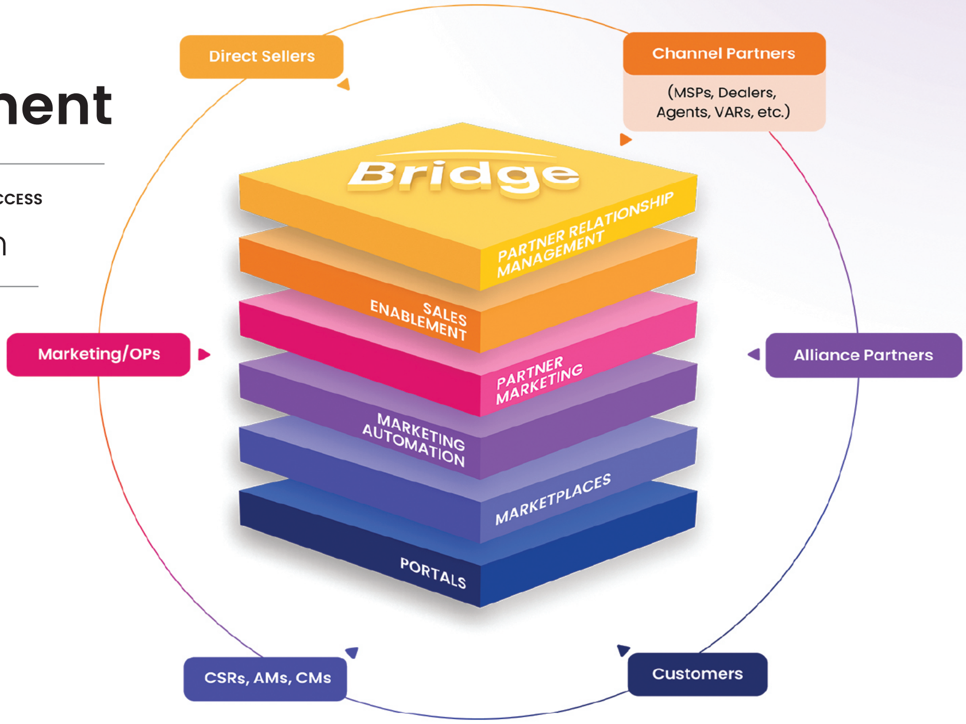

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Guest Column

Why Incentives Are Key to Ecosystem Success

>> BY JAMES HODGKINSON

WE'RE ENTERING THE ERA OF THE ecosystem — with partner-led growth now arguably the single biggest opportunity for scale. You've been hired to make this happen at a company with huge growth potential.

You know that, well beyond the core group of partners currently delivering solid revenue, there are different types of companies out there with the potential to help deliver significant growth if properly engaged and motivated to do so.

But how do you take advantage of these opportunities? Here are five tips:

> *Instead of asking your partners what they can do for you, think more about asking what you could do together.*

1. Segment your ecosystem

One of the biggest challenges partnership leaders face is trying to be all things to everyone. Generic programs that treat all partners the same work far less effectively than those targeted at the specific motions that partners want to make. Instead of asking your partners what they can do for you, think more about asking what you could do together.

2. Understand partner needs

Once you've got a good grip on the different partner motions you're trying to support, ask yourself what a partner needs to be successful in executing those motions. For example, a partner that wishes to provide implementation and adoption services for your technology needs totally different support than a partner that wants to build extended solutions in your marketplace. It's incumbent on you to think deeply about these needs from a partner perspective.

3. Make life as easy as possible

It's all well and good to understand your partners (what they can do for you, what they need to be successful, etc.), but here's where the rubber really meets the road: How easy is it for them to work with you? Is your partner program both valuable and easy-to-navigate at the same time? A partner should reasonably expect a highly supportive, personalized experience with your program, with minimum friction along the way.

