Maturity Models and Benchmarking

Finding the "Right Partner" Needles in the Channel Haystack

The 14 Rules for Partner Recruitment that Net the Best

Tim Harmon | May 19, 2017

Report Directive

Finding channel partners that fit your strategy mold is hard enough, but is getting even more challenging due to the law of supply and demand: a diminishing supply of channel partners, and an increasing demand for capable channel partners. This research will bring to the fore best practices employed by leading tech vendors in finding, culling, and onboarding new partners, as well as how technology can be employed to support partner recruitment programs.

WHY HAVE A RIGHT PARTNER RECRUITMENT PROGRAM?

It may seem obvious as to why tech vendors want to recruit "right" partners: to increase channel productivity, i.e., to boost channel-generated revenue. And doing so used to be a relatively easy numbers game. Just 5 years ago, with over 1 million channel partner companies in existence, most of them looking – with some desperation – to preserve their relevance, tech vendors could take advantage of a large supply of partner companies by applying the Law of Large Numbers (LLN) to recruitment: simply recruit enough new channel partners, and an adequate subset would develop as "right" partners.

But today the supply and demand pendulum has swung the other way. With the number of channel partner companies in decline, finding and recruiting the right partners is becoming more and more challenging – and the cost of supporting "not right" partners is escalating. Moreover, market conditions are, as always, changing. New technologies and new consumption models are making new services (and new commitment to services) paramount. As a result, tech vendors find themselves searching more refinedly for partners with new skills (or willingness to evolve and acquire new skills).

Today, right partner recruitment can feel like finding the needle in the proverbial haystack.

WHAT IS A RIGHT PARTNER ANYWAY?

The reality is there is no universally accepted definition of a "right" partner. What constitutes a right partner for one tech vendor may be very different than that for another. But some core attributes to consider include:

- Partners aligned with channel KPIs and corporate roadmaps. For example, the channel team may have an organizational goal of recruiting a certain number of MSPs (managed service providers); or may be tethered to corporate strategy in entering into or growing in new markets.
- Partners with strong customer relationships. It's a given that customers are in the driver's seat today. Those channel partners that have interwoven themselves with customers so intimately that they are essentially proxies should be prime candidates.
- Partners which have demonstrated the skill and willingness to adapt. Are your new partner prospects doing the same thing – carrying the same lines, providing the same services, maintaining the same product:service revenue mix – as they were 10 years ago, or even 5 years ago? If so, these are signals that the company isn't willing to make the necessary investments to remain relevant and productive.
- Partners with a vision. Some partners have their own visions on how to drive new business going forward. Michael Hartman, Chief Commerical Officer for Quattro Business Solutions, on what they look for in a new partner: "Our major metric to determine the value of partners is around customer acquisition and cloud plans. We basically look at the customer acquisition number, and also their ambition for the next 12-24 months. The combination of those 2 things tell us how likely those partners are to consume value-added services from us."

Some research participants have additional perspectives on what makes a right partner:

"I always say a partner is an extended sales force; a partner is one of us. They are very knowledgeable about a product, they build a solution based on our technology -- for me, that's the best partner. And of course we want them to win as many projects with us, so a good partner doesn't sell competitor projects. It's easier now because the focus is on a solution to a problem, versus a certain product – it's a business-solving problem. So I think the role of a partner is much more important than before."

– Veerle Limbos, Head of Global Channel Business Alignment, Fujitsu Technologies

"The right partner is one that has decided our business model works with their business and makes us jointly successful."

