



# Measuring & Managing Channel ROI

## Defining Tomorrow's "Value Add"





Continuing Education for IPED Channel Masters

ChannelMasters®

THE **CHANNEL** CO.™

IPED® Consulting

# Discussion Topics

-  **1 ROI Drivers & Fundamentals**
-  **2 Viewing Partners Holistically**
-  **3 Measuring the Right Things**
-  **4 Making the Math Fair**

## Checking In ...

For how many of these **functional areas** does your company have a formal way to measure your partners' contribution? (check all that apply)

- a. Sales
- b. Marketing
- c. Technical Support (pre- or post-sale)
- d. Professional Services (sales or delivery)
- e. Training Delivery
- f. Product customization or extensions



# Let's Define ROI .....

## THE GENERAL VERSION

Benefit

—————

=

ROI

Investment

# Let's Define ROI .....

## THE GENERAL VERSION

Benefit

—————

=

ROI

Investment

## THE CHANNEL VERSION

Revenue  
(incremental)

(the least)

—————

(the most)

All expenses

# Key Takeaways



1. Train your organization to think of **partners holistically** – expand what the “return” in ROI means
2. Identify at **what point of development** you are for various segments of your partner community
3. Create strong, top-down cross functional **buy-in to metrics**
4. Create cadence for **visible, ongoing communication** of data

# Discussion Topics



**ROI Drivers & Fundamentals**



Viewing Partners Holistically



Measuring the right things



Making the math fair

# Channel ROI: Today's Drivers

- ✓ **SG&A** scrutiny
- ✓ **Services surpassing product** sales growth
- ✓ New **solution provider types** influencing customers and redefining channel roles
- ✓ Challenges with **forecast visibility & predictability** – cloud & managed services





*“Price is what you pay. Value is what you get.”*  
Warren Buffet



## Timing:

- ✓ What you invest in today with partners, you'll get the value of in 9-12 months (or longer)
- ✓ Different stages of partner maturity and engagement require different levels of vendor investment
- ✓ (Most) partners aren't zealots, they're "fast followers"; waiting for customer demand

# Channel ROI Fundamentals: Reminders

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Warren Buffet



## Timing:

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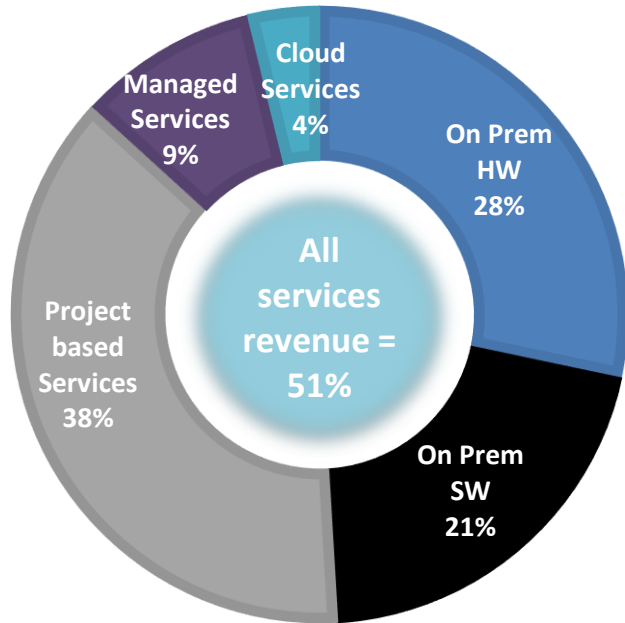


## Partner Productivity:

- ✓ Partners are a volunteer army – of mercenaries! A strong and financially-relevant value proposition is critical
- ✓ Partners focus on solutions – your products are (often) only a part; create realistic targets
- ✓ Partners are more productive when they know more; engage early

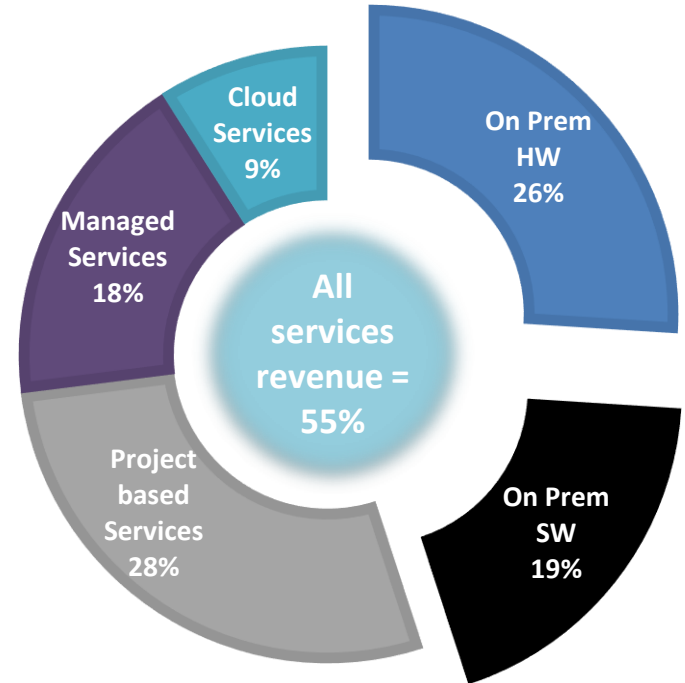
# Channel ROI Fundamentals: Remember How THEY Make Money

