

# Channel marketing: What you can do with US\$10,000 budget

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## Excerpt

*Channel partners play a vital role in the ecosystem of selling technology. Even tech giants like Microsoft have practiced a channel-led sales model to great success. So what proportion of your marketing budget should be set aside to nurture them? What reseller marketing programs can you effectively run? Let us explore what US\$10,000 can achieve.*

Why spend money on your partners who help sell your solutions? Why not just invest on PR or advertisements to generate awareness, which benefits can trickle to your partners? Technology vendors invariably will need to depend on its channel of partners, as an extension of their sales arm. Besides classic marketing tactics like promotions and events, exciting your channel partners cannot be overlooked. Gartner predicts that by 2009, over 70% of all IT hardware, software and services will be sold through indirect channels.

Your business partners form a network of representatives to cover more, if not all, corners of your market. By keeping top of their minds, you demonstrate willingness to invest in their bottom- or more importantly top-line. Each partner has a different profile, and will respond to different marketing activities. But whether they are system integrators or consultants, bigger profit margins score high on their priority list. Popular products help in driving volume (although sometimes less profitably) and ultimately pump up the all-important revenue numbers. Your marketing messages to your partners need to be tailored with this in mind.

## Customise your partner marketing programs

There are 4 typical profiles of a channel partner: distributor, system integrator, solution developer and retailer. Target your messages in order to fully get the support and participation of your channel audience. A retailer is more interested in volume and churn, so making your products fly off the shelves through education and promotion makes better sense. To a system integrator, short-term promotions merely serve to attract

customers already in decision-making stage or to pull forward their purchase dates.

What does US\$10,000 buy you? Depending on your objectives and where in your channel community you want to spend it on, here are 4 suggested channel marketing programs. For simplicity, we assume your average reseller price is US\$20,000 per solution unit. Partner margins are assumed at 10%.

### 1. Increasing value of partner sales

If you wish to get your existing partners to sell more of your solutions, your incentive should be on achieving new growth targets. After identifying the capable participants, tailor specific growth or tiered targets for each partner. But a simple example is to reward on the second unit sold – not the first. A simple reseller promotion is to sell in pairs for a special price (e.g. \$39,000 for a pair). Since they have 2 units, they have to find 2 different customers to enjoy the additional margin (extra 2.8%). You end up killing 2 birds with one stone – partner sells more units, and they grow your customer base. Within the US\$10,000 limitation, you can fund for 10 such discounts – garnering a total channel revenue of US\$390,000.

### 2. Growing number of channel partners

If you wish to recruit more partners to sell your solutions, reward new partners on their first sale – through some incentive to increase their margins. The extra money earned pays for their time and effort to pick up a new technology and stick through teething problems. A \$500 incentive adds 2.8% to their profitability, allowing you to recruit 20 new resellers with your US\$10,000 budget. That would contribute \$400,000 of

channel revenue. This approach also applies to re-activating partners. As they had sold your products successfully before, you do not have to spend time and effort to train them. Since you have a list of who these inactive partners are, simply run a closed program to encourage them to take up your products again.

### **3. Branding your exclusive partners**

In order to motivate your VIP partners to continue investing headcount and resources on your solutions, you'll have to reward them with sales leads and promote them in the market. Assuming that you have 5 strategic partners (and you distribute your funds equally), a US\$2,000 fund for each strategic partner can be used for their specific needs:

- Simple PR execution: Distribution of press release and one-on-one interviews with trade journalist to shine the spotlight on your partner and their successes
- Customer event: With you providing the prospects contact database, you can engage an event agency to manage a targeted seminar (or a breakfast session for executives) for your partner to showcase your solution
- Sales promotion: The partner marketing dollars can be used to fund for discounts, purchase additional bundled offerings, or even combine for a big-ticket lucky draw.

### **4. Building technical capabilities**

All the above are more bottom line in nature. If it is mid-term product knowledge and competency you're putting a priority on, you can consider funding (fully or cost-share) for a technical pre-sales headcount. This central resource then assists your top partners, participates in sales pitches, builds their product experience, and helps in product evaluations and support. To fully gain value from this investment, you must have clear proactive plans for the headcount, setting clear KPIs on deliverables such as number of presentations and product training a week.

The most important action from any marketing execution is tracking and measuring results, no matter how small your marketing budget is. With US\$10,000, do you know how much it costed to recruit each new partner? If you had allotted funds for each partner to tailor their own marketing, which execution was the most effective? It is also important to spend time listening to your partners' feedback on the programs you run – you may gain immediate benefit, but will it hurt your partners in the long term? From these small marketing activities, you'll be able to execute future ones with more impact, when more funds are made available.

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