– Mark Weyman, Senior Director, SAP

"I am increasingly thinking that there is no such thing as the 'right partner'. Actually, what VMWare and I think most vendors need is the 'right partner mix.' This is particularly important when you look at our portfolio, where we have a mix of products that range from commodity products to complex solutions. So if I try to look at what would be common with the right partner mix for us, it would be:

1. *Mindshare – that is how relevant we are to their business. Typically we would measure this by % revenue contribution to overall partner business / vendor ranking / VMware products embedded within partner products.*
2. *Partner competencies – sales capability (ability to create / leads / close sales opportunities), Post sales competencies (ability to deliver the expected outcomes to customers).*
3. *Revenue mix - growing average selling price, mix of new versus existing customers, ability to sell whole portfolio versus single product."*

– Alanzo Blackstock, Director, Partner Organisation (UK&I), VMWare

- **Rule #1: Know what constitutes a right partner for your company.**

THE STATE OF PARTNER RECRUITMENT TODAY

Many Don't Sweat It

Many tech vendors, particularly larger ones (the "Bigs") don't worry about partner recruitment. Some feel they have enough partners, and are in fact more concerned with how to cull partners from their ecosystem herd. Others (again, mostly Bigs):

- **Take a passive approach and depend on the Law of Large Numbers.** Even with the supernumerary requirement of the LLN with respect to channel partner companies, some tech vendors maintain an open partner program, whereby anyone can register to be a partner.[i] They use partners' first year's performance to determine whether the partner advances (merits investment) or languishes. The thinking goes, "If we sign a large enough number of partners, some will 'rise to the top.'"

  The problems are two-fold:

  1. In [only] letting partners come to them, the vendor is missing out on prospects who could develop into very good partners.[ii] And in the process, they may be abdicating those partners to more proactive competitors.

2. Unless the tech vendor has very good PRM automation supporting partner self-service, the cost of supporting the vast majority of passively recruited partners can quickly exceed their revenue contribution.

- **"Outsource" to distributors.** Many Bigs (and some not-so-Bigs) operate their channels with a 2-tier distribution model. And many who do depend solely on their distributors for partner recruitment.
- The problem? They're essentially shoveling money into a black hole. Tech vendors tend to fall down in holding their distributors accountable, chartering them with recruiting partners without performance goals and metrics. Moreover, distributors have many vendors that they represent, and the amount of time and resource they spend on partner recruitment for any one vendor is questionable.[iii]

Those that Do (Sweat It)

- Our research indicates that *right partner recruitment is vital to tech vendors' ecosystem-contributed growth*. But of those vendors that subscribe to this postulate, many don't have the dedicated partner recruitment resources, programs, processes, or technology needed to support a right-partner recruitment program, including some interviewees who admitted that they don't have a systematic process in place, and recruit partners with essentially an ad hoc approach.

- The following, along with the aforementioned Rule #1 ("Know what constitutes a right partner"), is a rules-based prescription for right partner recruitment.

MORE RULES TO RECRUIT BY

The Organization Rules

As with all partner programs, a right-partner recruitment program starts with the people.

- **Rule #2: Assign someone the responsibility.** Too often, there is no one officially chartered with the partner recruitment function. Without a single point of accountability, partner recruitment will result in process inconsistency and inefficiency (read: unnecessary costs), and what constitutes most tech vendors' channel ecosystems today – a mishmash of partners.
- **Rule #3: Set goals.** Very few tech vendors establish recruitment performance goals and metrics, other than perhaps for the gross number of new partners recruited. Goals/ metrics should mimic customer acquisition and include: partner recruitment time, funnel conversion rates, cost of partner acquisition, and number of partners by size, category, competency, and market. Michael Hartmann

of Quattro noted, *"We hired a person last year that has developed a complete recruitment program. So we have very clear targets for each of our countries on a monthly basis."*

- **Rule #4: Effect a virtual partner recruitment team.** The most effective partner recruitment teams involve a corporate/global framework and field execution. Many channel executives we interviewed voiced their involvement of field CAMs. *"I am very active in setting the recruitment frameworks; they have to push the agenda within their countries. But I help them set up the framework and KPIs,"* said Veerle Limbos of Fujitsu.
- **Rule #5: Collaborate regularly with other regional teams.** The best ideas don't always come from corporate. Sharing best practices with regional peers can help flesh out the operational details of corporate-provided frameworks.

