



CSO Insights™

The Research Division of Miller Heiman Group



2016 CSO Insights Channel Sales Optimization Study

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Acknowledgments

I would like to thank all the sales leaders and channel sales professionals who took time out of their busy schedules to share the data, insights, and best practices they use to optimize selling through a channel. Without their support, the development of the research knowledge base used to create the 2016 Channel Sales Optimization study would not be possible.

Next, I would like to thank [Accenture](#) for their partnership and thought leadership support for this project. Accenture has been a trusted advisor and client of CSO Insights for over 15 years.

Lastly, I would like to thank our editing team whose hard work and diligence made this project possible. Thanks to Paul Maxwell, Diane Hodges, Melissa Paulik, and Andy Jesmok.

Sincerely,



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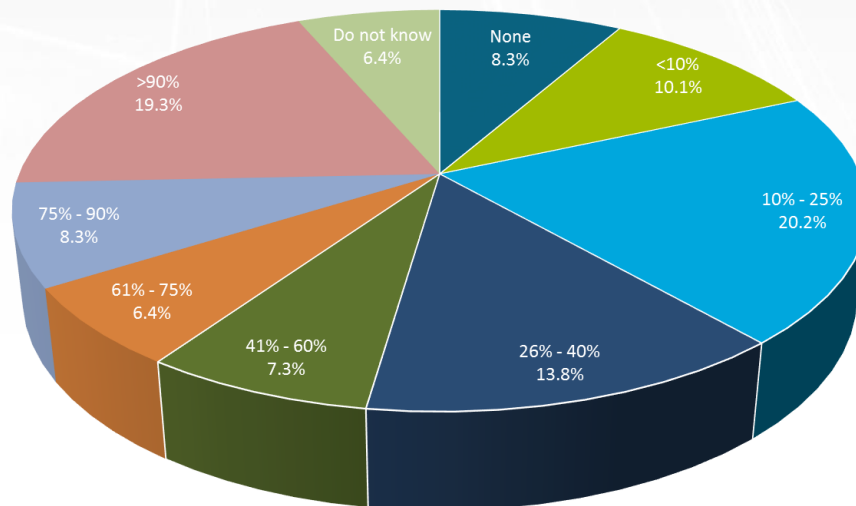
2016 CHANNEL SALES OPTIMIZATION STUDY INTRODUCTION

The data used for this analysis was gathered as part of CSO Insights' biannual Channel Sales Optimization study. As part of this research effort, we used the first 110 respondents surveyed from companies worldwide, collecting information on 58 channel management effectiveness-related metrics. We continue to leave the [survey open](#) to collect additional data for benchmarks based on geography, vertical industry, company size, etc.

By way of an overview of the study demographics, 39% of the study participants worked with United States-based companies and 61% were with international firms. Nearly all the study participants worked for companies that focus on B2B sales. Regarding company size, 35% of the respondents work for firms with revenues greater than \$1B, 24% for companies with \$50M - \$1B in revenues, and 41% for firms with less than \$50M in revenues.

Next, we'd like to share an overview of key metrics. The following pie chart shows a breakdown of the percentage of a company's total revenues generated by channel partners. We see a mix of firms heavily dependent on channel partners for their overall success compared to firms that have a minor channel presence.

Revenue Generated by Channel Partners

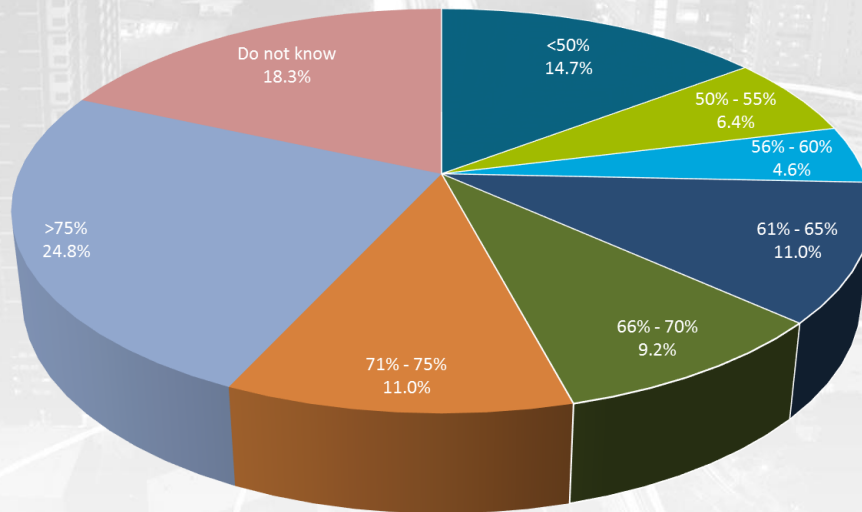


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One of the first areas we wanted to explore was how revenue generation is spread across the population of channel partners. The following chart shows a breakdown of the answers we received when we asked, "How much of channel revenues are generated by the top 20% of all partner firms?" 36% of the respondents reported their top-tier partners are generating greater than 70% of all channel revenues.

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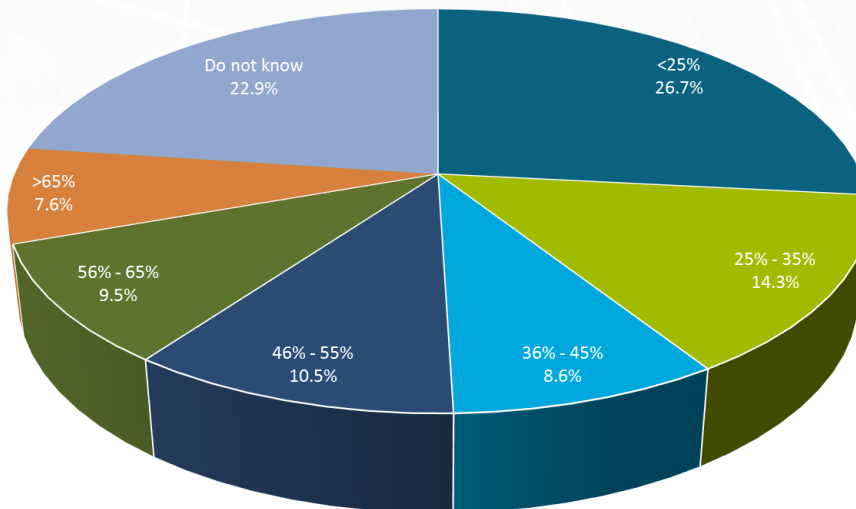
Revenue Generated by Top 20% of Channel Partners



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We also wanted to gauge the success of channel partners in terms of meeting their revenue objectives. A breakdown of the response is shown the following chart, where results vary widely.

