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Executive Summary

1.1 Introduction

The global markets of the twenty-first century are highly competitive, and establishing, maintaining and growing a business in today's global business climate is a difficult feat. This feat can be even more challenging for channel sales organizations as they do not have direct control over the processes that contribute to the growth of their businesses. While channel partners can help businesses to achieve the full scalability of their products or services, these partnerships also present critical risks for channel organizations. As a result of poor or inactive management on the end of channel partner, a channel organization may incur significant opportunity costs and its brand's image could suffer significantly.

In order to enable each channel partner's success, effective channel management from the channel organization is essential. Such channel management includes a mature selection process, supporting motivation, training and evaluation of channel partners. Indirect sales channel organizations, therefore, need a comprehensive overview of the performance of their channel partners in order to be able to improve overall channel effectiveness.

1.2 Research Methodology

The PDAgroup Partner Analysis provides such an analysis for indirect channel partners. The analysis gives a holistic picture of each channel partner's performance and covers seven business areas.

By answering over 80 detailed questions in these categories, management teams that participate in the analysis construct a comprehensive portrait of their organizations. The questions used are developed in collaboration with the channel organization, ensuring that the channel partner and the channel organization can use the analysis to align their priorities and strategies more closely. Channel partners select their current score based on a set of predefined statements that match the maturity of their business processes.

In the last year over 100 individual channel partners from the IT industry have used the PDAgroup Partner Analysis in order to enhance their performance and improve their alignment with their channel organizations. The following whitepaper provides an aggregated view of the results of these analyses and summarizes the core challenges facing channel partners and channel organizations, as well as what can be done to overcome these challenges.
Strategic Alignment

While channel organizations may have a well-established and clearly communicated strategy, the same is not always true for channel partners. Even if the latter does maintain a strong strategy that ensures it a strong position in the market, it is not a foregone conclusion that the partner’s strategy will complement the strategy of the channel organization. In some cases, conflicting strategies may condemn an otherwise profitable partnership.

The channel partners evaluated within the framework of the Partner Analysis exemplify this latter point: while 75% of partners maintained a detailed business plan for strategic decision-making, only 35% pursued a strategy that was aligned with the goals of the channel organization. While this issue may appear innocuous, a lack of strategic coordination between a channel partner and the channel organization can have serious consequences for both sides. One significant consequence is that partners in the channel often end up competing directly with one another, reducing both their own profit margins and the market share of the channel organization. To avoid such issues, individual strategy meetings between the partner account managers from the channel organization and the channel partners need to occur on a regular basis. With open communication on sales targets, marketing tactics and target markets, the indirect channel business can ensure a higher degree of market penetration and channel partners can ensure that they maintain a strong, sustainable bottom line.

Customer Involvement & Retention

In addition to clear communication with the channel organization, channel partners also need to make sure that their interactions with clients are frequent and dynamic. Regardless of industry, businesses today are under more pressure to connect with customers and provide a positive end-user experience. To this end it is imperative that channel partners collect customer feedback and use the resulting data to improve their businesses. Among the IT partners who participated in the Partner Analysis, as many as 24% did not regularly collect customer feedback and another 15% did not have any type of customer retention program. Channel partners who fail to collect, evaluate and make use of such data risk having a high customer turnover rate. Furthermore, channel organizations with many such channel partners are in danger of seeing their brands marginalized on a grand scale.
While an experienced manager can recognize risks right away, it is impossible to keep everything in mind all the time. Furthermore, less experienced employees may not have the skills to identify risks early enough to be able to take appropriate measures. For this reason, it is an excellent idea for companies to maintain a specific review plan that employees can use to avoid and mitigate risks.

Unfortunately, many of the channel partners who took part in the Partner Analysis did not maintain such a plan. In total 51% of these businesses did not have a specific review plan regarding the risks associated with the public image of the company. Further evidence of a lack of attention to risk was found in other aspects of these channel partner businesses: 47% did not maintain a review plan for product quality risks and 44% did not maintain one for customer relationship management risks.

The creation of viable competitive strategies is also a challenge for many channel partners. 31% of the companies evaluated by PDAgroup reported that they did not have a defined process in place for the regular review of their market approach and the risks that changing market conditions pose. If these conditions and their impact on the channel partner business model are not reviewed regularly, channel partners risk becoming irrelevant in light of disruptive changes. Especially technological developments like cloud computing, mobile solutions or the internet of things require companies to adapt their business models and adopt a different market approach.