The Strategy Rules

- **Rule #6: Align partner recruitment goals with corporate goals.** Is the company intent on entering new markets, expanding its product line, or changing its delivery method? Does the company need to engage a different customer decision-maker? Whether explicit or not, it is critical to align partner recruitment with corporate roadmaps.
- **Rule #7: Anticipate the channel partner loyalty factor.** Channel partner loyalty today is a sticky wicket. Veerle Limbos of Fujitsu characterized the crux of the loyalty challenge: *"I did a study asking partners what motivates them to go to another partner, but the outcome was that the partner doesn't want to disconnect from one vendor – they'd rather ADD another vendor rather than REPLACE. They will only onboard a new one if it complements their portfolio."*

Partners come in essentially 3 readiness "flavors:" pre-developed competency, complementary (or adjacent), and greenfield – each with their own set of unique loyalty prediction attributes, and each with a different investment-loyalty balance to factor into right-partner profiling (and mix):

  - Pre-developed competency partners are those that have proven competency in a particular technology solution domain, most likely derived from having a partner relationship and certifications with/from a competitive vendor. Pre-developed competency partners are the easiest and least costly to train and develop; and may be easy to find and recruit, as many channel partners search out a second or third vendor of a particular solution to add to their portfolios as an alternative for customers … or as a negotiation foil with vendors. In the latter case, *pre-developed competency vendors may be the most difficult to manage from a loyalty perspective,* so tech vendors should determine ahead of time their strategy for engendering or appropriating loyalty.

- Complementary/adjacent partners are those that could benefit from a broader solution footprint, by expanding their portfolios to include a particular tech vendor's product[s] that is "related" to and expands their current offering. For example, a business application software partner could benefit from adding an application security solution. Complementary/adjacent partners are middling to train and develop, and relatively easy to find and recruit.
- Greenfield partners are partners that don't have any skills or competencies today that map to the vendor's solution set – but have the willingness and capability to adapt; *or that don't even yet exist.* As an example of the latter, many near and recent grads have acquired valuable technical and business skills in their university curriculums. Yet few identify the many entrepreneurial opportunities in the tech channel market, and are ripe for development as technology solution providers. *"Absolutely one of the big issues in the industry is skill shortage – between 1-2M security jobs are not covered. So there is a significant skill shortage. And I think part of our job as vendors is how do we address that. And particularly from a partner perspective, how do we enable people with a basic knowledge and then mature them into fully qualified security professionals? So if I'm looking out that far (in terms of years), then absolutely I'm concerned, and we have a role to play in that,"* said David Small, VP Channel Sales EMEA, McAfee.

The skinny on greenfield partners: They require significant investment in training and development, but once over that initial hurdle, they are loyal partners for life.

The Program Rules

- **Rule #8: Make your story attractive to channel partners.** Is your product in high demand? Is it differentiated? Can a partner build a robust business around it? Are you easy to do business with? Do you add value or differentiate through your partner program to be more attractive to partners? Like customers, channel partners resonate to brands that tell a good story.
- **Rule #9: Treat partner recruitment as you would customer acquisition – i.e., as a marketing program.** Make no mistake – partner recruitment today warrants a formal marketing campaign approach. B2C marketers invest a lot of effort to nurture customers over time using advanced marketing techniques (e.g., next best action). Vendors should take note and employ a longer term approach to win over partners. Veerle Limbos of Fujitsu described their recruitment marketing approach: *"We*

have two types of [partner recruitment] campaigns: volume campaigns, which are basically campaigns toward a broad set of partners. And on the other hand, we have recruitment [where] we go after specific partners – [such as] targeted toward data center partners. We have a special website, a special URL, a marketing activity campaign – we email, follow up – that's all in the chain of the volume recruitment program."

(B2C) marketers invest a lot of effort to nurture customers over time using advanced marketing techniques (e.g. next best action). Vendors should take note and take a longer term approach to win over partners rather than limiting themselves to tactical recruitment drives.