## 2014 REVENUE MIX



- On Premises hardware & software down
- Project based services down
- Managed and cloud services up

## 2015 REVENUE MIX



Source: 2014 AND 2016 Channel Census, IPED

# Discussion Topics

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The Reality? -- Revenue still primary performance metric across all partner types; new business and technical certs are secondary

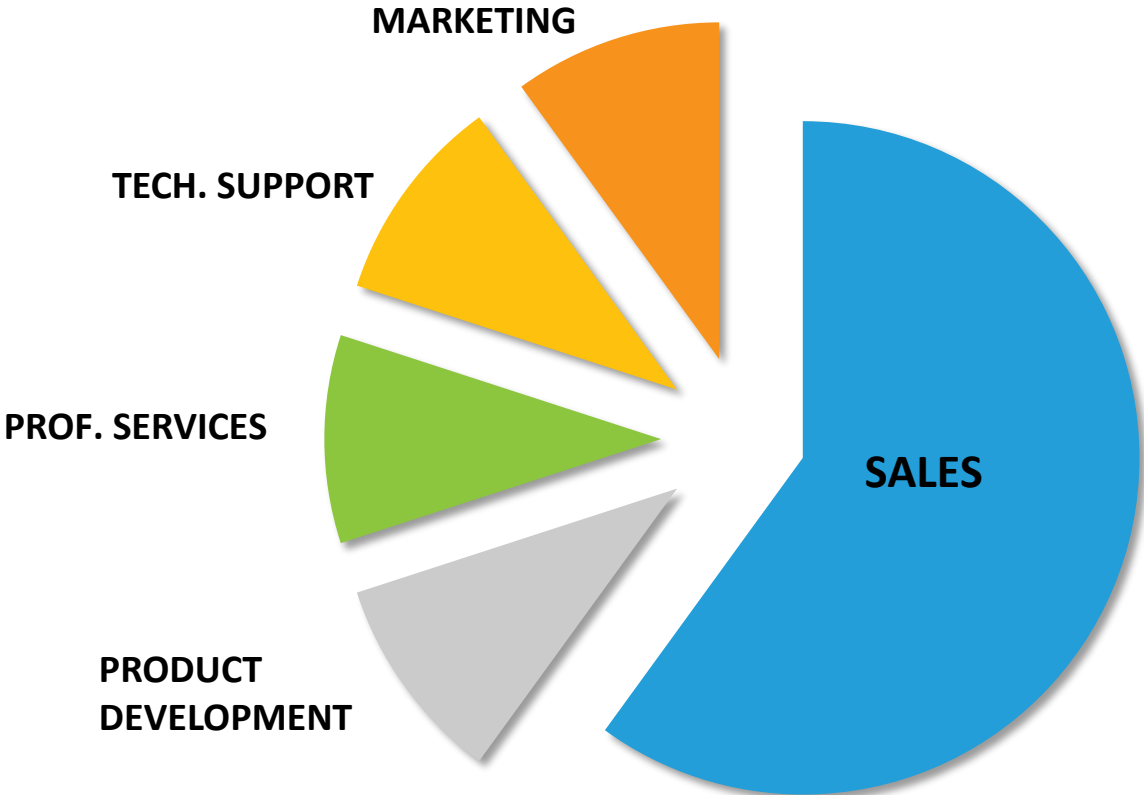
## Performance Metrics – All Vendors (N – 94)

Traditional Channels	N=	Primary Metric	Secondary Metric
VARs	71	Revenue performance (76%)	# of deal registrations (31%)
Systems Integrators	53	Revenue performance (77%)	# of deal registrations (28%)
Consultants	33	Revenue performance (55%)	# of deal registrations (24%)
ISVs	27	Revenue performance (52%)	# of deal registrations (30%)
DMRs/LARs	50	Revenue performance (82%)	# of deal registrations (28%)
Distributors	53	Revenue performance (89%)	# of deal registrations (23%)
Custom System Builders	13	Revenue performance (69%)	# of technical certifications achieved (23%)
MSP	45	Revenue performance (82%)	# of deal registrations (27%)
Hosting SP	24	Revenue performance (79%)	# of deal registrations (17%)
Hardware OEMs	31	Revenue performance (77%)	# of deal registrations (29%)
Other Hardware Manufacturers	5	Revenue performance (80%)	# of certified apps on platform (20%)
Web Developers	3	Revenue performance (67%)	# of deal registrations (67%)
Non-Traditional Channels			
Telecom Carriers	20	Revenue performance (75%)	# of technical certifications achieved (20%)
Cable Companies	5	Revenue performance (100%)	# of deal registrations (40%)
Teleco / Cableco Agents	9	Revenue performance (89%)	# of deal registrations (44%)
Retailers/e-tailers	8	Revenue performance (88%)	-
Office supply retailers	8	Revenue performance (100%)	-
Financial institutions	3	Revenue performance (100%)	# of technical certifications achieved (33%)
Warehouse shopping centers	4	Revenue performance (100%)	-

Source: 2015 Vendor Benchmark, IPED (N-94)

