

Key tactical and
operational issues :
building an education
channel

Channelcorp

Founded 1989 by Margaret and Bruce Stuart

Consulting, executive education, research, publishing

Specializes in business model transformations and increasing the profitability and value of partners and solution providers

Insights have helped many partner CEOs around the world increase the profitability and long term value of their organizations

Assists IT vendors improve the quality of their channels

Past 5 years – focused on the role of partner CEOs in building the value of their businesses by transforming transaction driven businesses into recurring revenue driven businesses

Authors-Cloud Transition Handbook

700+ articles/14 books/40 countries

Our conversation today

Why do great tech companies have great channel strategies?

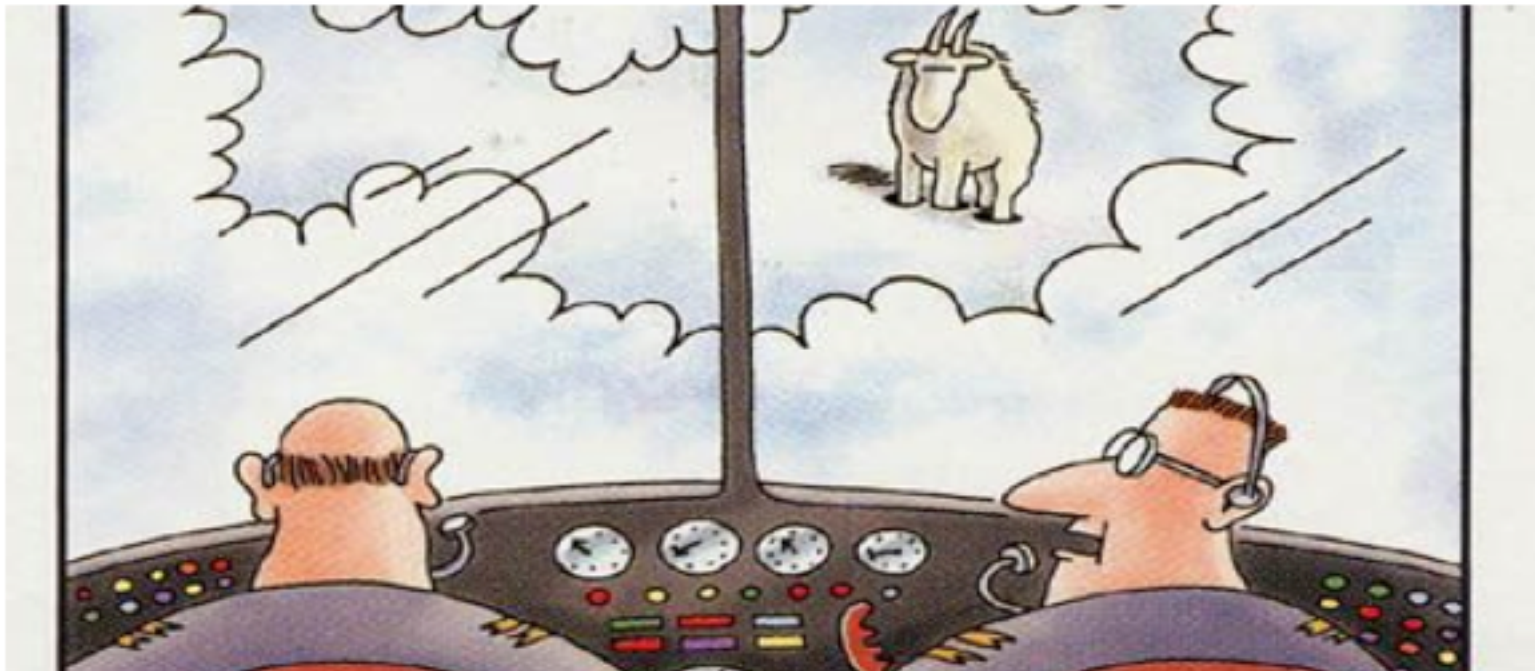
Introduction to education channel architecture

What we like to see

What Channelcorp's research and experience is telling us about channel strategy

What you need to find out about your own channel strategy when you get back to your operation

What is that goat doing up here in a
cloud bank?

