

GETTING THE MOST FROM **YOUR CHANNEL INCENTIVES**

WHITEPAPER



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“...Sales managers must demonstrate that they understand the channel partner’s business...”

Businesses that rely on resellers to move their products understand that motivating this elusive group is an essential, yet challenging, part of their business. Channel, or dealer incentive, programmes differ from other types of incentive programmes in one important respect: your company does not employ the participants. They either own their own businesses, or they work for dealers, distributors or partners that resell your products or services. This makes these programmes more complex to plan, and it may take additional effort to engage and motivate those participants.

Programme structure is particularly important with channel incentives. Sales vice presidents, sales managers, distributor sales managers, and others who oversee distribution channels are non-captive audiences.

The key to motivating them is in building strategic alliances based on vision, communication, training and customer support. An abundance of research suggests that communication and trust are the core elements of a lasting channel relationship.

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In a study reported in the Harvard Business Review article, "The Power of Trust in Manufacturer-Retailer Relationships," author Nirmalya Kumar states, "When both sides trust each other, they are able to share confidential information, to invest in understanding each other's business, and to customise their information system or dedicate people and resources to serve each other better." Hence, an important way to reinforce that necessary communication and trust when developing a channel incentive programme is through a total support package that will not only help the sales of your product or service, but will also help the channel partner build a better business.

KNOW WHAT MOTIVATES CHANNEL PARTNERS AND INVOLVE THEM

1. POSSESS A CLEAR VISION.

Recognise that channel partners can be an integral part of the total sales and marketing strategy, and have a strong vision of what your organisation can do to help channel partners succeed – not just with your not just with your product or service, but with the entire category.

2. MAKE YOURSELF AN EXPERT IN YOUR CHANNEL PARTNERS' BUSINESS.

Have a complete understanding of what makes distributors or other channel partners successful in your field. Look at how other successful manufacturers in your industry motivate and recognise dealers, and don't forget to ask the dealers what motivates them to excel.



3. MAKE YOURSELF AN EXPERT ON THE MARKET YOU ARE ADDRESSING.

This may seem obvious, but many companies work through distribution channels they do not understand. Don't assume the distributor and other channel partners will do all the groundwork. You should have a complete knowledge of the market, including demographics, buying patterns and culture. You must also determine how important your product and service offering is to a particular channel partner. If your product or service accounts for only a small portion of a channel partner's potential sales, chances are you won't get much attention.

4. INVOLVE CHANNEL PARTNERS IN YOUR PLANNING.

After identifying target markets and key players, you must work closely with your channel partners to estimate the potential value of those markets, forecast sales, and establish a priority plan. The plan should spell out who will do what, and when, in order to penetrate key markets.

Good questions to ask include: What roles are to be played by the supplier and the dealers and other channel partners? What will the dealer need in terms of promotion, sales support, training and joint sales calls?

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5. ENGAGE IN JOINT PROFIT-PLANNING.

This is an important step that many sales managers often overlook. Joint profit planning with channel partners primarily concerns inventory planning, inventory control, and communication. It includes working with your channel partners to cut sales costs and improve margins. Ask yourself: What can I do to help the channel partner reduce the cost of sales? Work with partners to determine appropriate inventory levels to ensure optimum turnover. Introduce better communications systems, especially the cloud and mobile technologies, to enable your partners to keep up-to-date.

Explore co-op opportunities in such areas as media advertising (including Social Media), local promotions, rebate and BOGO programmes, incentive programmes, trade shows, and webinars.

6. BUILD A STRONG "PUSH" PROGRAMME.

Many sales experts believe it's a mistake to rely on incentive programmes that focus dealer salespeople on selling one product over another. Incentives should not only reward better sales of your company's products or services, but also better overall salesmanship, something every channel partner is eager to promote. Design programmes to reward sales people for both selling your product and selling better.

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7. PROVIDE MARKET-ORIENTED TRAINING.

Ongoing supplier-sponsored training programmes are critical to the success of partnering. Be sure to develop well constructed training programmes that go beyond basic product training. These programmes should help distributors identify key decision makers, outline the sales cycle and underscore supplier resources available to service the customer.

8. STAY ACTIVE IN YOUR DEALERS' TERRITORIES.

Make joint sales calls with dealers and other channel partners. Enlist mystery shoppers, if appropriate, to see how your product is presented. This will help you learn about your partners' sales priorities and give you knowledge of their customer accounts. It also will clarify why customers buy from certain channels. This information will provide a strong basis for sales training sessions.

9. TAKE ADVANTAGE OF TECHNOLOGY.

New technologies are making it easier than ever to track channel partners and endusers and communicate with your channel partners. Sales automation and the Web provide an invaluable opportunity for your company to improve sales productivity and communications with all your channel partners.

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WHICH TYPE OF PROGRAMME WORKS BEST?

All suppliers want their channel partners to stock or sell the most current products or to participate in co-op marketing programmes. But what's in it for the dealer? Based on your discussions with key channel partners, you should have a better understanding of other ways to help them achieve their own specific objectives.

In particular, be sure your programme does not artificially distort sales - and undermine trust - by getting channel partners to make big purchases or sales efforts during a programme and then do little before or after the qualifying period. Here are some basic incentive programme options you can discuss with channel partners; In some cases these can be mixed and matched:

1. OPEN-ENDED STRATEGY.

Motivate channel partners to stock or sell more by setting goals above the past year's sales quota. These programmes are easy to budget because you base the award on incremental sales over a comparable period. Combine the incentive programme with basic training and communication designed to make participants more effective. For new dealers, base the quota on a reasonable estimate of what they should be able to accomplish in a start-up year.