Channel partners should also consider implementing knowledge database tools and regular reviews of HR risks. High employee turnover rates among channel partners often indicate that channel partners are losing key and high-potential employees, a trend which ultimately reduces the revenue produced by an indirect sales channel. Ensuring the stability of a channel partner ecosystem necessitates that channel organizations communicate openly with their partners on a number of risk topics and guide them in developing processes to minimize risk.
Effective Online Presence

In the highly competitive world of today, it is essential for businesses to make meaningful connections with their target audiences in order to attract customers. The situation is no different for channel organizations, except that they rely either directly or indirectly on their channel partners to ensure that their brand receives attention. Unfortunately, channel partners often lack the knowledge and skills necessary to effectively promote the products or services that they provide. The results of the Partner Analysis demonstrate the relevance of this issue.

While 60% of channel partners maintain a website, the effectiveness of the websites in generating leads is not measured. With regard to social media, most partners maintain a presence on a couple of platforms, but 48% of the partners interviewed revealed that their content is fixed and that no regular updates occur. In order to generate leads that feed into the sales pipeline, channel partners’ online marketing activities need to be interactive and content needs to be frequently updated so that they can be considered as a thought leader.

Marketing Team

While channel partners need to conduct their own marketing activities, channel organizations need to provide support and guidance to their partners as they work to develop these assets. Given the fact that some partners are also quite small and specialized, channel organizations need to consider that partners may not have the personnel available in order to take on new marketing tasks or learn the skills necessary to complete these tasks. Among the channel partners that participated in the Partner Analysis, 37% did not have any employee specifically designated to do marketing. To ensure that partners have the skills to conduct effective marketing activities, channel organizations should strongly consider providing trainings on relevant issues. Support for channel partners need not be limited to active assistance though; a very effective support mechanism is to provide a content platform containing materials and templates that partners can use to optimize their websites or create content for their social media sites.
37% of channel partners do not meet or align with the marketing contact of the channel organization.

**Marketing Alignment**

Direct support to partners from the channel organization’s marketing department can help alleviate this problem and ensure that partner marketing is effective and of a high quality. Another 37% of channel partners that participated in the Partner Analysis noted that while the channel organization’s marketing contact was known to them, no meetings or joint marketing activities took place. Direct contact and guidance on real projects is an extremely effective way to transmit expert knowledge of all types; channel organizations should guard against the temptation to leave partners on their own for these activities.

Most important of all is that channel partners aggregate their marketing activities into a marketing plan and share this plan with the channel organization on a regular basis. This plan will provide the foundation for frequent collaboration and strong communication and ensure that both the partner and the channel organization achieve the results they desire.
Regardless of the products or services a company offers, sales are essential. With the right motivation, training and leadership, a sales force can ensure the survival of a company. For some channel organizations, relying on channel partners to drive the sales of its product and represent the channel organization brand can be an alarming prospect. In addition to the challenges that face every typical company as it seeks to improve sales, the channel organization faces the added difficulty of having little direct influence over partners’ sales teams.

### Pipeline Coverage and Opportunity Qualification

61% of the channel partners that took part in the Partner Analysis noted that they achieved only minor successes in acquiring new contracts and that, as a result, their pipeline coverage is inadequate. One significant contributing factor is a lack of soft skills; if sales personnel do not have the skills necessary to develop relationships with new clients, then the sales force will be forced to rely on existing customers. While this can be lucrative in the short-run, such a mindset is rarely sustainable.

24% of partners noted that they are only sometimes successful at qualifying opportunities, resulting in insufficient closing rates. Pipeline coverage and poor opportunity qualification can be particularly frustrating for the management of channel organizations as these issues can lead to sales results that contrast strongly with analysts’ forecasts. A typical fix for this problem is to offer a sales training to partner sales staff on how to classify opportunities and fill the sales pipeline. However, channel organizations need to make sure that the content of the sales training includes the KPIs being monitored by analysts. According to the American Society for Training and Development (ASTD) without on-the-job reinforcement, 87% of training insights are already lost 1 month after attending a training. In order to ensure that channel partners’ sales personnel are really using this investment, channel organizations should provide individual coaching following the training. Coaching can be done on-site or online, but it provides practical individual guidance on how to implement the information learned from the training.
Once a new prospect has been generated and a sales cycle is underway, sales personnel need to pay close attention to the needs that the potential client expresses. In order to facilitate this activity, many businesses maintain a feedback collection and evaluation process.