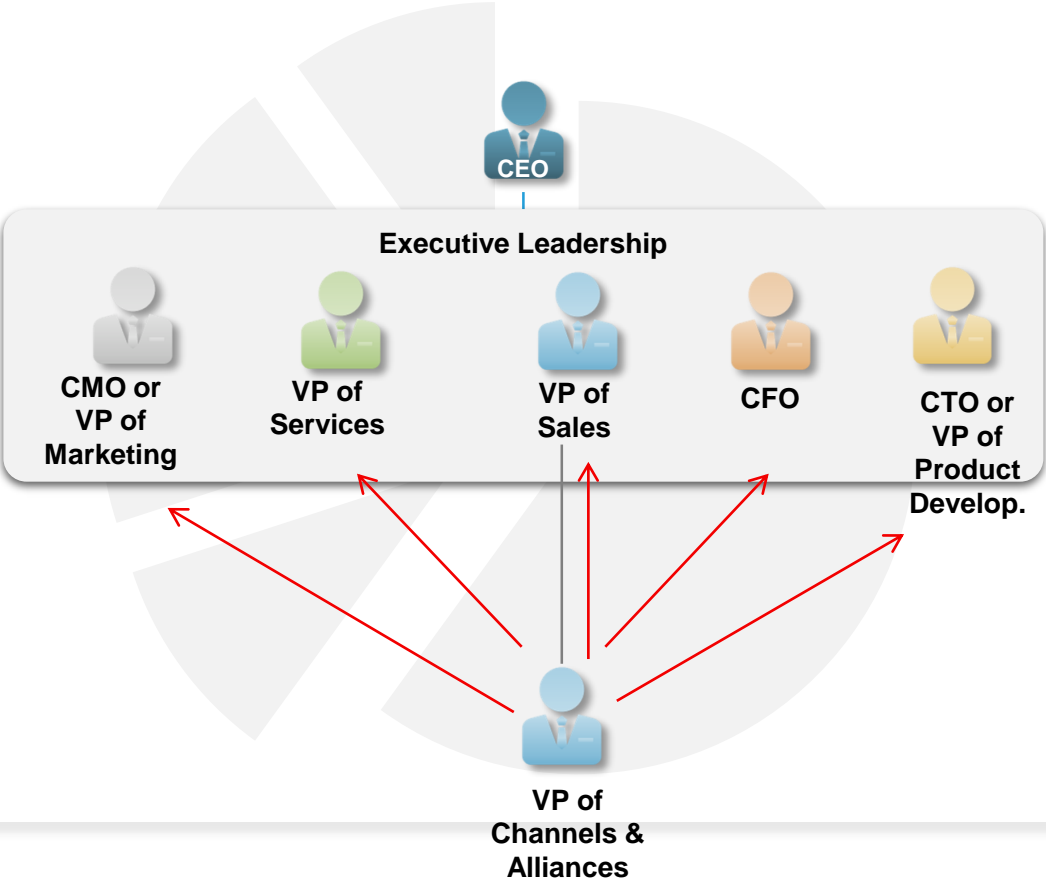
Please indicate which primary (and secondary) value-based performance metric your company measures and/or rewards for each of these partner types.

# Viewing Partners Holistically



*The right types of partners delivery value well beyond acting as an “extension of your sales force.”*

# Viewing Partners Holistically



# Discussion Topics



ROI Drivers



Viewing Partners Holistically



**Measuring the Right Things**



Making the Math Fair



# Measuring the Right Things: Sales



VP of Sales

Third Tier

- Penetration of target markets
- Co-selling or sales teaming success
- Engagement in strategic account planning

Second Tier

- Total revenue (including influence)
- Partner-led or “sourced” revenue (vs. fulfillment)
- Breadth of customers sold to

Foundation

- Resale, sell-in and OEM revenue
- New business/deal registration (\$\$ value and % of total revenue)
- Pipeline \$\$\$ value
- Renewal rates (services or subscription models)

# Measuring the Right Things: Marketing

MARKETING



  
CMO or  
VP of  
Marketing

Foundation

- Qualified prospects generated through use of MDF (pipeline)
- Qualified opportunities registered through use of MDF
- Level of demand generation activity per quarter/year

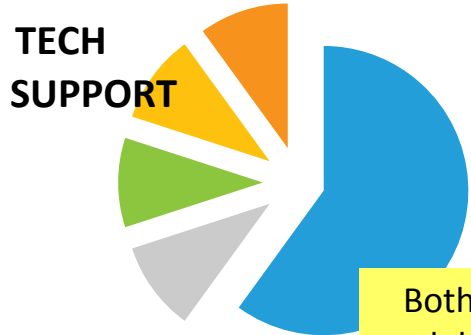
Second Tier

- Speed of getting a new product to first-revenue (key marketing campaigns)
- Local event co-sponsorship (cost-offset)
- Customer references or endorsements generated

Third Tier

- Social media presence and thought leadership content created
- Early stage lead nurturing and progression

# Measuring the Right Things: Tech Support



Both sales and delivery!

VP of Services or Support

Third Tier

- Customer Satisfaction ratings

Second Tier

- RMA (returns) rate - %
- % of sales of Premium Service
- Rate of multi-year agreement sales

Foundation

- Support-to-product attach sales rate (%)
- Renewal sales rate (%)
- Break-fix deployments
- Level 1 & 2 calls managed
- Escalations (or lack thereof) to L3/L4 support rep

# Measuring the Right Things: Prof. Services



Third Tier

- Customer Satisfaction ratings

Second Tier

- Number of demos/proof-of-concepts conducted
- Number of assessments/discovery sessions conducted

Foundation

- Resale revenue of vendor's Prof. Services
- Attach rate of vendor's Prof. Services to product (%)
- Margins and bench utilization of partners' staff augmentation work (vendor sells, partner delivers)