2. CLOSED-END APPROACH.

Distribute awards to the top performers in each volume category or region. This is easy to budget, but tends to reward top performers who are destined to excel anyway, possibly missing an important opportunity to have an effect on the next tier.



3. NEW PRODUCT INTRODUCTION.

Set aside a small amount per unit of your new product budget for an incentive programme designed to get channel partners to increase their commitment to your product. Companies qualify in proportion to their level of commitment. To make this work, you have to provide them with an exciting programme that will convince them the product will sell through.

4. PLATEAU PROGRAMMES.

These programmes reward dealers or distributors in a significant way for making incremental purchases at, say, 5%, 10% or 15% above their quota or last year's performance. The idea is to push people to try harder than they would in a programme geared just to an overall increase in sales. This can be a successful approach to reach the critical "middle sixty."

5. COOPERATIVE MARKETING PROGRAMMES.

You provide extra rewards for channel partners for participating in your co-op marketing programmes. For instance, they might get bonus points for utilising co-op dollars, putting up displays, or participating in a training programme for salespeople.

6. PRODUCT-SPECIFIC PROGRAMMES.

Companies offer bonus points for distributors that sell or buy more of a specific product. You might jeopardise the sale of other products with this approach, so consider secondary measures such as including a requirement to hit an overall sales target.



7. DATABASE PROGRAMME.

Offer dealers and distributors a reward for providing customer names for co-op direct marketing or telephone sales solicitation on behalf of your company's product. This is a good way to collect valuable names and ultimately should benefit your channel partners, as well.

8. TRAINING FOR DEALER SALESPEOPLE.

Offer credits for special training for sales people that addresses your channel partners' needs, not just your own. This helps your middlemen by improving the caliber of salespeople and helps you communicate with those who sell your product.

COMMUNICATE, COMMUNICATE, COMMUNICATE!

Capturing the attention of your audience is a challenge because dealers and other channel partners often receive similar offers from many suppliers. Stand out by making sure your programme is easy to understand and filled with benefits for your target audience.

Throughout the programme, provide participants with useful information to help them succeed. Launch your effort with an enrollment kit that asks for basic business address information along with tax identification numbers, where applicable.

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The kit should prominently specify the programme duration. Since your programme should support your marketing objectives, link it as much as possible to the overall marketing push. Develop a theme for the incentive programme and try to relate that to your marketing themes. In addition to your launch kit, have your own salespeople mention the programme in their presentations to channel partners. Hold regional kickoff meetings with dealers and distributors, and send regular updates to all participants, providing them with their results to date plus useful information to help them improve performance.

How often you communicate with your channel partners depends on the programme's duration. Part of your communication effort should aim to arm salespeople with the knowledge they need to help you and to help themselves.

Many dealers and distributors do not want suppliers to have direct contact with their salespeople, so it's important to offer training that benefits the principals by helping to improve the overall knowledge of their salespeople. You also want ongoing communication with your programme participants during the incentive programme. Check your results month-by-month and, depending on the results, make adjustments or send additional information and tips to participants.

Remember, you cannot change the rules or qualification levels midstream without annoying your participants and perhaps even violating the law.

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DON'T NEGLECT PRESENTATION AND FOLLOW-UP.

Don't forgo the award presentation just because it's difficult to gather channel participants in one place. Look for ways to enhance the value of the incentive award through communication to the media and to the trade, as well as through peer recognition.

In addition, no matter which award options you have selected, pay close attention to how you present the awards. Much of the awards impact is derived from the degree of the giver's sincerity. Consider making the award in public, perhaps at a customer council, trade show, national sales meeting or another event where people can bask in the recognition and know that you appreciate their accomplishments.

After the programme, follow up with your channel partners to determine what worked best and what needs to be revised, and to brainstorm ideas for adding more excitement (and avoiding programme addiction) to the next programme.

Look carefully at the results, tracking precisely what happened to sales and other areas that you measured. Isolate the factors that could have affected your programme.

For the next programme, consider changing your measures, but continue tracking the old measures as well. They serve as great benchmarks, and you might want to re-prioritise the measures in a subsequent programme. While the post-programme evaluation is a great way to learn what dealers have to say, remember that every stage of your programme affords you the opportunity to garner invaluable feedback from your channel partners.



This communication is essential to helping you better understand the needs of your dealer network in order to build a long-term strategic alliance based on vision, communication, training and customer support.

GET TO KNOW YOUR CUSTOMERS

- Don't rely on single question loyalty surveys. Seek more feedback and set down several ways to collect feedback and measure engagement.
- Mine your data.
- Measure, adjust and remeasure.
- Encourage employees to encourage loyalty.
- Keep rewards relevant and personable, and pick the right vendor.



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ABOUT POWER 2 MOTIVATE

THE PERFORMANCE IMPROVEMENT PEOPLE

Power2Motivate is the global leader for all things performance improvement. We develop and manage some of the worlds biggest and best customer loyalty and employee recognition programmes and have offices covering all four corners of the globe including Australia, Asia, North America, South America, Europe and Africa.

Our programmes are available across 135 countries and in 17 languages. We're proud to say we have over 300 clients and two million users ...and we're still growing.

With a combination of smart technology, passionate people and excellent partners, we offer our clients a straightforward yet powerful solution at an affordable price.

Our performance improvement solutions enable organisations to foster stronger relationships with their customers and employees.