Even when a deal is lost, sales managers need to understand why the deal was lost so that they can make improvements in the future. Around 38% of channel partners reported that feedback is requested at only irregular intervals and that this is done in the absence of standardized criteria or an analysis strategy. Without a regular analysis of such information, it is extremely difficult for partners to implement necessary changes in their sales cycle and to train sales employees to behave differently.

Smaller partners in particular tend not to be aware of how to change their sales approach even if they have a problem. Accordingly, about 35% of partners expressed an inability to use customer feedback and their industry knowledge in order to take advantage of upselling opportunities. While the criteria for an upselling process had been defined, the sales force was not able to make practical use of this process on a regular basis. In order to avoid losing this potential revenue, channel organizations should consider providing support to partners to help them develop the underlying processes necessary to support feedback evaluation and upselling.

For many partners, the ability of the sales force to use feedback for upselling purposes hinges on their customer relationship management (CRM) strategy and how well they use their CRM software tool. If a CRM strategy with explicit guidelines has not been defined, then sales personnel record their data in disparate ways and upselling opportunities are lost as a result of poor communication. In such cases, channel organizations can provide some assistance in creating a communication strategy for small partners to help them avoid letting deals fall through the cracks.
Case Study Development & Value Selling

Convincing a potential client to spend lots of money on a new product or service means that sales personnel need to show the return on investment (ROI) to the client. Whether the sales representative works in retail or for a B2B service provider, he or she will need to demonstrate the value that this purchase will bring to the prospective client. Of the IT businesses investigated, 46% were able to express what the benefits of the purchase were, but were not able to attach these benefits to solid, measurable facts. Furthermore, personnel had difficulties in positioning the business case within the sales cycle. Knowing when to introduce a business case is a difficult task, but even more difficult is providing a quantitative measure of the benefits that a product will bring. In order to do this, sales personnel need to be able to understand the business models at work within the prospect’s own organization.

In addition to trainings on how to analyze business models and ROI estimates, channel sales organizations should also encourage partners to specialize whenever possible. A software vendor who has only ever sold to banks and other financial organizations will likely find it very difficult to estimate the benefit that a solution will bring to a manufacturer. Channel partners sometimes spend months chasing deals for which they do not have the appropriate industry knowledge; even if the product provided by the channel partner is superior in every way, the competition may be able to present a more effective, and convincing, case study. In addition to the costs that the partner will incur for its misplaced effort, both the channel partner and the channel organization will incur significant opportunity costs. With better guidance from the channel organization, these costs can be minimized when partners specialize and focus on deals for which they have the industry knowledge.
Channel Partner Co-Innovation

Another issue making headlines in business magazines the world over (but which is not often considered by channel partners) is innovation. Despite the proven utility of innovative processes such as Design Thinking on today’s global marketplace, many channel partners consider innovation to be the “channel organization’s job”. The widespread nature of this opinion was demonstrated in the Partner Analysis, where 30% of the channel partners admitted that they did not regard innovation as crucial for their businesses.

While direct innovation with regard to a finished product may not be necessary in many indirect sales channels, channel partners should nonetheless be vigilant in trying to innovate their approach to customer service. Innovation in this area is especially important for businesses that rely on a subscription model; if changing customer needs are not met quickly, or even anticipated in advance, then customers can easily switch to another provider for a minimum loss. For this reason it was particularly noteworthy that only 28% of channel partners evaluated offered the option to customize products for clients. Any channel organization using a subscription business model needs to consider how it can support and cultivate an innovative culture among its channel partners to ensure that customers have a high lifetime value. One method for achieving this goal is to have channel partners take part in a Design Thinking workshop where partner executives are taught how to make innovative processes a part of the DNA of their organizations.