# Measuring the Right Things: Product Development



**CTO or VP  
of  
Product  
Development.**

## **Technology Partners / OEMs / ISVs who are extending your technology:**

1. OEM \$\$ sales of your HW or SW
2. Extensions & customizations built
3. Integration points or connectors built
4. Design wins - ISVs and now MSPs and Service Providers
5. Software applications built
6. Marketplace sales driving footprint for vendor's products

# Discussion Topics



ROI Drivers



Viewing Partners Holistically



Measuring the Right Things



**Making the Math Fair**

# Your Company's P&L

- Sales
- Rebates/Incentives
- (Discounts)
- (Allowances)
- (Cost of Good Sold)

---

**Net Profit**                    \$\$\$\$\$\$

**SG&A Expenses:**

- Wages & Benefits
- Training
- Rent & facilities
- Office supplies
- Marketing & advertising
- Postage and printing
- Depreciation
- Utilities
- Insurance
- Vehicles
- Repairs & Maintenance
- Bad Debt Write-offs
- Accounts Receivable aging

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**Net Profit or Loss**           \$\$\$\$\$\$



# Your Company's P&L and the Partners' Contribution

- Sales
- Rebates/Incentives
- (Discounts)
- (Allowances)
- (Cost of Good Sold)

---

**Net Profit**                    \$\$\$\$\$\$

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**Net Profit or Loss**        \$\$\$\$\$\$



## THE VENDOR CONTRIBUTES TO:

1. Rebates/Incentives
2. (Discounts)
  
3. Training
  
4. Marketing & Advertising



# Your Company's P&L and the Partners' Contribution

- Sales
- Rebates/Incentives
- (Discounts)
- (Allowances)
- (Cost of Good Sold)

**Net Profit**                    \$\$\$\$\$\$

**SG&A Expenses:**

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**Net Profit or Loss**           \$\$\$\$\$\$