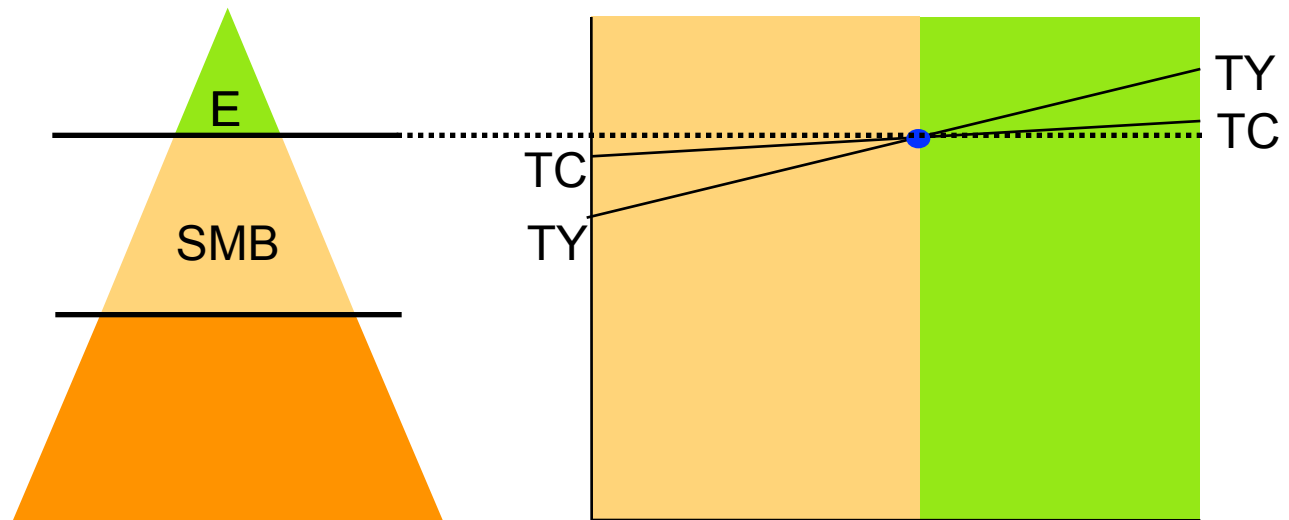


Tell me again, why channels?

- 1.1 The current state
 - transaction costs and yields
- 1.2 Channel impact on costs and yields
- 1.3 The financial impacts of channels
- 1.4 The strategic impacts of channels
- 1.5 Module summary

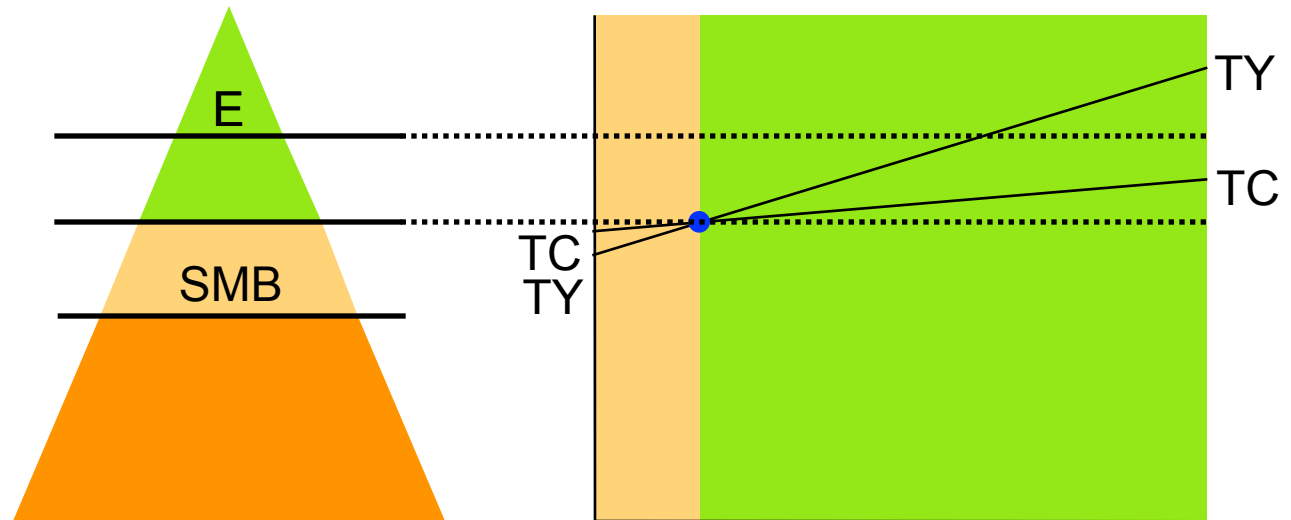
Tell me again, why channels?

1.1 The current state – transaction costs and yields



Tell me again, why channels?