Software Demo Landscapes

Although the strategy for developing and showcasing new solutions and products may not be relevant for all channel organizations, this topic is key for businesses in the IT sector. Implementing a new solution is often an expensive affair, and potential clients need to be able to see the value that partners offer before they commit to an investment. Even in non-IT businesses, turning a prospect into a customer often necessitates that channel partners demonstrate in-depth knowledge of the specific industry, and a ready-made demo can make that task far easier for sales personnel.
Only 12% of the IT businesses in the Partner Analysis said that they do not use demos at all, indicating that the overwhelming majority use demos in their sales cycles to various degrees. One way channel organizations can support their partners is to provide them with a range of basic demos, which partners can then tailor to fit their needs. However, even the best demos need to be tailored to fit the target audience, and channel partners need to be trained in how to use demos effectively in their sales cycles. Providing trainings on how to tailor demos to a target audience and use them to optimize their impact on the purchasing decisions of prospects will be of significant benefit to both the channel organization and the channel partners.
Customer Satisfaction

Around 57% of the participants in the PDAgroup Partner Analysis indicated that they do not gather and evaluate customer satisfaction data according to a standardized process. The absence of a standardized process renders it difficult for partners and channel organizations to determine if feedback on individual projects is indicative of a trend or if it is relevant only to the individual project. In order to take advantage of new trends and ensure that they remain competitive in the future, both channel partners and channel organizations should take the time to ensure that their employees collect and evaluate customer satisfaction data regularly.

With such a process in place, channel partners can even use customer satisfaction as a quantifiable KPI in their project management activities. While 23% of the channel partners evaluated formally include customer satisfaction as a KPI already, they also noted that this KPI is rarely measured. To ensure that customer satisfaction data is evaluated according to a unified standard, channel organizations should provide a series of templates for channel partners to use in evaluating their projects.

Project Management

Many channel partners need to conduct regular projects with customers. While these projects present significant opportunities for creating long-lasting relationships with clients, they can also present significant risks. If a long-term project runs poorly and does not satisfy the client’s needs, years of damage may be done to the reputation of both the partner business and the channel organization. To mitigate such risks, channel partners need to maintain high standards for their project management activities. However, ensuring that the project management skills of partners are up to the challenges they face requires specialized knowledge on a number of topics.
For 82% of the IT partners who took part in the Partner Analysis, most or all projects were completed within the stipulated time and budgetary constraints. However, project marketing within the projects presented a challenge: 39% of channel partners noted that their project teams attempted only on occasion to get in contact with employees on the customer side to tell them about changes to solutions. Although active project marketing is sometimes considered a minor point in project management, overlooking the communication of important changes can easily result in a solution that fails to deliver what the customer wants.

One way that channel organizations can promote good project management is to provide channel partners with a list of best practices that they can use as a checklist for evaluating their own projects.
Human Resources

While HR is often regarded as a purely internal affair for companies, channel organizations have a vested interest in ensuring that their partners incentivize their personnel properly. If channel partners do not motivate their employees effectively, then even the best channel partner will find it difficult to sustain its success.

Employer Branding

At least 40% of the channel partners interviewed for the PDAgroup Partner Analysis reported that the appeal of their company as an employer was well understood on the human resources market and that this appeal was used occasionally for recruitment purposes. While having a good reputation is great place to start, companies need to actively communicate the benefits of the workplace they provide to the labor market in order to make sure they acquire the best talents. Given the fierce competition for skilled personnel, organizations cannot afford to lose any resources to competing companies. For channel partners in smaller countries, the supply of eligible candidates can be slim even in the best of times; channel partners should make use of social media platforms and job fairs at local universities to increase their exposure and position themselves as attractive employers.

Resource Planning

Knowing when it is necessary to hire new personnel can also present a challenge for some channel partners. Although 33% of the partners evaluated in the Partner Analysis reported that while HR demand planning takes place on a regular basis, these processes are also informal. As a result, the person making the decision on whether to hire a new employee may not have all the details regarding what skills the required person should have. This could lead to the steady accrual of a knowledge deficit within the company that impacts the company’s overall performance.
Employee Retention

A related issue is employee retention. Retaining employees over the long term is a crucial factor in the success of all companies. 39% of partners who participated in the Partner Analysis reported that only a few key employees are able to use key industry and product knowledge. If such employees were to leave one of these companies on short notice, the ability of the channel partner to deliver value to customers could be severely compromised.