Percent Channel Partners Meeting or Exceeding Revenue Target

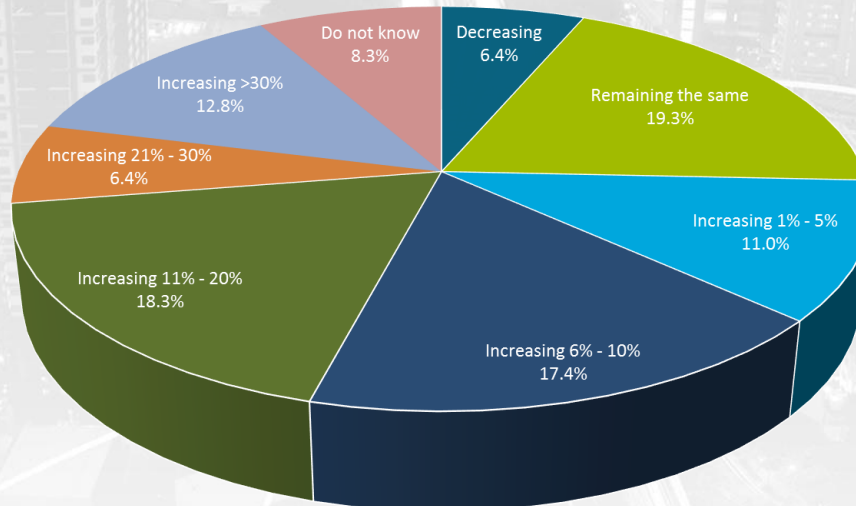


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Next, in terms of the importance and growth of a channel in the overall sales mix, we asked study participants to tell us what changes they anticipated in the size of their channel network over the next twelve months. The chart below shows that the vast majority of professionals surveyed view the channel as important and will continue to grow their channel network.

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Projected Change of Partner Network



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The big question is, what needs to be done to maximize the performance of the channel? In the following 2016 Channel Sales Optimization Key Trends Analysis, we will focus on the current state of channel management performance. We will highlight the challenges facing channel sales professionals, drill into why those problems exist, and then provide insights into how to keep moving the performance bar even higher for this year and beyond. We have also produced a PowerPoint presentation with a summary of charts that show the responses to questions asked in the 2016 Channel Sales Optimization study.

As always, we hope the information presented in this analysis will help you effectively optimize your organization's channel management efforts. While we believe the issues raised have broad applicability, we encourage you to use this information only as the basis for brainstorming and goal-planning sessions for identifying and prioritizing your channel management objectives. Everyone can benefit from understanding the strategies and tactics other companies are using, but in the end, you must implement solutions that fit your specific business needs and not those of other firms.



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To discuss this report in detail, or if you have any questions or comments on the information presented in this report, feel free to contact either of us.

Sell well,

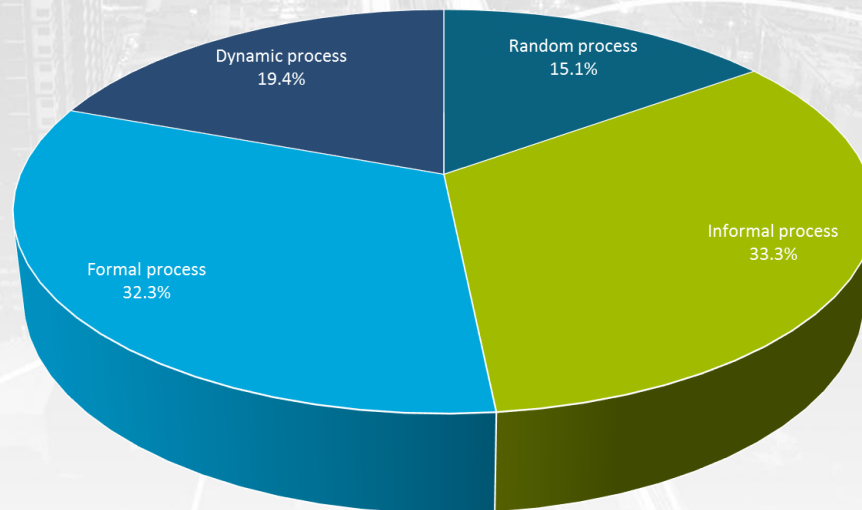


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PROCESS FOR SUPPORTING AND ENGAGING CHANNEL PARTNERS



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Key Findings

- Levels of formal/informal process support are identical.
- Performance heavily favors more formal process approach.
- Lead generation is good; coaching is better.

Observations and Insights

Levels of process implementation is a concept we borrowed from our other studies because it has withstood the test of time. Over the past decade, higher levels of sales process implementation corresponded with higher levels of sales achievement. This was mostly true when applied to levels of process support, although Ad Hoc (level 1) had a higher percentage of sales representatives achieving their revenue target at 35.3% than Informal (level 2) at 30.1%.

It was all uphill from there, however, with 38.8% of sales representatives with Formal (level 3) process support reaching their targets, followed by a big jump to 47.9% for Dynamic (level 4). So the pattern is heading in the right direction, but the levels are not impressive. In this year's Sales Performance Optimization study, 53% of sales representatives made their number, and Dynamic process level firms recorded 62.3% of their sales representatives doing so.

What would explain this dramatically lower achievement? For openers, it would appear there is not a direct translation from sales process implementation to sales process support. The arm's length between directly implementing versus formally supporting is likely key. Characteristics of companies moving from Ad Hoc to Dynamic in process implementation are increased process

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orientation, coaching, leveraging technology, collaboration, and analytics. These may be things principals are not necessarily interested in offering, nor channel partners interested in receiving.

However, the data suggests that an upside exists for both sides of the channel partner equation. Is there room for coaching, collaboration, or combining CRM between principals and channel partners? Historically, the answer would be a resounding “No!” Principals had limited visibility into partner pipelines, limited access to prospects/customers, and no time for coaching.

After all, if you’re going to do that much hand-holding, wouldn’t it be just as easy to field a direct sales force? This may seem like a reasonable question, but it makes a series of unreasonable assumptions: That the principal could hire enough sales talent, establish sufficient coverage and relationships, and have in place the manager, CRM, and other supporting systems to make all of this happen. Lack of these resources/abilities is typically the main reason firms seek out channel partners.

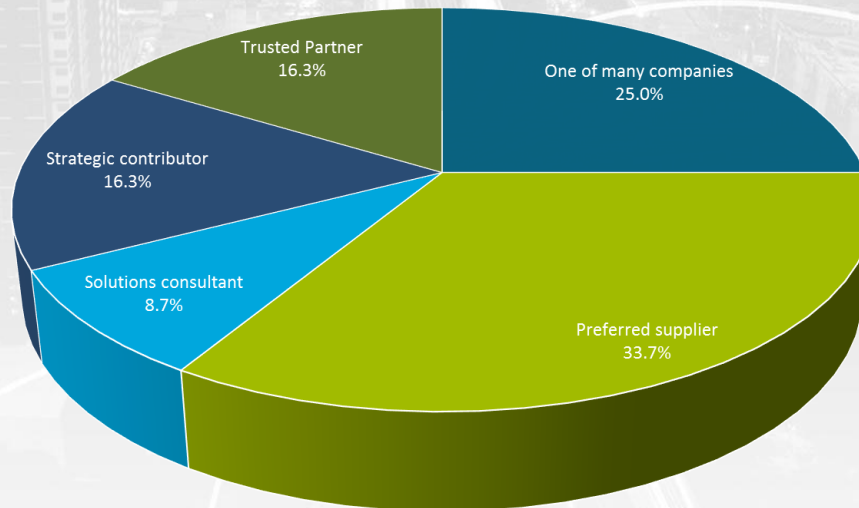
But then a different set of competing priorities ensue—fighting to maintain (top of) mindshare, creating open communications, providing/sharing a common CRM system, etc. Interestingly, perhaps due to the relatively small survey population (108), there was little improvement seen with the addition of a formal CRM system or with better-than-average product training being provided. The percentage of channel partners meeting revenue targets still hovered at less than half (47%).

While many might suppose the lowest-rated channel support activity is lead generation support, it actually came in second to last. Last place went to coaching, or lack of it. But the next time you’re being beaten up about lead generation, here’s the data (see table below).