**THE VENDOR CONTRIBUTES TO:**

1. Rebates/Incentives
2. (Discounts)

**BUT THE PARTNER PAYS FOR:**

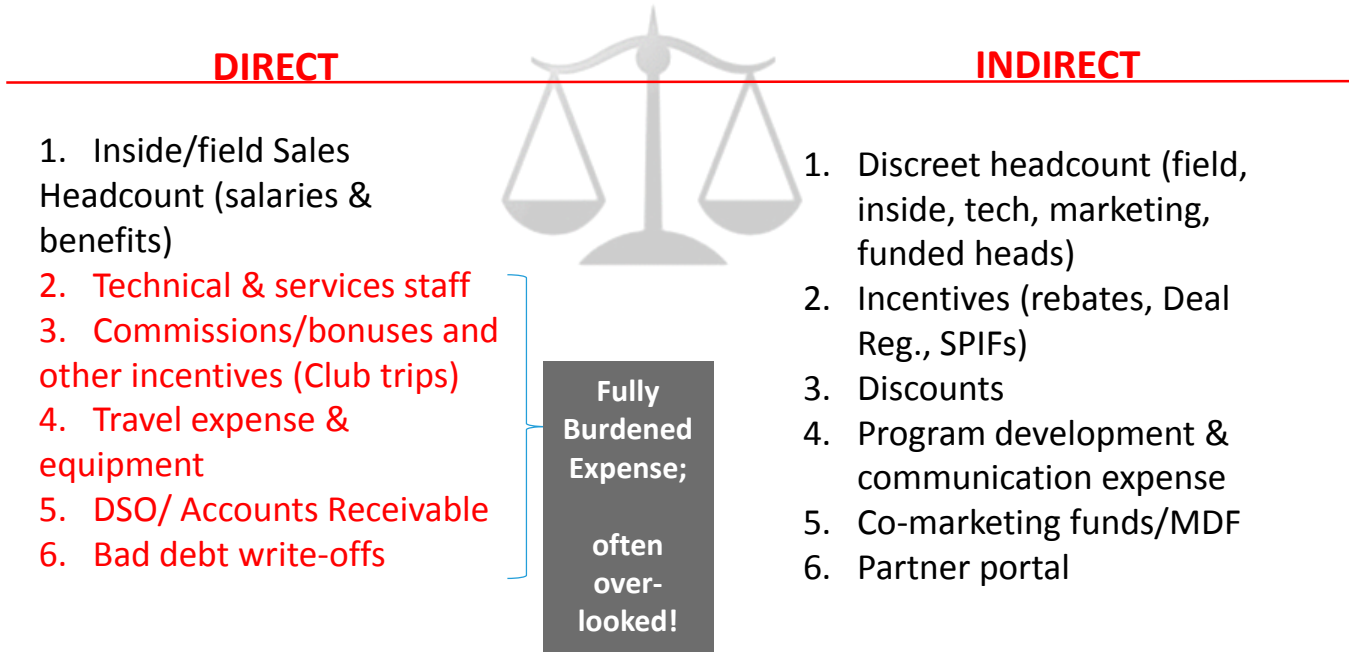
3. Training
4. Marketing & Advertising

**SG&A Expenses:**

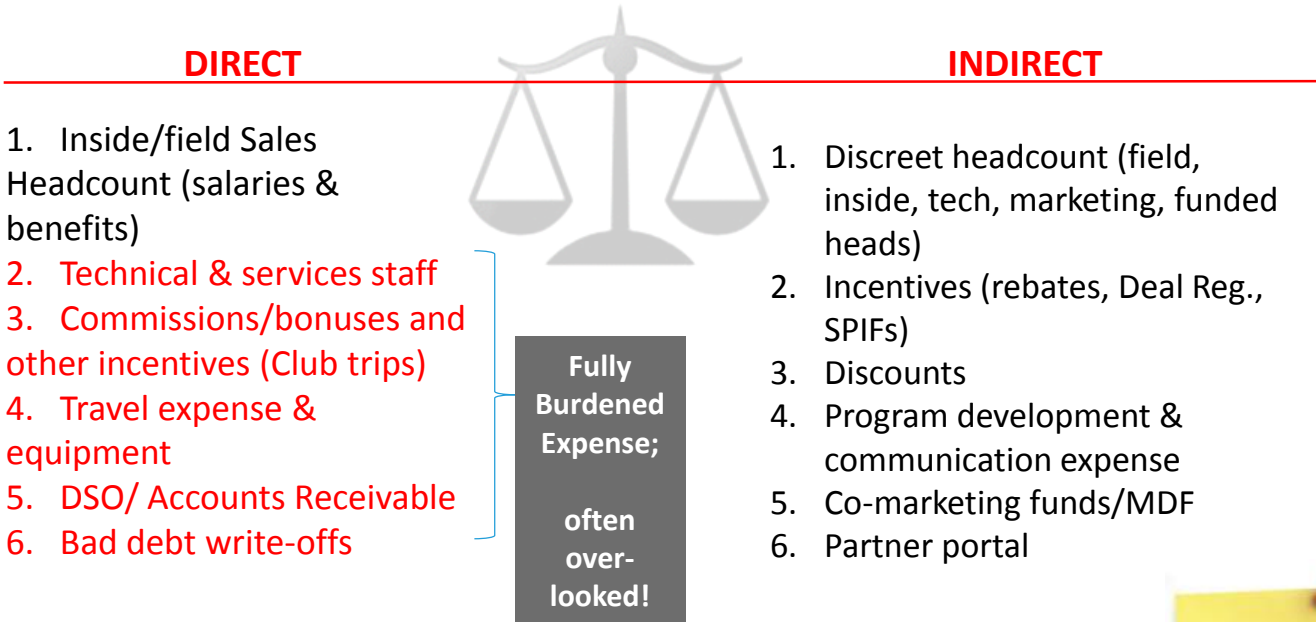
1. Wages & Benefits
2. Training
3. Rent & facilities
4. Office supplies
5. Marketing & advertising
6. Postage and printing
7. Depreciation
8. Utilities
9. Insurance
10. Vehicles
11. Repairs & Maintenance
12. Automation systems
13. Bad Debt Write-offs
14. Accounts Receivable aging



# Making the Math Fair: Direct vs. Indirect RTM



# Making the Math Fair: Direct vs. Indirect RTM

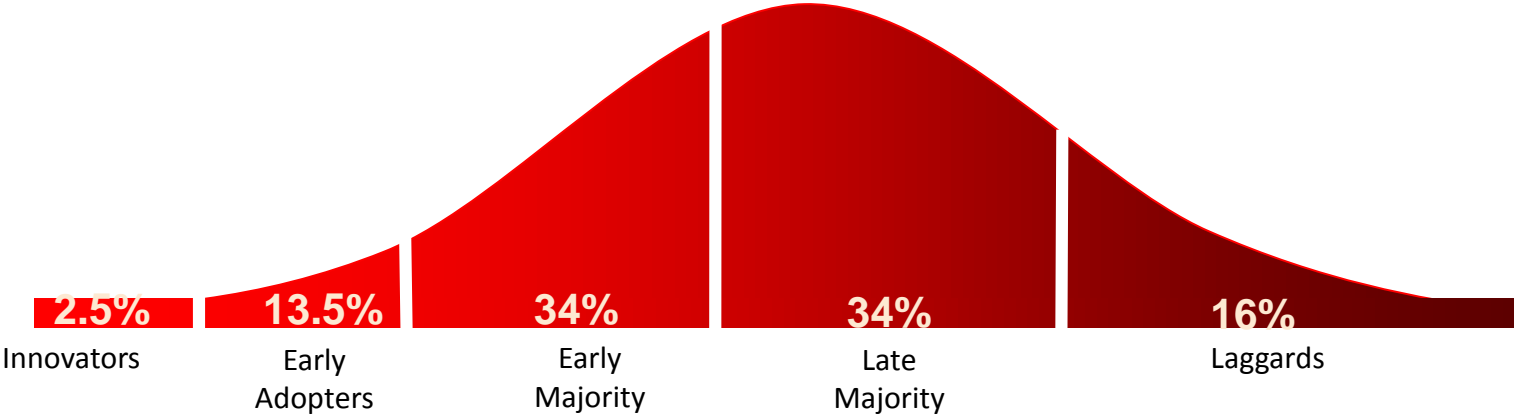


## SG&A Allocations – Direct AND Indirect

- Shared headcount (inside sales, SE's, trainers)
- Training content develop.
- Training delivery / LMS
- SFA system
- Marketing automation system
- Quoting/transactional system
- Demo gear