1.2 Channel impact on costs and yields



Tell me again, why channels?

1.3 The financial impacts of channels

Increase revenue/person

Reduce CPOD (cost per order dollar)

Increase profit/contribution/person

Reduce assets invested per sales dollar

Increase return on net assets deployed

Increase return on cash deployed

Increase return on invested capital

Increase earnings per share

Increase market value/revenue value

Tell me again, why channels?

1.4 The strategic impacts of channels

Gets direct sales force out of $TC > TY$ situation

Sell to markets that can't be addressed

- scale/economics reasons

- skill reasons

- customer purchase behavior

Transform fixed costs into variable costs

Sell services where end users buy products

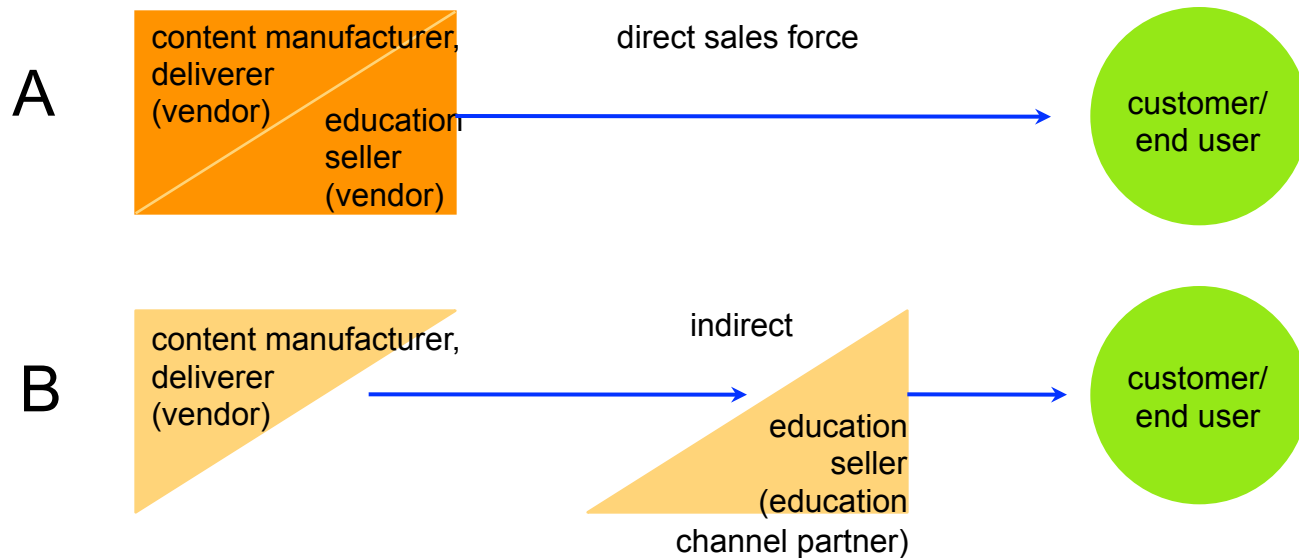
Channels are like mines – you need to invest in order to get to the gold

Education channel architectures

*A Model –
finder's fee to
education
channel
partner*

*B Model –
education
channel
partner as
sales agent*

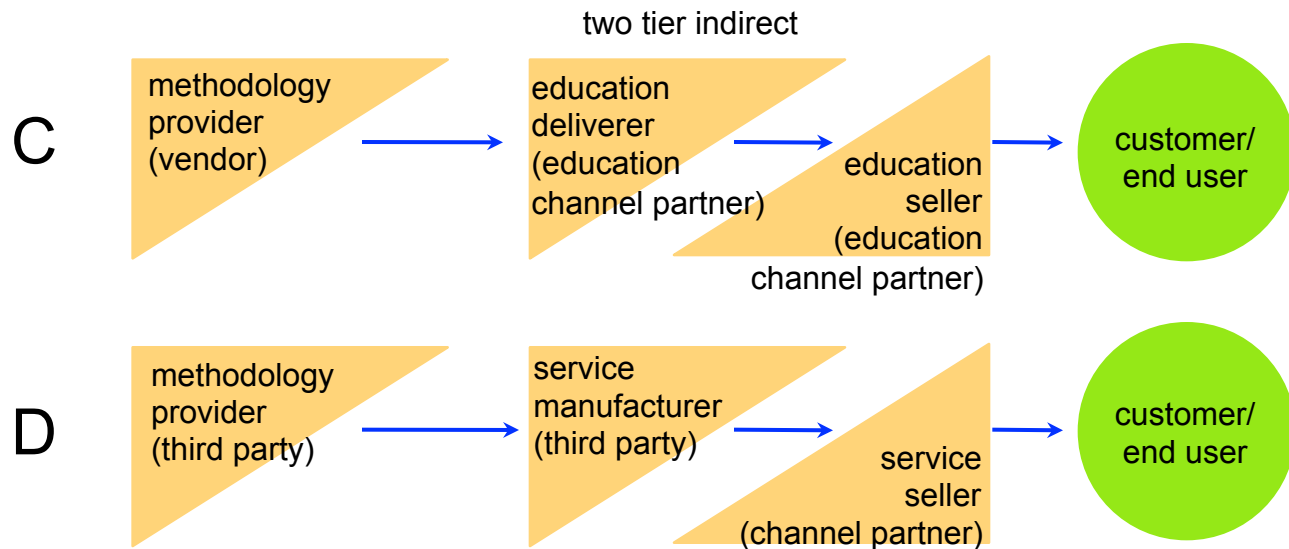
Education channel architecture: you are vendor