Assessment of Lead Generation Support	Needs Major Redesign	Needs Improvement	Agree	Strongly Agree
Percentage of partners meeting revenue target	30%	34%	47%	36%

Yes, lead generation is an important and crucial aspect of support for partners; so is training—both sales and product—and coaching on performance, sales process, individual skills and abilities, and more. Having leads is always a good thing; no one will deny that. Making the most of the leads generated is an even better thing.

LEVELS OF RELATIONSHIPS WITH CHANNEL PARTNERS – HOW PARTNERS VIEW YOUR COMPANY



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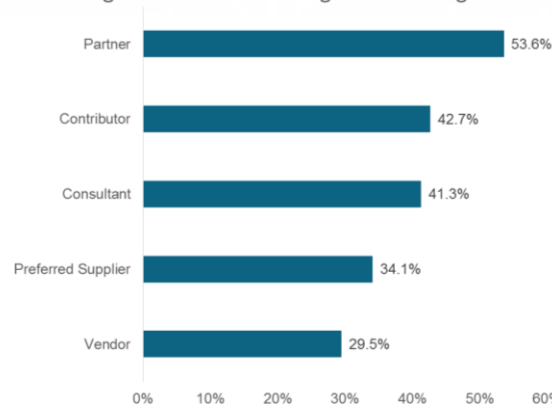
Key Findings

- Supermajority of channel partners perceive relationship at lower levels.
- Higher-level partnering relationships correlate with higher performance.
- Moving to higher levels of relationship means moving more than product.

Observations and Insights

Another concept we have tracked for 10 years is levels of relationship—how sellers are perceived by their customers. The data has been consistent over this period: higher levels of relationship correlate with higher levels of performance. So, too, the same levels of relationship applied to how principals are perceived by their channel partners correlate with higher levels of revenue target attainment, as shown in this chart.

Percentage of Partners Attaining Revenue Target



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The steady, upward march of the revenue attainment figures shows dramatically better revenue attainment as a firm moves up levels of relationship. Vendor level means a firm is one of many principals they represent. Partner level means co-creating strategies to optimize business results.

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Although we say the words “channel partner” in a single breath, it’s noteworthy that less than 1 in 5 relationships actually attain trusted partner status.

Could it be that traditional channel partner models have created an environment of mistrust and/or misalignment? If the “relationship” is purely transactional, then it should be made as frictionless as possible to facilitate rapid, repetitive, and routine processing. Whether these are frequent or infrequent, vendor relationships should focus on processing orders quickly and efficiently—period.

A Preferred Supplier obviously has some track record of delivering as promised. At the Solutions Consultant level, someone, either the partner or the principal, is also helping install/implement the products and/or services being delivered. A shift begins occurring at this level from not simply providing a deliverable to having an understanding of how the deliverable positively impacts the end-user experience; that is, how it contributes to the channel partner’s customer experience.

As firms move above the consultant level to Strategic Contributor and, ultimately, Trusted Partner, there is increasing discussion, planning, and process around where the business is coming from, where it’s going, and the moves the principal and/or channel partner can make to build positive results.

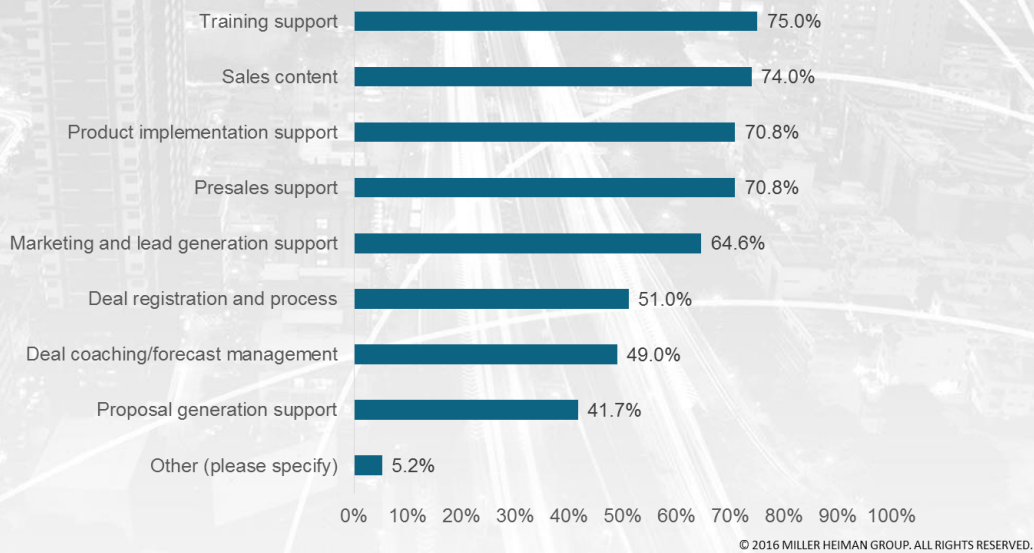
For example, one of our clients makes fiber-optic cable and connectors. At the vendor level, these are the products they produce and their channel partners inventory and deliver. At the opposite end of the relationship continuum, they have global partners that represent an enormous resource both in terms of moving volumes of goods and services while also being tapped into the latest trends.

Their highest-level relationships appreciate not only the principal’s product quality but also their technical expertise. Their product engineers are often scheduled into meetings with the channel partner and some of the partner’s biggest customers to discuss the latest technologies, future product roadmaps (both principal’s and customer’s), and participate in an open exchange of ideas (under NDA, of course).

This isn’t news to anyone, but what may be is the clear increase in revenue attainment that accompanies higher-level relationships and conversations. These higher-level relationships are not without their growing pains and challenges, but they tend to be much less contentious and more open to sharing—information, risk, and benefits.

Isn’t that what “partner” really should mean?

SALES ENABLEMENT SERVICES OFFERED TO CHANNEL PARTNERS



Key Findings

- The vast majority of companies selling via channels understand they need to provide support services.
- Support during the sales process (coaching/proposal-generating support) is lacking.
- Best Practice: Share sales process mapping insights with channel partners.

Observations and Insights

For those of us who have worked to sell business through a channel, it is useful to remind ourselves from time to time that partners are far different than direct salespeople. Your direct sales teams must focus on becoming successful selling your products and services. Your partners can represent multiple product lines, which means they have options and will often gravitate toward selling what is easiest for them at higher margins. Therefore, ensuring you offer the right types of services to help partners engage customers or prospects becomes paramount to successfully meeting your indirect revenue goals.

The chart above shows a breakdown of the types of support services survey participants are offering to enable their channel partners. Topping the list is ensuring that indirect salespeople have received training on the company's products/services. Equally important is that they have access to the sales content needed to educate customers/prospects on the company's products/services in order to differentiate the company's offerings from the competition, to create a business case to justify the purchase, and more. This is followed closely by presales support, implementation support, and lead generation services.

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An item worth noting is that only half of the firms surveyed reported they had a process in place for partners to register deals to help minimize channel conflict. In drilling deeper into the data, this appears to be related to how key channels are in terms of overall revenue generation. For companies where the channel represents >90% of total revenues, deal registration is offered by nearly two-thirds of the companies, and this decreases to just over one-third of companies when channels account for 25% of revenues. Lastly, we see that offering help at the mid-stage of a partner's sales process, forecast/deal coaching and proposal generation support are the least common practices.

Next, we looked at the services offered by the top 20% of the firms surveyed, which were those companies that had more than 55% of their channel partners achieving their yearly revenue targets. The table to the right shows that this group of companies is more likely to help channel partners fill their pipeline and coach them on how to close deals that progress far enough through the sales process to be added to the forecast.