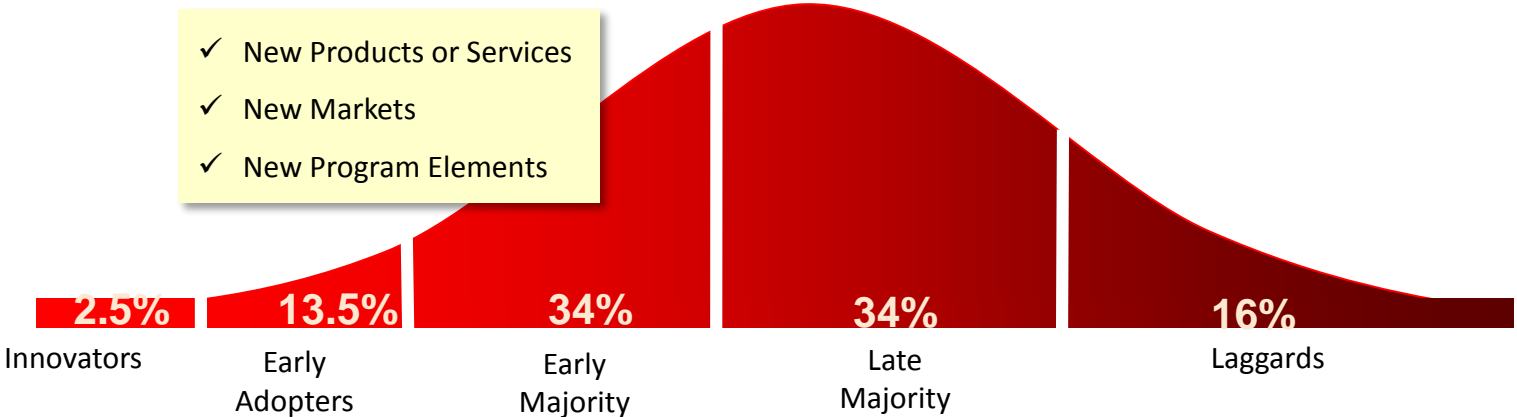
The more holistically you view partners, the more cost allocations

# Making the Math Fair: Investment Model Timing



Source: Geoffrey Moore –  
*Crossing the Chasm Technology  
Adoption Lifecycle*

# Making the Math Fair: Investment Models Timing



Source: Geoffery Moore – Crossing the Chasm Technology Adoption Lifecycle

## Channel Investments

60%+ of budget		25%+ of budget	15%+ of budget
<ul style="list-style-type: none"> <li>Partner value-prop and market-to messaging</li> <li>BETA programs</li> <li>Product marketing materials</li> <li>Technical forums</li> <li>Training</li> <li>Demo/NFR units</li> <li>Sales tools</li> </ul>	<ul style="list-style-type: none"> <li>Co-marketing support and MDF</li> <li>Field teaming support</li> </ul>	<ul style="list-style-type: none"> <li>Incentives and rebates</li> <li>Competitive sales tools</li> <li>Quoting and transactional support</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade and renewal incentives</li> <li>Sales tools to promote refresh selling tactics</li> <li>Swap out or upgrade promos to end-users</li> </ul>