- **Rule #10: Formalize – and technology-enable – partner candidate vetting.** Too often, partner recruitment is done on a "feels right" basis. Tech vendors should employ a formal scoring model so that all partner prospects are vetted according to a standard (see Figure 1). Michael Hartmann of Quattro illuminated, *"The biggest challenge and, at the same time, the most critical factor is to do the profiling right. I think that is where you can waste a lot of time and effort, because if you don't do the profiling right, then none of the partners you targeted are coming onboard."*

  Savvy channel professionals are applying modern analytics tools and technologies to their partner recruitment function. They employ a combination of corporate goals, desired partner attributes, and predictive analytics per recently recruited partners to identify partner prospects with the greatest potential. One interviewee's astute thinking: *"One of the areas we're identifying and using analytics/research on is the partners being onboarded, see if they're a good fit, how are they financed, employees, skills, their potential to grow, etc. I've used predictive analytics in other companies and I've see other people use those kinds of analytics to make investment decision about which partners to invest in. That's an area I want to enhance – who are the diamonds in the rough that we can grow at a higher rate, rather than leave them on their own or have distribution develop them?"*

The Onboarding Rules

- **Rule #11: Shepherd – and technology-enable – new partners during a defined incubation period.** New partners need all the help they can get to get up and running on a tech vendor's solutions. Some tech vendors make inside salespeople available to new partners for the first 6-12 months. For example, Mark Weyman of SAP indicated, *"When partners are recruited in, the recruiter goes through the process and helps them navigate SAP and close their first deal. And during that time, they'll hand them off to the relationship manager that they'll be working with in the future. Typically when you enter the SAP ecosystem, you'll be assigned someone in the telephone relationship until you demonstrate you are up to that gold level at which point you get a dedicated partner manager."* Others leverage PRM technology to personalize and automate communications, training, and help desk support during the onboarding period.

- **Rule #12: Offer special incentives to new partners to help them gain traction.** New partners can often benefit from traction help, in the form of incentives, in getting out of the gate. And incentivization takes form in more than just monetary rewards, and applies to much more than, say, the first sale. As an example of the former, credits may be given towards training or next-tier attainment. Per the latter, new partners should be incentivized for behaviors and activities that lead to self-reliant productivity, including completion of training, execution of a lead generation campaign, submission of a business plan, etc.; and even something as simple as information sharing, e.g., completing profiles that give the tech vendor more touchpoints within the partner company to help grow the relationship.
- **Rule #13: Use first-year metrics to close the partner recruitment performance feedback loop.** Identifying which first-year partners performed the best – and why, using analytics technology and methodologies – can be invaluable in developing a scoring model for vetting new partner candidates (see Rule #10) (see Figure 2).