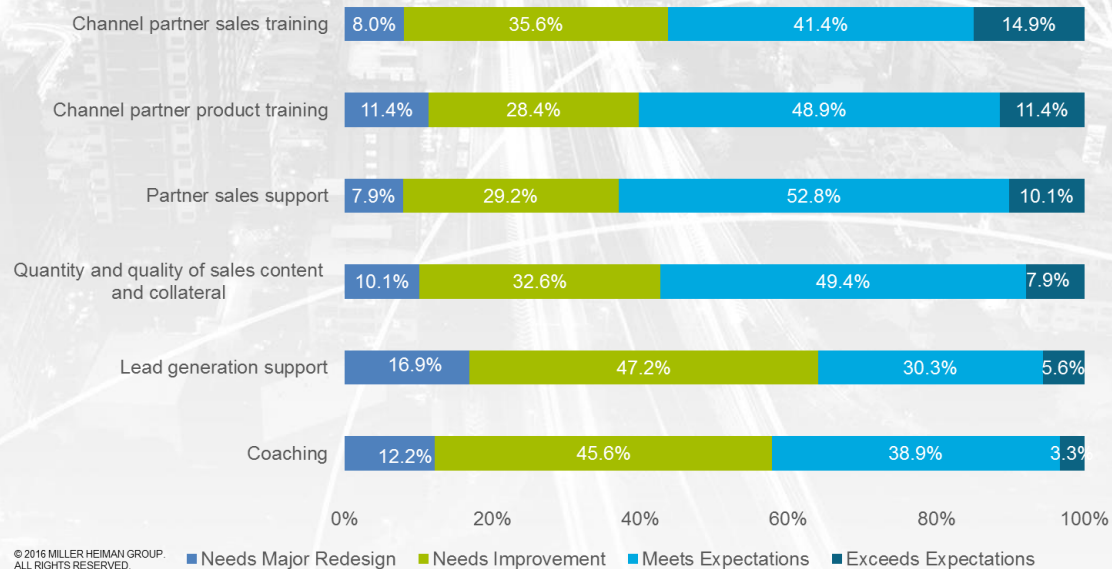
Top 20% of Firms (>55% of Partners Meeting Revenue Targets)	Offering These Services
Marketing and lead generation support	83.3%
Deal coaching/forecast management	61.1%

One best practice that a technology firm shared with us is that they constantly do win/loss/no decision reviews for not just the opportunities that they pursue directly, but also those pursued by partners. They use a two-part review process. The first involves interviewing the salesperson in charge of the account to assess their view of what happened during the sales process. Specifically, they want to know: which stakeholders they called on, what goals the prospect reported having, what tactics were leveraged during each phase of the sales process (e.g., needs analysis, education, solution definition, proposal generation, etc.).

They then paired this up with buyer-side interviews, interviewing key client stakeholders on their perspectives regarding how they navigated through their evaluation process with the vendors that made the short list, and how they got to the final go/no-go decision. The inputs of these two interviews were then compared to surface key factors that lead to winning more deals, losing more deals, or having a deal stall out with no ultimate decision being made. The best practices findings from these quarterly reviews were then shared with channel partners so they could leverage identified strengths and avoid weaknesses.

If you want to learn more about how to conduct this type of analysis, click the following link to download CSO Insights' [CSO's Guide to Transforming Sales](#), which provides a framework for conducting a buy cycle/sell cycle review. Advisory Services clients looking for a more detailed methodology to accomplish this type of review can access The Buy Cycle/Sell Cycle Analysis Facilitator's Guide, which provides templates for how to structure interviews for both sellers and buyers. Email [Kim Cameron](#) for access to this Guide.

CHANNEL PARTNERS' RATING OF YOUR COMPANY'S PRODUCT TRAINING



Key Findings

- Companies get highest marks for sales support and product training.
- Lowest ratings are for coaching/pipeline management support and lead generation.
- Best Practice: Leverage a partner web portal to help your channel partners reach more prospects.

Observations and Insights

Determining what services your company needs to provide your partners is a good start to optimizing channel performance, but that needs to be followed with effective execution. To gauge how well companies are doing in this area, we asked study participants to assess how their channel partners would rate various support services they provide. The chart above summarizes their responses.

Topping the list is partner sales support. With 62.9% of the firms getting a “meets or exceeds expectations” rating, we continue to see the increased adoption of virtual selling. In CSO Insights’ [2016 Sales Enablement Optimization study](#) we found that 82.6% of firms surveyed were actively using web-based meetings to engage customers. This is making it easier for companies to provide presales support to both direct and indirect sales teams.

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A laser manufacturer we benchmarked shared with us that they regularly set up days where members of their development team schedule time to make virtual sales calls with partner sales teams. The engineers drop into virtual meetings anywhere in the world, review the prospect's plans for using the lasers, and provide input as to the best way for the client to accomplish their design goals. This blending of high tech with high touch allows channel partners to provide an improved level of service to potential customers—without having to develop detailed product expertise inside their own firm.

Product training, sales training, and sales content and collateral also received relatively solid marks with over 50% of companies reporting they met or exceeded expectations for support in these key areas. However, two of the services mentioned above, lead generation and coaching support, needed improvement or needed major redesign. These ratings were 64.1% and 57.8%, respectively.

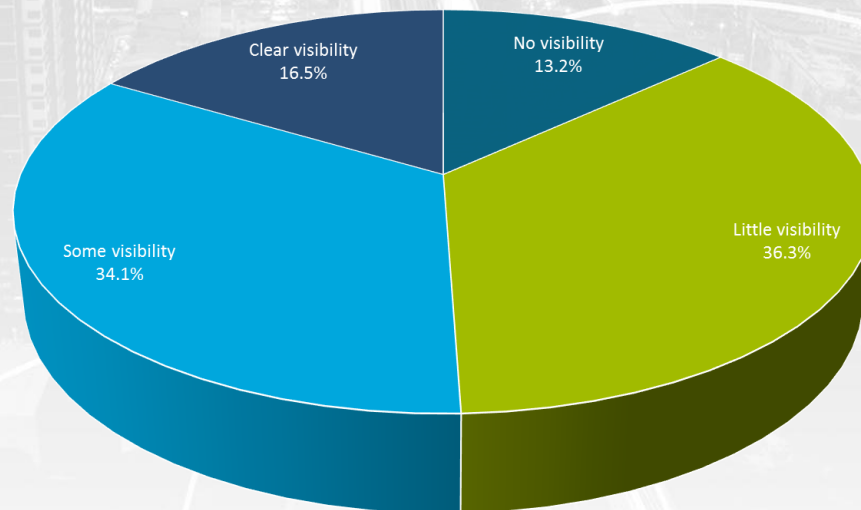
To begin to put a number around the impact poor performance has on a company in these two areas, we segmented the study data between those firms that performed well at providing partners with lead generation and coaching support against those that did not. The table below shows that 71.2% of firms that were effective at lead generation and coaching support achieved 76% more of their targeted channel revenue goal, as compared to only 45% of firms that had suboptimal performance in these channel support services.

Channel Revenue Plan Achievement as Related to Support Services Effectiveness	Overall Channel Revenue Goal Achievement >90%	Overall Channel Revenue Goal Achievement 76% - 90%
Lead generation/coaching: Meets/exceeds expectations	47.6%	23.6%
Lead generation/coaching: Needs improvement/major redesign	25%	20%

We developed a case study on how National Instruments (NI), a global leader in the automated test measurement marketplace, had augmented their direct sales with a network of 800 partners in 62 countries. In interviewing Armando Valim, Global Partner Program and Network Manager, he profiled how National Instruments implemented a partner portal. Part of the focus of the portal was to allow partners to create a web-based presence to generate exposure with prospects in their territory, and to also provide partners with 24/7 access to content and tools to allow them to get virtual coaching support from National Instruments.