Education channel architectures

*C/D Model-
Vendor
licenses
education
partner to sell
and deliver*

Education channel architecture



What we like to see

Tactical and operational conditions for success

Sell through versus sell to focus

Channel strategy, architecture and coverage models

Product market-form and completion of offering

Channel marketing-how to make partners invest, profitably

Channel development-make sure partners are ready for the forms and products

Channel management-make sure we are helping partners meet goals

Channel systems and administration-keeping compensation straight

Not a good fit for all-depends on strategy

What we know about channels

- 3.1 Strategic/architectural/coverage friction
- 3.2 Product marketing friction
- 3.3 Channel marketing friction
- 3.4 Channel development friction
- 3.5 Channel management friction

What we know about channels

“channels”
as a Balance
Sheet, not an
Income
Statement
issue

3.1 Strategic/architectural/coverage friction

Large increases in the planned volume of total revenue going through indirect channels without the supporting infrastructure investment planned/budgeted

Critical unresolved problems with channel/partner functionality, specifically partner capacity (# contracts), partner capability (partner marketing/sales/ technical skill sets) and partner quality (partner financial strength) resulting in terminal missed plans

Continuing requirement to reassess and rework the alignment of direct/indirect channel strategy-who sells to what customer

What we know about channels

The education channel has unique needs.

The best vendors are not launching offerings into the channel unless they are channel-ready

3.2 Product marketing friction

Huge numbers of new offerings will be launched during 2018 by the same product marketers who in 2017 did not appear to have any idea of the potential impact on the financial health/investment behavior of the partners they needed to market/sell/support the 2017 offerings

A large number of the offerings launched last year were not channel-ready . . . with more products being launched this year and no Product Marketing-driven solution to the channel readiness problem at the company level, the completion problem in the channel will be worse

Your “education partners” are concerned about the level of completion of the offerings that will be released this year and the impact that incomplete products will have on their profitability and customer relationships

What we know about channels

The best vendors are not launching channel programs unless they are R/E/A/L

3.3 Channel marketing friction

The channel marketing groups of education vendors in the tech industry are “investing” tons of money providing unsustainable channel and partner programs that partners can't or don't use.

Education channel partners are no longer interested in channel programs full of “trinkets and trash”. Channel partners want, need and demand R/E/A/L channel programs.

Revenue – partners want programs to enhance revenue

Expenses – partners want programs to reduce expenses

Assets – partners want programs to reduce asset investment

Liabilities – partners want programs to reduce liabilities

What we know about channels

What kind of financial skillsets are your channel marketers and partner sales personnel required to have?

3.3 Channel marketing friction (continued)

Many of the channel programs that we review make no attempt to connect the program elements with the partner's requirements in the areas of cash flow, revenue, expenses, assets and liabilities.

Program offerings covered off all of the “check boxes” in the competitive analysis, but failed to pass basic “financial – so what” tests from the partner perspective...as a result partners withhold investment.

Based on our reviews, we have concluded that many channel marketing personnel do not have strong enough financial skills to make their programs R/E/A/L.