Channel partners should consider taking a two-pronged-approach to solving this issue. After hiring the right employees, partners need to put in place an incentives model that will ensure that key employees are not tempted to leave. 29% of partners noted that while measures are taken to identify and motivate employees, these actions were ad-hoc in nature. In all but the most exceptional cases, incentives should be provided according to a standardized scheme that is understood by all employees; if employees are not aware that they will be rewarded for exceptional contributions, then it is quite possible that they will settle for providing a lower level of effort in their daily activities. The second measure that channel partners should take is to actively support the sharing of critical industry and product knowledge among employees. In addition to thoroughly documenting this knowledge, channel partners can facilitate the active exchange of information by creating mentoring programs for more experienced employees to mentor younger employees for a specific amount of time each week. Implementing such measures will help to ensure that critical knowledge is maintained within the workforce and expertise is gained over time.

Alignment of Training Plans

Another way to ensure that the supply of qualified personnel is adequate to the growth needs of the channel organization and channel partner is to train personnel in-house. In many cases both the channel partner and the channel organization offer training plans that overlap in terms of the topics covered. In other cases, significant needs are ignored as both sides assume that it is the job of the other organization to train personnel on these topics. In order to avoid wasting money on superfluous trainings or ignoring blind spots, channel organizations should develop an enablement plan around one year in advance and share it with channel partners. With better communication and alignment, the channel organization can meet the real personnel needs within its partner landscape and allocate its funds more effectively.
About Us

PDAgroup enables companies and their people to be prepared for the future. Our analytics, consulting, recruiting, training & coaching programs assist channel organisations & their partners to sustainably improve their businesses. We have been providing our expertise to clients such as SAP SE and their channel partners, guiding them to reach their best performance.

No matter what changes your organisation is undergoing, they all start with your employees. Our unique blend of analytics, consulting, recruiting, training & coaching programs place your people at the heart of the challenge.

Our expertise in sales and marketing, channel management, innovation, strategic development and HR management can assist global channel organisations and their partner network to succeed in the future. Our comprehensive approach is built to be sustainable and with our global network of professional consultants & trainers, we have the experience to help your business to reach the next level.

PDAgroup Partner Analysis

The PDAgroup Partner Analysis is conducted via a personal interview with the CEO and managers from relevant departments to assess their company’s maturity in the form of a self-assessment. The analysis consists of 80 questions which are divided into seven business areas (strategy, solution strategy, consulting, sales, marketing, risk, human resources). This way the whole value chain of the channel partner business can be analysed to show a holistic picture.

For all questions, six specific maturity levels have been defined by an expert team who has created the evaluation scale. These defined levels support the detection of the status quo of each indirect sales channel partner. It provides the possibility to set future targets and identify challenges, which have to be eliminated in order to ease the path towards your business goals.

An analysis report summarizes the core results for the channel partner and recommends actions. Channel organisations will receive a comprehensive dashboard to understand where their partners have the biggest challenges. This helps them to set up appropriate programs to support their partners through training, coaching or other activities to increase the channel's effectiveness.

“PDAgroup’s speed and responsiveness has enabled the SAP Ecosystem and Channels (Asia Pacific Japan) to execute innovative programs, resulting in faster time to value for our partners as well as internal stakeholders. Thank you for contributing to our success!”

Ting Ching
Senior Director Solution Center
Asia Pacific Japan & Greater China
SAP SE

“We used the results of the Partner Analysis as both a guide for our discussion on the company strategy and as the basis for our future growth plan. The Partner Analysis was especially useful because it gave us an overview of the competitive landscape and identified actions that we could take to improve our situation immediately.”

Martin van Wyk
Managing Director
Westrocon (Pty) Limited
Identify high/low performing partners and trends in your partner landscape

Get a holistic view of your channel to identify common skills gaps

Create more effective partner programs which are based on real partner needs

Get an overview of your channel's performance and a benchmark to compare it with other channels

Benefits for Channel Organisations

- Identify high/low performing partners and trends in your partner landscape
- Get a holistic view of your channel to identify common skills gaps
- Create more effective partner programs which are based on real partner needs
- Get an overview of your channel's performance and a benchmark to compare it with other channels

Benefits for Channel Partners

- See how you perform compared to other partners in the same industry
- Identify common skills gaps and understand how they influence different business areas
- Determine follow-up activities to overcome weaknesses and utilise strengths
- Use the overview of strengths, weaknesses and opportunities as a basis for competitive differentiation and growth