In tracking channel partner performance before and after the implementation of the partner portal, this initiative increased lead generation for partners by over 300%, and the compound annual growth rate of channel revenues increased by 16%. To get more details on this project, click on the following link to access the [National Instruments Case Study](#).

YOUR COMPANY'S VISIBILITY INTO YOUR CHANNEL PARTNERS' PIPELINES



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Key Findings

- Very few companies report that they have a clear understanding of their partners' opportunity flow.
- Partner Relationship Management (PRM) implementation can enhance a company's ability to assess what partners are doing.
- Best Practice: Help channel partners implement technology-enabled selling.

Observations and Insights

Many CSOs voice concerns over the challenges sales management has with getting visibility into the pipeline of their direct sales force. What about the case where the salespeople who are engaging customers are one step further removed? Where they report to sales management of your channel partners, who in turn (hopefully) feed you information on what is going on with the opportunities in the pipeline?

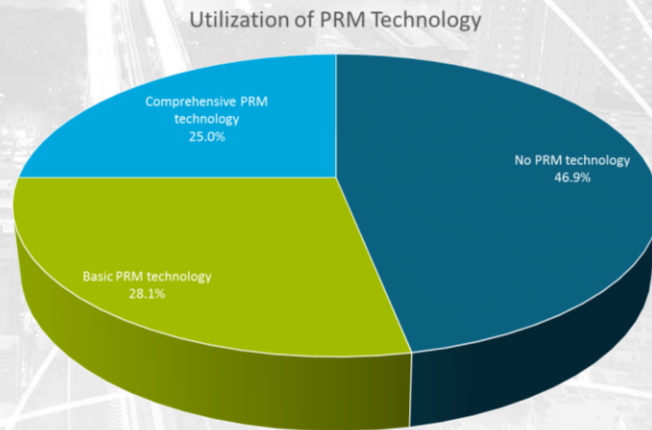
The chart above shows that only 16.5% of firms surveyed reported that they have access to the data and metrics needed to clearly assess the viability of their partners' pipelines. As noted in the introduction, 41.0% of firms surveyed reported that 35% or less of their channel partners achieved their revenue goals for the past year. To improve those numbers, these companies are going to have to provide better coaching and pipeline management support to their partners, and that will remain a challenge without clear visibility.

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As part of the study, we asked a question regarding the use of Partner Relationship Management (PRM) technology. As shown in the

chart to the right, 46.9% of companies surveyed had no PRM technology in place to foster the sharing of information on opportunities between their channel partners and their channel management

team. Another 28.1% had a basic PRM system in place to support deal registration and order processing, and 25% reported having a comprehensive CRM solution implemented.



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To start to assess the impact that technology can have on pipeline management, we segmented the study data based on reported usage (or non-usage) of PRM systems. The table below shows that PRM can significantly increase the visibility a company has into the health and well-being of their channel revenue pipeline.

Assessment of Pipeline Visibility as Related to Use of PRM Technology	No PRM	Basic PRM	Comprehensive PRM
Clear visibility	4.9%	15.4%	39.1%
Some visibility	39.0%	26.9%	34.8%

While we have long advocated the use of PRM for companies looking to effectively leverage channels, another technology-enabled selling trend is worth discussing here: the implementation of Precision Guided Selling (PGS). A solid example of the impact this can have on channel sales success is seen in the results generated by Midmark (a manufacturer and supplier of healthcare products, equipment, and diagnostic software for medical, veterinary, and dental markets) and one of their key channel partners: Cardinal Health.

Midmark funded the development of an iPad-based PGS application to help Cardinal Health's salespeople detail, quote, and close business. Over a three-month period, using this PGS application, Cardinal Health's Medical Sales Team increased sales by 240% over the previous year, while all other distributors' sales were flat or down. The average deal size increased by 297% because the salespeople could show and sell more products within the customer's buying window.

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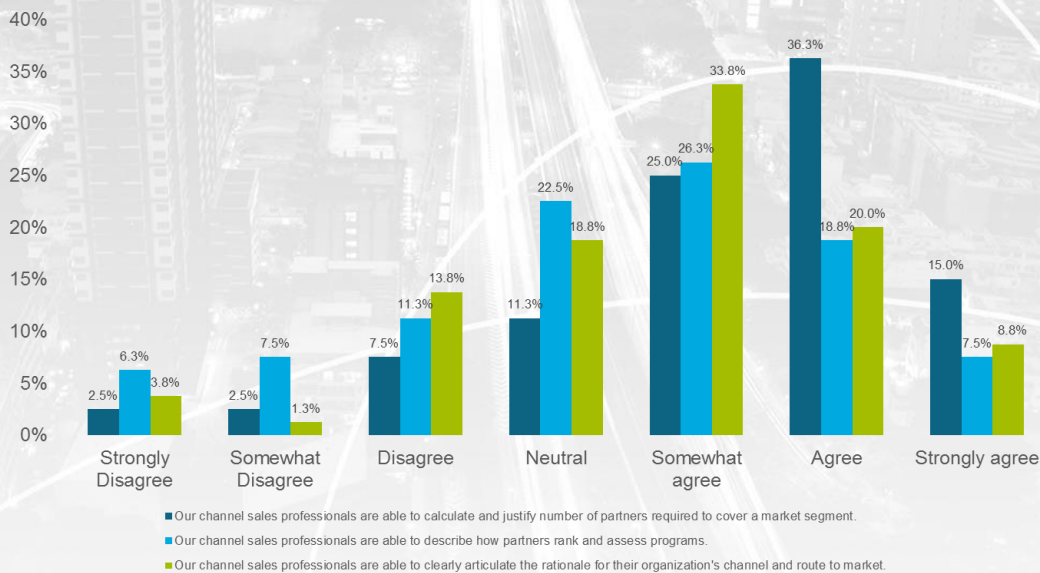
A key benefit of using the PGS application was that, without salespeople having to fill out call reports, Midmark captured a wealth of insights into how Cardinal Health salespeople were engaging their prospects when they were trying to sell Midmark products. By virtue of the salespeople using the PGS app on the iPads, Midmark was able to track the types of buyers being called on and observe the flow of the conversation between the seller and the buyer. This allowed them to gauge buyer reactions to various case studies or ROI business cases shared by the salesperson.

With access to the actual voice-of-the-customer, Midmark could much more clearly assess the health of the pipeline than they could relying on PRM alone.

Advisory Services clients who would like to know more about the Midmark case study or the concept of PGS should contact their [CSO Insights analyst](#) for a briefing.



CHANNEL SALES' CORE FUNDAMENTALS



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Key Findings

- Ability to articulate why a partner does business with a firm is highest rated.
- Determining coverage models and ranking partner programs rate lowest (of 6).
- Best Practice: Avoiding easy, traditional answers may prove useful.

Observations and Insights

The good news is a solid majority of survey respondents were in reasonable agreement—14% strongly agree that their channel managers could articulate why a channel partner organization was doing business with them and why that channel partner was the best route into a given market (red bars in chart above).

The bad news is that this same group's ability to calculate the number of partners needed for adequate territory/market coverage (purple bars) and/or to assess and rank partner programs and influence them (green) were the two lowest rated abilities.

So *why* we're doing business together is clear enough to all parties, but how effectively we collectively are addressing the total available market is much less clear. Only slightly better rated (second to last) is the ability to assess, rank, and influence partners' sales programs.