What we know about channels

The best vendors are viewing channel development like pipeline companies view “laying pipe”

3.4 Channel development friction

Many growth strategies are “channel development intensive” although the channel development investment has not been made/budgeted

Many vendors currently have channel capacity, capability and quality problems – channels unable to sell enough products or contracts – channels not ready for the offerings – channels not capable of investing

Channel development is not happening in many organizations where it needs to happen, and when it needs to happen

The time frames required to modify channel functionality, add channel functionality, or reduce channel functionality are being totally ignored or denied – 12–36 months

What we know about channels

The best vendors have redefined the Channel Management job as a “business” job rather than a “sales” job

3.5 Channel management friction

Many critical components of the channel management job are currently in flux:

Business skills are being added to product skills as a core competence and required literacy of channel managers

Channel manager competence and channel management strategies are transforming into a key component of vendors’ competitive advantage in the channel

Channel managers need to be extremely competent in the following areas:

- business dynamics
- partner finance
- vendor program economics
- channel/partner development options
- partner CEO management

What we need to find out

- 4.1 Target market
- 4.2 Product/service/solution completeness
- 4.3 Channel functionality
- 4.4 Species
- 4.5 Business proposition
- 4.6 Talent
- 4.7 Growth
- 4.8 Emerging channel issues

What we need to find out

Education
Channel
partners are
“takers” of
target markets
from their
vendors

4.1 Target market

What are the target market strategies for the offerings?

who will buy it?

what channel does the real customer prefer to buy it through?

What is the channel strategy that follows?

Your channel partners will be profitable faster if you can define the target market for them

Why is it that much of the target market work that comes out of tech companies has limited usefulness to partners?

What we need to find out

Incompleteness costs
channel partners money
and reduces the value of the vendor business proposition

4.2 Product/service/solution completeness

Channel-ready offerings have lower sales cost per order dollar for both the direct and indirect channels

Are your education offerings channel-ready at launch?

What are the offering needs for completeness? How good is good?

Do offerings launched through the indirect channel “fail” at launch or post-launch because they are incomplete?

Why aren't offerings ready for their markets or ready for the channels to hit the target markets?

Why isn't offering completion a priority?

What we need to find out

Vendors must understand the channel
Channel functionality required to complete the offering

4.3 Channel functionality

What channel functionality is needed to support growth plans?

channel capacity = tonnage/units/contract delivery

channel capability = IQ/marketing/sales/technical expertise

channel quality = financial strength – ability to invest in capacity/capability

Your education partners don't do what they can't do, and they don't do what they are not paid to do...what is the situation?

Why aren't your partners and your channels ready for offerings at launch? What is not known about this problem that impedes the solution?

What we need to find out

Requires right species, with right Channel functionality targeted at the right market segments

4.4 Species

Schools, colleges and universities: what species or sub-species of education channel partners are required to access the right target markets and create the required level of channel functionality to sell and support a complete offering?

Why do we insist on feeding partners programs that their species does not eat (meat to vegetarians)?

channel is like a zoo – many species

each species provides different levels of functionality

each species requires a different Business Proposition

What we need to find out

The offering can be nearly right, most of the time; the business proposition must be always right all of the time

4.5 Business proposition

What business proposition is needed to meet the needs of the required species of education channel partner?

What are education partners interested in...what do they eat?

Why don't vendors create channel programs that have a direct impact on the revenues/expenses/assets/liabilities and cash flow of channel partners?

Why don't the people creating channel programs have a better understanding of partner economics and what partners need to see to drive investment?

What we need to find out

Talent is everyone's responsibility. Only hire people better than the people you already have on staff

4.6 Talent

Do we have the right talent to research, develop and deliver the channel capacity, capability and quality required to make the business plan?

Do we have people in channel positions who understand business finance and economics?

Do we have the correct infrastructure in place?

Is it time to take the creation of channel capability and competency seriously enough to invest in executive education in 2018?

What we need to find out

Are we building education channels of the past or channels of the future?

4.8 Emerging channel issues

How do online and eLearning channel strategies, investments and infrastructure differ from legacy classroom driven point product centric channel strategies, investments and infrastructure?

How will new recurring revenue/subscription offerings impact existing legacy channels and the creation of new channels?

Can we grow species diversity, partner counts, offering depth and breadth, customer counts, customer share of wallet, median transaction size and contract length all at the same time... profitably?

Which business models will emerge and which ones will disappear?

What we need to find out

4.9 Summary

Any successful channel strategy requires adherence to a clear set of steps in decision making

The channel strategy decisions are a system. If a decision is not made, or the wrong decisions are made, the entire decision making system is impacted

Think about your business model longer term...figure out what you know for sure, then ask the right questions to get the right answers

Channel strategies of emerging tech companies are riddled with unforced errors that have been designed in and can thankfully, be designed out.