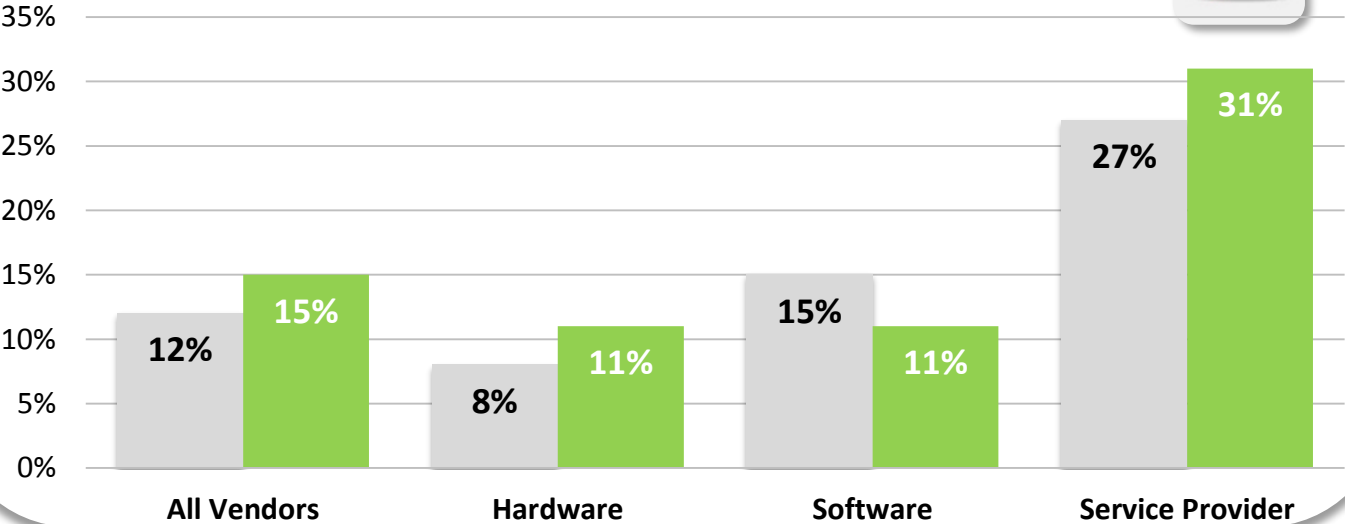
Illustrative

# Average Channel Budgets as a Percent of Indirect Revenue are 15%, Up from 12% in 2013

## AT WHAT LEVEL ARE VENDORS INVESTING?

% OF REVENUE INVESTED IN CHANNEL BUDGET

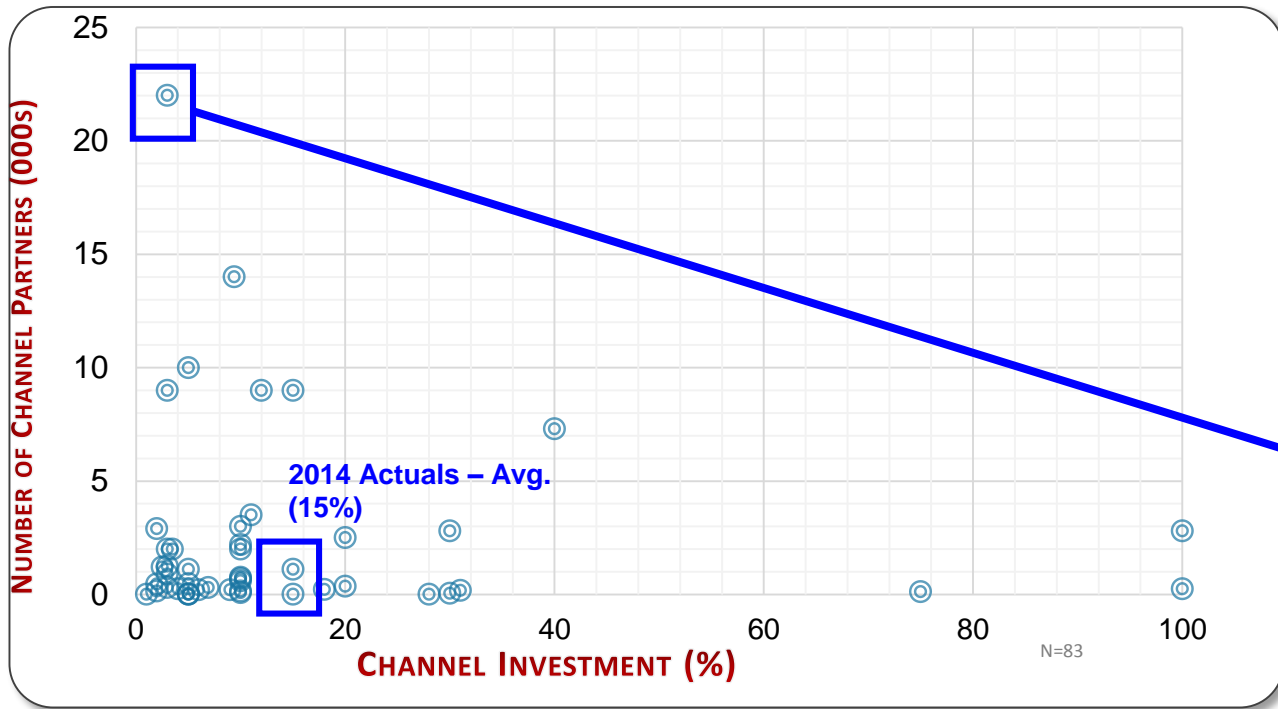
2013 2014



Source: 2015 Vendor Benchmark, IPED (N – 94 for 2014 data)

Q: In order to understand your channel investment-to-revenue ratio, please estimate your total channel budget or investment as a percent of your indirect revenue/influence revenue for your product categories.

# The Maturity & Size of Your Program is Relevant When Determining Investment



In the early stages of building a Partner program, investment may equal or outweigh the resulting revenue; this drives the average investment up

Larger, more mature vendors with big partner communities typically spend less as a % of channel revenue

Source: 2015 Vendor Benchmark, IPED N - 94  
Q: Please enter the Number of channel partners. Please estimate your total channel budget or investment as a percent of your indirect revenue/influence revenue for your product categories.



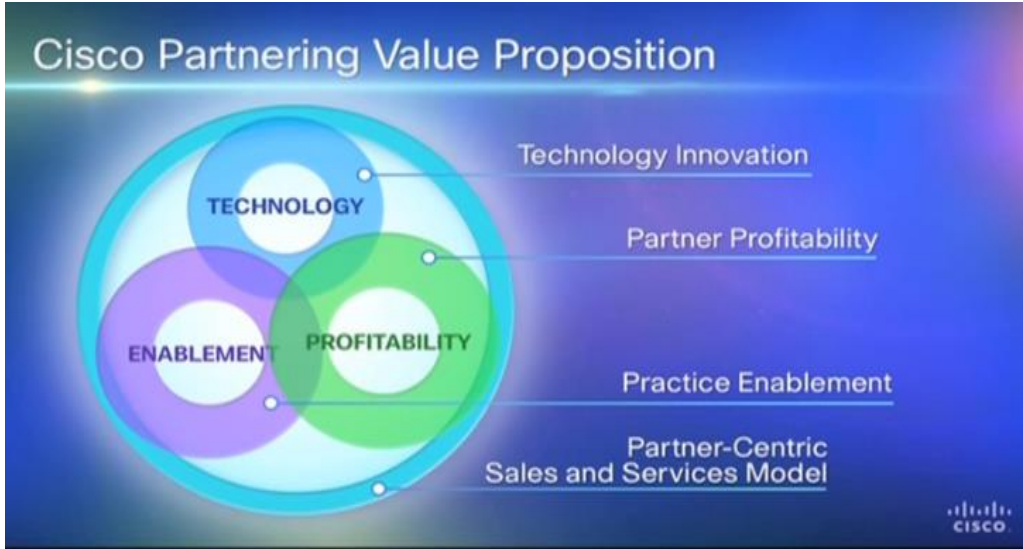
# Checking In ...