Working our way from the bottom up, territory coverage is tricky in every instance unless firms are in a market where purchases, such as "total IT expenditures," are carefully reported and tracked on an ongoing, annual basis. Even in these well-documented instances, changes in buying

patterns, such as IT services shifting from on-premise (purchased) to cloud (rented) services, can have a dramatic effect on market sizing.

This is clearly the time and place to be coordinating with your marketing group. Information on competitive analyses, market segmentation, external data sources (e.g., Bureau of Labor statistics, analyst reports, etc.), and channel partner customer histories can all contribute to realistically sizing the available market. Unfortunately, another history may be working against you. In setting individual sales representative quotas (for direct representatives), using marketing-supplied statistics for market potential/share was the least referenced (seventh out of seven approaches).

Visibility, transparency, and sharing are not the terms that rush to mind when discussing channel relationships or attributes. But these are the attributes of higher-level relationships, and the risks associated with openness with your channel partners is offset by the potential for saving everyone a lot of wasted time, energy, and money.

Assessing and ranking channel partner sales programs was the second lowest overall ability. Again, easy answers will not serve you in this regard. The core question is, “What does success look like?” This should be followed closely by, “And how do we measure this?” The easy answer is, “You make your number, and we measure success by the percentage of revenue target attained.” This simply isn’t helpful.

The reason it isn’t helpful is that you don’t “do” a number, you “do” things (e.g., activities and initiatives). The final number (revenue booked) is a reflection of the things you did and how well you did them. Statistics, such as historical buying patterns/volumes and other data, should inform the territory plans that are devised. Whether the coverage is by account, industry, geography, or something else, the next step is to identify where the strengths and areas of uncertainty/vulnerability are.

The guiding principle is to leverage strengths to eliminate/reduce risk. Is product, sales, or business-acumen training needed to bolster all partners or just a specific one? Are partners, in turn, committing resources and talent to attend trainings, obtain certifications, and demonstrate competence? These are the areas of bilateral give-and-take that strengthen and grow channel partnerships—and provide a basis for measuring success beyond simply making the number.

[Note: We’re not saying “making the number” isn’t important. But to simply stack ranking partners and their programs by final revenue percentage attainment puts everyone behind the power curve. There is nothing to proactively manage, and there is no way to measure progress until the final results are recorded.]

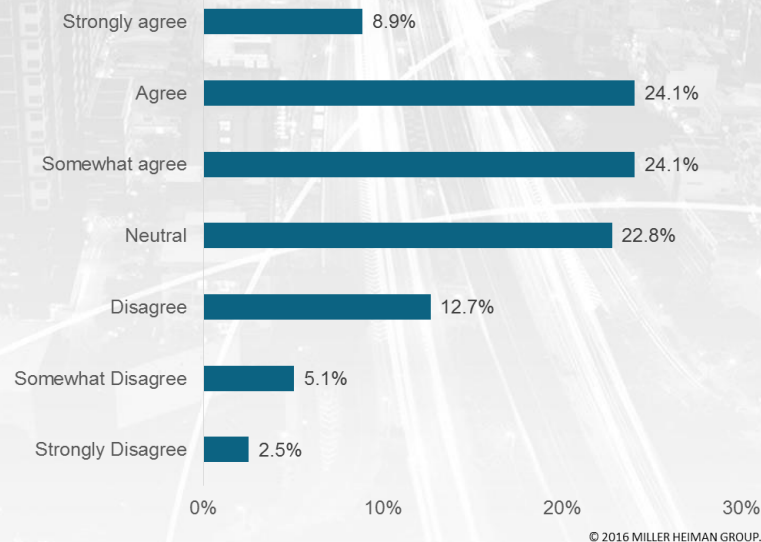
The top-rated ability was the channel sales professionals’ being able to articulate why they are doing business with/through a particular partner and why this is the best go-to-market approach. Let’s face it, many, if not most, of the partnerships being discussed have likely been in place for

some time. The best reasons for doing business with/through a partner are: established working relationship, track record, industry and/or product knowledge, etc.

Great, but have any of these been tested for currency and to determine whether they're the most accurate predictors of future success? The concept of firing the sales force and having everyone re-apply for their jobs is not new—and never popular. But it does cause everyone to assume nothing and think about who is best suited for each assignment. It needn't be stated in such aggressive language, but it could be a useful mindset for establishing in concrete, currently validated, and data-supported terms why a firm is continuing or beginning to work with a particular channel partner.



ABILITY TO ARTICULATE BUSINESS DRIVERS TO AFFECT CHANNEL'S MINDSHARE



Key Findings

- Ability to understand how channel partners measure success is highest-rated business acumen behavior.
- Ability to identify how company's behavior impacts partners financially is a challenge.
- Ability to model ROI to effect changes in partner's product mix, services, and margins is also hard.

Observations and Insights

Larry Parrish, a technology industry channel management executive, once shared with us that the key to successfully leveraging a sales channel is to constantly remind yourself that your sales in are the result of your channels' sales out. Therefore, it is not nearly as important for your partners to understand your goals, strategies, and objectives as it is for you to understand theirs.

As part of the 2016 Channel Sales Optimization study, we assessed the key behaviors that channel sales professionals use when working with channel partners. To do this, we used a seven point Likert scale, ranging from 1 – Strongly Disagree to 7 – Strongly Agree. When we analyzed the various answers to the questions in the business acumen portion of the survey, three findings stood out. The highest-rated behavior was the ability of channel sales professionals to be able to describe the key metrics by which channel partners measure their success. The mean score this

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year came in at 4.85, which was down from a figure of 5.1 reported in the 2014 Channel Sales Optimization study.

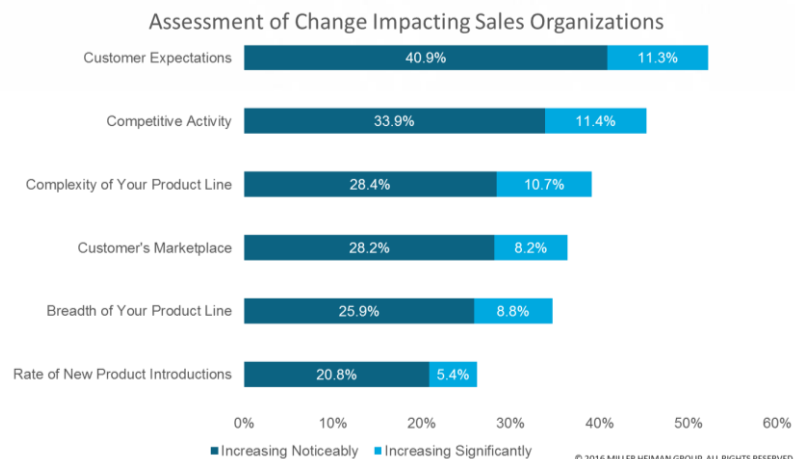
Effectiveness at this aspect of channel management is important because partners often have a choice in what they sell. If channel professionals are going to get partners to make investment decisions in the face of competing vendor investment alternatives, they need to be able to articulate the partner business drivers/imperatives to explain why the recommendations they are making are in the best interest of the partner. With this in mind, the fact that proficiency at this behavior is eroding should be of concern to channel management.

Looking at the other end of the spectrum, let's consider the two lowest-rated behaviors. Coming in last, with a mean score of 4.2, was the ability of channel sales professionals to be able to model partner profitability and effect changes to the mix of products, services, and margins, and then present this in a partner business case for investment. This year's rating is down significantly from the mean score of 4.7 in 2014.