4. Reward the behavior that matters

Even if you achieve all of the above, the "what's in it for me?" question still looms large. Traditionally, incentives such as SPIFFs and rebates were key to motivating sales behaviors, but in the era of the ecosystem, those incentives can be even more critical in rewarding nuanced behaviors and measuring the overall health and quality of your partnerships. Imagine paying an influencer partner for writing a blog in the same "points-based" currency you'd use for a reseller that just closed a deal with a major customer. New types of incentives like these will be needed to truly engage and motivate different segments of your ecosystem. Clearly, companies like Microsoft have already realized this, as evidenced by the Redmond, Wash.-based vendor's complete transition to a points-driven partner program earlier this year.

5. Measure and refine — continuously

Remember that the only constant in life is change; everything changes all of the time. Even if you think your program is tuned perfectly today, it's a guarantee that things will shift and evolve tomorrow. By looking continuously at the data available to you, and at the return on your investments in incentivizing behavior, you can adjust and refine at the speed of the business. ●

JAMES HODGKINSON is senior vice president of ecosystems at 360insights, a Toronto-based provider of Channel Incentive Management (CIM). Find him on LinkedIn at **https://www.linkedin.com/in/jahodgkinson**.

It's That Time of Year Again...

How well do you really know your partners?

A Channelnomics partner satisfaction (PSAT) survey will help identify which elements of a channel partner program are working and where there are points of friction. Build and maintain a positive partner experience by gauging the sentiment of your active program partners.

The Incredible Shrinking Partner Program

>> BY LARRY WALSH

THAT CONSTANT HUM YOU HEAR in the background of your daily work routine is the chorus of channel managers, pundits, and consultants (including me) melodically repeating the "keep it simple" mantra for designing and operating partner programs.

Ease of doing business is a punctuation mark in almost every channel presentation. Vendors frequently make a point of mentioning that they plan to make it simpler, more efficient, and more effective to collaborate on market opportunities, sell products and services, fulfill orders, and support customers. Channelnomics research has found that ease of doing business has a demonstrable and material benefit to vendors, increasing partner productivity as much as fivefold.

Simple is the mantra. Simple is the objective. Yet partner programs are getting more complex. As a consequence, the number of participating partners is decreasing. And that's actually by design.

A partner program is nothing more than a set of rules. The program defines a mission for the partnerships, requirements for partner participation, governance over compliance and performance, access to resources and support, and, of course, benefits and rewards. Pretty simple.

Program rules are also like throttles. Vendors can make program participation easier or harder by adjusting the settings — that is, by changing requirements (training, certification, data reporting), expectations (minimum revenue thresholds, performance incentives), and compliance (business planning, scheduled reviews, marketing programs).

The current trend is to pull back on program throttles and make partner participation more difficult, effectively driving down the number of partners that participate in channel programs. In this way, some vendors have pared down their partner ranks by as much as two-thirds.

The logic behind this is simple: Vendors need partners that deliver results. In the study for the Channelnomics 2022 Channel Chief Outlook report, 85% of channel professionals and practitioners said getting partners to meet and exceed their revenue expectations is their biggest challenge.

Most partners are underperforming by vendor standards. They fail to generate enough revenue, and their sales are inconsistent. Underperformers are equally less likely to invest in the go-to-market relationship or strive for higher performance without significant vendor investment. Conversely, high-performing partners — which make up 2% to 5% of any channel program — are more qualified, invested, and bankable.

Given a choice between developing the long tail, with all its associated costs, and focusing more resources on a smaller number of partners or clearing the road for partners with proven track records for contributions and growth, which are vendors choosing? Yup, you guessed it.

But vendors aren't necessarily making things easier for the top partners. They're pulling back the throttles just enough to close off participation to the unwashed masses, while also increasing requirements and expectations for those that remain in the program. New incentives — the carrot to the participation requirements' stick — are also increasing to give those hard chargers more incentive to grow.

Designing programs for top performers comes at a high price. It means the cost of indirect sales is consistently higher. And these top performers expect more access and resources, which increases management costs. Vendors, though, are betting that smaller programs with more engaged partners will lead to more consistent sales and better revenue performance. The logic is inescapable. ●

LARRY WALSH is CEO and chief analyst at Channelnomics. Follow him on Twitter at **@lmwalsh_CN** or send e-mail to **lmwalsh@channelnomics.com**.

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