What are your biggest challenges to **measuring and evangelizing channel ROI** within your company currently:

- a. Poor or fragmented data
- b. Unclear analysis methodology
- c. Comparisons to direct sales
- d. Lack of internal management support
- e. Quickly evolving or immature partner community
- f. Lack of channel understanding (in general)
- g. Other



# Example: “Return on Cisco” 2012



*“We’re committed to maintaining a focus on partner profitability and helping you build a strong, highly-valued business. “Return on Cisco” is all about you, our partners, and helping you build business value.”*

Edison Peres – SVP, Worldwide Channels at Cisco

## Partner **Valuation** & Cisco’s Role:

1. **Operating profit:** Gross margins and cost of sale. Cisco focus is ease of doing business
2. **Growth potential:** Cisco’s commitment to technology innovation
3. **Sustainability:** Your professional services and recurring revenues through managed & cloud services
4. **Business Risk:** Manageable business risk, including the strength, integrity and reliability of your vendor partners.

# Partner Performance Dashboard - Examples

	Key Areas	YTD	Q3 Goals	Q3 Accomplishment
Sales Engagement	<b>Partner Revenue</b> <ul style="list-style-type: none"> <li>Direct (embed, bundled, resell)</li> <li>Influenced</li> <li>Partner-Sourced revenue</li> </ul>			
	<b>Market Penetration Initiatives:</b> <ul style="list-style-type: none"> <li>Emerging accounts</li> <li>Oil &amp; Gas initiative</li> <li>Reseller Channel (non-named accounts)</li> </ul>	<i>(should be number of customers and revenue for each element)</i>		
	<b>Priority GTM Partner Focus:</b> <ul style="list-style-type: none"> <li>Coalition Partners' revenues</li> </ul>	<i>(include here HP, Intel, Documentum for prem. comp, etc.)</i>		
Marketing Support	<b>Marketing Investments</b> <ul style="list-style-type: none"> <li>Partner Spend</li> <li>Vendor Spend Dollars</li> </ul>			
	<b>External Awareness</b> <ul style="list-style-type: none"> <li>Customer Case Studies</li> <li>Press Releases/Analysts/Beta</li> </ul>			
Technology Adoption	<b>Design Wins</b> <ul style="list-style-type: none"> <li>Summary of new design wins</li> <li>Revenue perf. of these ISVs</li> </ul>			
	<b>Partner Technical Training</b> <ul style="list-style-type: none"> <li>Partner Revenue by Product (vs. Vendor direct)</li> <li>WLS, WLI, Portal, Others</li> </ul>	<i>(show Vendor partners' mix, include Platform separate item n</i>		

## Key ISV Design Wins

### Key Trends:

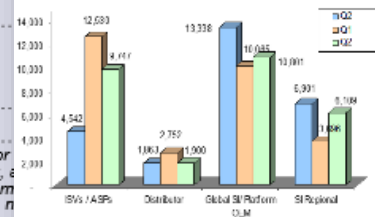
Q2'06 Summary	
Design Win Stage	#
Intent	13
Endorsement	8
Contractual	41
Validation or GA	5

- 67 Design Wins recorded for Q2 against a goal of 48. Total included 41 Contract related wins and 13 from APAC.
- 20 Design Wins (30% of total) from new ISV partners
- 21% of Design wins from Platform, including Platform ISV Edition, vs. 49% in Q1. Platform ISV Design Wins were 9, (13% of total)
- 5 Design Wins reached General Availability in Q2 vs. 3 in Q1

Design Win Type	ISV Category	BEA Products										Subtotal Type	Total Type
		Platform	WLI	WLP	WLW	WLS	WLP/IE	AL	Tux	All Pcts.			
GA/Validate	Tier 1 ISV	2				2	1					5	6
	Other ISV										0	0	
Contract	Tier 1 ISV					2	1					3	41
	Other ISV		1	2	8	20	5		1	3		38	
Endorse	Tier 1 ISV	7		1				3			6	8	
	Other ISV	1					1				2	2	
						1	1				2	13	
						9				2	11	67	

## Partner-Sourced Revenue

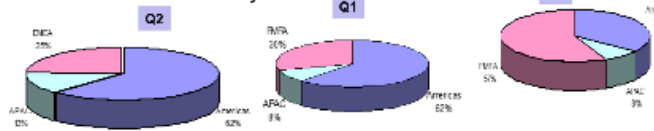
Quarterly Partner-Sourced Revenue by Partner Type



### Key Trends:

- Partner sourced revenue up 7% Y2Y, down 3% Q2Q
- As a % of total partner revenue - up slightly from Q1 (42% in Q2 vs. 41% in Q1)
- As a % of total BEA license revenue - up 2% Y2Y, flat at 25% Q2Q
- Global SIs are the leaders for sourced opportunities in Q2 followed closely by ISVs. In Q1, ISVs were the leaders with GSI trailing at 2<sup>nd</sup> position.
- Americas leads in partner-sourced revenue and recorded 2.5x sourced revenue compared to EMEA and 4.5x to APAC.

Partner-Sourced Revenue by Geo



# Key Takeaways



1. Train your organization to think of **partners holistically** – expand what the “return” in ROI means
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3. Create strong, top-down cross functional **buy-in to metrics**
4. Create cadence for **visible, ongoing communication** of data

# Thank You



**For More Information Contact:**

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