Being effective at this skill is especially key when we ask partners to start to sell products or services they have never sold before. They need to be able to see a clear path to sales and profits if they are going to make investments in sales training, lead generation, customer support, etc. If you cannot model that for them, they will be hard-pressed to figure out how to effectively model it for themselves.

The next-to-lowest-rated behavior was the ability of channel professionals to identify how their company's behavior impacts partners financially. The mean rating this year was 4.7. Going back to the 2014 Channel Sales Optimization study, this was one of the highest-rated behaviors in terms of effective execution, with a mean rating of 5.3.

The [2016 Sales Enablement Optimization study](#) pointed out that companies are subjected to a never-ending stream of change. The chart to the right summarizes the types of changes these companies are encountering. The top three changes impacting sales teams are the changes companies are initiating to the depth, breadth, and complexity of their product line. Companies need to inform their channel partners on how these types of changes can impact their business, both positively and negatively.

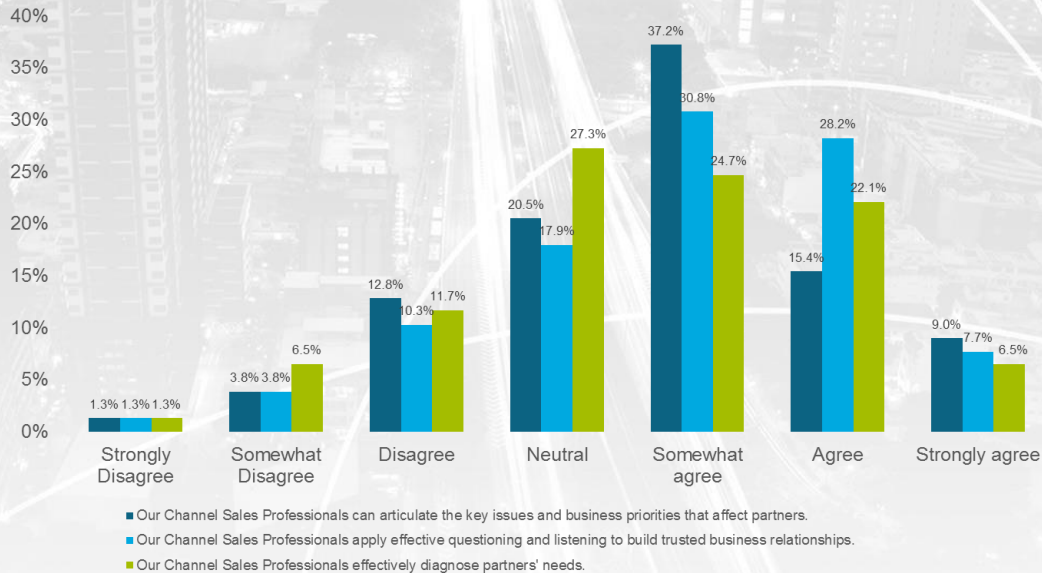


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Looking at the rest of the metrics in this section, it is clear that many channel professionals are seeing challenges in dealing with business-acumen issues. Additional training and access to new tools are a clear imperative. While this means making an investment, when we looked at the channel revenue performance growth for companies that excel at this aspect of channel management, they noticeably outperform those companies that are average or poor in this area. So the payback for the training is clearly there.



CHANNELS' INFLUENCING SKILLS



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Key Findings

- Channel sales professionals know how to ask the right questions and listen.
- How well channel sales professionals are applying these skills is up for debate.
- Best Practice: Consistent call planning and diagnosing of partner business plans is critical.

Observations and Insights

It's no secret that buyer behaviors have changed in the past two decades, most dramatically and quickly with increased reliance upon the internet. The questions have always been, "What do you know about me/us? What do you know about our business?"

These same questions can fairly be asked by channel partners of their principals. It turns out the answer is, "Not as much as we should." Channel sales professionals (CSPs) being able to articulate the key issues and business priorities that affect their partners at the executive, middle/departmental, and operational levels ranked fourth of five key influencing skills. How would your channel partners rate your ability to adequately and accurately articulate their business issues and priorities?

The president of a manufacturer's rep company once said, "*The manufacturer can't field a sales organization for 15% of revenues, but that's what they expect us to do.*" Statements like this

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reflect a total lack of understanding of what the channel partner's business model is, what plans they have in place to build it out, and how best to support their doing so.

These may be considered old stereotypes, that today's channel partners are natural extensions of their principal organizations, and partner representatives are indistinguishable from direct sellers—equally versed in company philosophy and policies. Oh, were it so.

The data reflects the CSPs' challenge to articulate their partner's business issues at every level, resulting in the partner's inability or unwillingness to adapt to changing market conditions and be truly invested in the business relationship (red bars in graphic above).

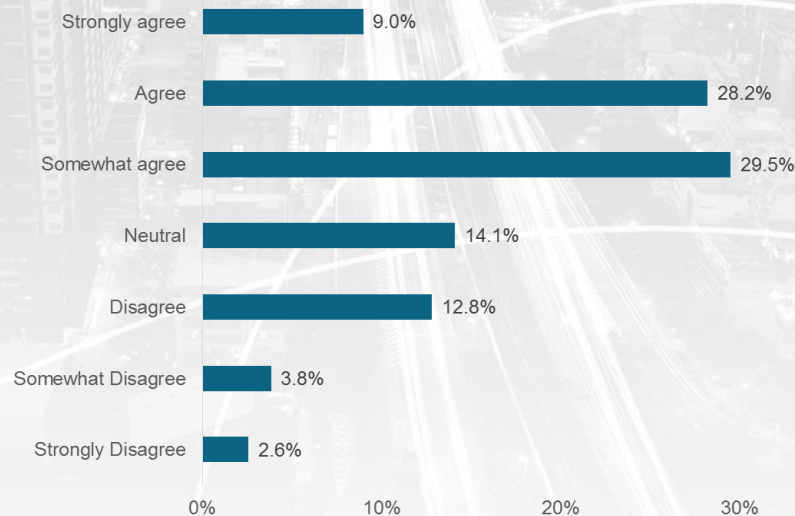
What's needed is some questioning and dialogue.

Just in time, the top-rated CSP ability is applying effective questioning and listening to build a trusted relationship (purple bars). Unfortunately, the worst-rated ability is preparing for meetings (blue bars) to “diagnose” partners and understand their business!

You may be thinking this is: a) too simple, and b) not true of your organization. Terrific! In this case, we'd love to be wrong. Here's a simple test. Start by taking out your call-planning checklist, the one your channel sales managers or channel sales professionals use to do a basic needs/business analysis for each partner. If you don't have one, that's a problem. If you have one but haven't reviewed or revised it in the past 18 months, this is also a problem. If you have a current checklist that is consistently applied and completed by your channel professionals, then you're well on your way to establishing the foundational understanding (i.e., business dialogue) upon which trusted relationships are built.



CHANNEL CAN CREATE AN OVERALL STRATEGY FOR DEVELOPMENT OF A PARTNERSHIP



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Key Findings

- Ability to facilitate joint planning sessions with partners is highest-rated behavior.
- Ability to identify key leading indicators and outcome metrics to track is difficult for many companies.
- Ability to effectively manage and review those plans is much more of a struggle.

Observations and Insights

Dwight D. Eisenhower once observed that *“Plans are nothing; planning is everything.”* At first blush, this may sound like an unlikely idea to come from one of the top military strategists during World War II. But what Eisenhower realized was that the key to a successful plan was all the work and thought that went into the planning process. The plan itself was just the output of that process.

This same observation should be top-of-mind for channel management. To create a plan for success for each partner, you need an effective planning process. Looking at the 2016 Channel Optimization study partnership planning metrics, performance in this aspect of channel management has generally improved, but as you will see, there is still a lot of room for more improvement.

The highest-rated behavior this year was the ability for channel professionals to facilitate a joint planning session with a partner. The mean rating this year came in at 5.0, up from the 4.8 figure reported in the 2014 study.

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A technology advancement that we expect to see positively impact this aspect of channel management is the evolution of applications to support channel plan and strategies. These systems do two very useful things. The first is that they ensure a common process is used across all partners. The second is that they can be used to virtually monitor the implementation of those plans. As project dates approach, either your company's or your channel partner's, the systems automatically send out reminders to keep the agreed-upon tasks top-of-mind.

Focusing on the bottom two behaviors from the 2016 study, we see two behaviors that dovetail together. The first of these is the ability of channel sales professionals to identify the best metrics to measure partnership performance in terms of both leading indicators and outcome metrics. This had a mean rating of 4.4, up slightly from 4.3 in 2014.

We think this is only half of the equation. The real power of being able to determine which metrics to measure is only realized if you have the systems in place to collect and analyze those metrics. Going back to the discussion of PRM technology adoption earlier in this report, we are going to have to see the comprehensive use of these systems become far more commonplace if channel management is to have easy access to the information they need to gauge performance.

We also asked the study participants to assess the ability of their channel sales personnel to create and document a SMART 90-day action plan from a partner yearly plan and effectively manage/review these activities throughout the quarter. The mean score here was also 4.4, up from the 4.2 that we reported in the 2014 channel study.

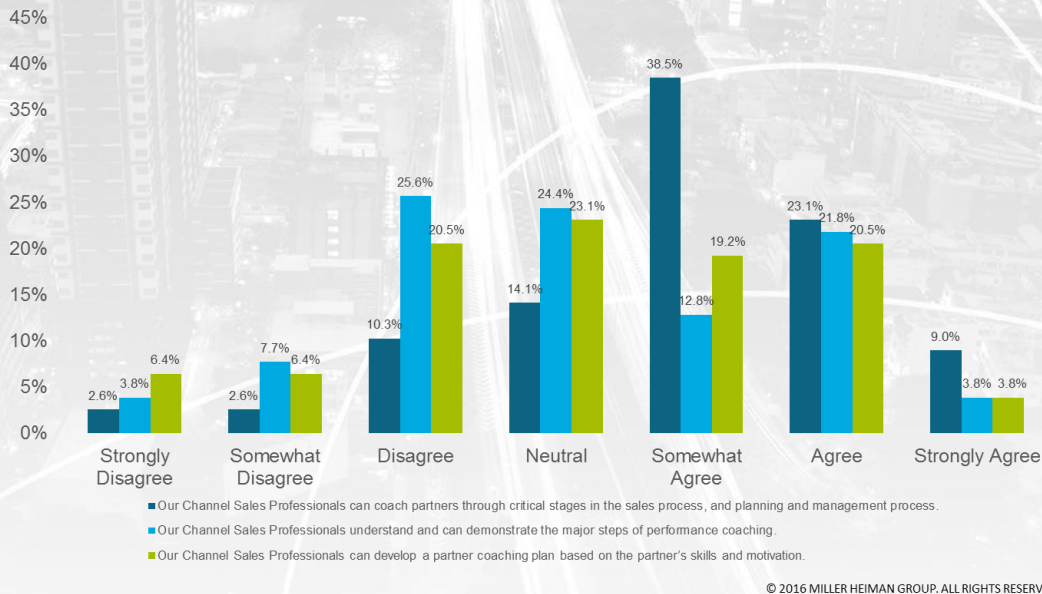
Leadership trainer, John E. Jones, noted once that, *"What gets measured gets done, what gets measured and fed back gets done well, what gets rewarded gets repeated."* Metrics and 90-day plans are meaningless if they aren't actively measured. To help channel professionals more easily do that, we again see technology innovations emerging to support this task.

As part of CSO Insights' [2016 Sales Enablement Optimization study](#), we asked study participants to share with us the primary ways salespeople share content and information with prospects. Not surprisingly, the top answer was they email them materials. While convenient, once the email goes out, you have limited visibility into what your client did with the material (if anything).

But a small minority (6.6% of the study participants) are using new sales engagement solutions to share content. These systems send links to content that is stored in a microsite for each prospect. Using this approach, management can see what content is being shared with which prospects and, more importantly, what the prospect is doing with the content. Did they ever access it, did they read it, did they share it with others?

Using approaches like these, channel management can get metrics on the activity of partner salespeople and see if the plans are being implemented with customers or not. For more information on this study or to learn more about sales engagement technology, Advisory Services clients should contact their CSO Insights analyst for a briefing.

LEADING AND MANAGING PARTNERSHIPS



Key Findings

- Coaching is the number one key to reinforcement and improved performance.
- Specific coaching skills needed by channel sales professionals vary.
- Coaching needs to meet five tests to be effective and meaningful.

Observations and Insights

Following training, there are four ways to continue to improve performance: 1) coaching, 2) practice, 3) reading/watching training materials, and 4) copying peers. While all can contribute, individual coaching still outpaces all others. This year's survey respondents gave their channel sales professionals highest scores for their ability to coach partners through critical stages in the sales process and the partner planning process.

However, these same people gave the lowest marks (40%) to CSPs' understanding and being able to demonstrate performance coaching (green bars). And just one step up (44%) from this bottom capability is coaching based on an individual partner's skills and motivation.

At this point, your CSPs may be saying, "Hey, I coach my partners!" Indeed, they may be doing so in certain aspects of the process, or in certain situations. But is it as impactful and meaningful as it could be? If not, what can be done to improve the situation—that is, can you coach the coach?

In the most basic terms, coaching is feedback. A coach provides individuals with the one thing that they can't do for themselves—to see themselves. We're always gauging our performance

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based on reflections: our performance results, people's reactions to what we're doing, how prepared and "in flow" we feel while performing, etc. A coach holds up a mirror so that we can see our performance, and the quality of the "mirror" is the quality of the coaching.

To be meaningful, coaching needs to meet five tests. It must be: 1) timely, 2) objective, 3) accurate, 4) relevant, and 5) individualized.

The data is interesting in that CSPs get high marks for coaching on the sales process and low marks for performance coaching and coaching on individual skills and motivation. Does it matter as long as we're driving home the sales process steps? The table below shows the results for three selected indicators for companies that agreed/strongly agreed versus those that disagreed/strongly disagreed that their CSOs did/did not demonstrate these coaching abilities.

CSPs Understand/Demonstrate Performance Coaching and Develop Individual Coaching Plans	Agreed/ Strongly Agreed	Disagreed/ Strongly Disagreed
How long does it take to get a new partner fully productive?	9 Months	10 Months
What percentage of partners meet revenue target?	40%	19%
How did average revenues per channel partner change in the past year?	+7.3%	-3.3%

Tailoring coaching to individual partner skills and abilities along with overall performance coaching—not just major steps in the sales process (i.e., what it's going to take to get the deal)—did significantly better.

New partner ramp-up times were 10% shorter, the percentage of partners meeting their revenue targets doubled, and year-over-year revenue growth per partner tripled.

You'll often hear sales leaders say, "We need to get back to basics." Continuing to have CSPs drill partners on the critical stages in the sales process, while building competence in performance coaching tailored to individual skills and abilities, pays real dividends.

ABOUT CSO INSIGHTS

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