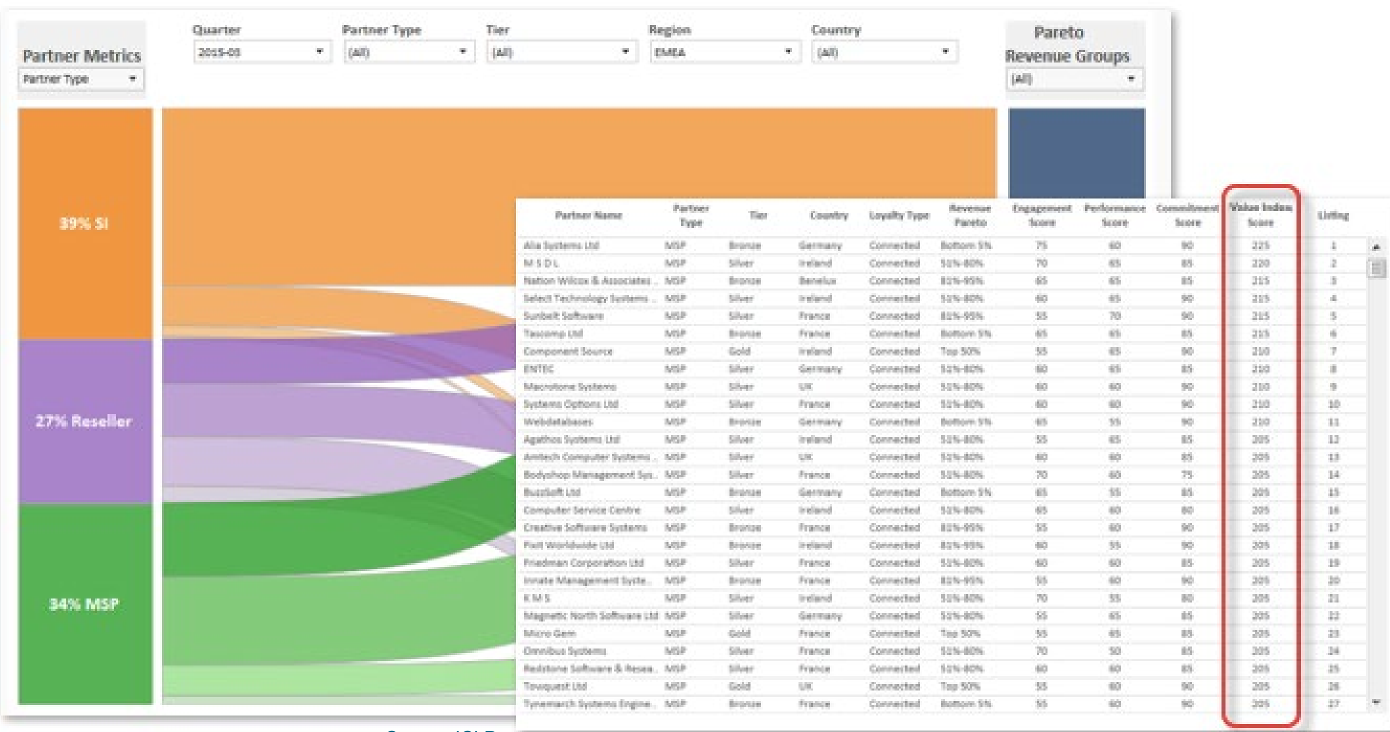
Figure 1. Example partner candidate scoring metrics.

Metrics
Revenue
Revenue growth
Other financials
No. of customers
Customers profile
Customer references
Selling model
Type of vendors in their portfolio
No. of vendors in their portfolio
Type of certifications
No. of certifications
Makeup of workforce
Vertical industry expertise/focus
Business model[s]

The Fundamental Rule

- **Rule #14: Communicate!** There's typically a large team involved in partner recruitment, i.e., who touch partners during the recruitment process, even if virtual or informal: regional leaders, partner marketing, CAMs, distributors, etc. Even partner candidates themselves should be brought into the loop. It is critical that everyone involved is operating from the same playbook – everything from right partner definition to program goals, from recruitment process specifics to performance metrics and progress.

Figure 2. Partners' first-year performance model, based on engagement, sales performance, and investment.



Source: ICLP

CONCLUSIONS

There's no doubt, given the state of the channel today and tomorrow, that partner recruitment will become increasingly challenging. But those challenges can be overcome – and, in doing so, make you a channel ecosystem winner – in implementing these rules, and by identifying, engaging, and activating all the resources. *"We use a 3-pronged approach to partner recruitment. The first is for partners to organically find us. The second is to work collaboratively with distribution to target new partners in their network that make sense for our program – we address them via our 'Discovery days.' Third, in certain markets, we do our own research to identify the profiles of partners we believe would be a good fit for Unify across competitive and complementary vendor sites,"* Michelle Jones, VP Global Channel Marketing, Unify.

Finding the right partners is indeed like trying to find a needle in a haystack. But if you have a team and program dedicated to the process, and you employ analytics and technologies appropriately, at least the process will be more akin to finding a needle in a haystack with a powerful metal detector.

RESEARCH METHODOLOGY

Nuvoce and ICLP interviewed members of the Channel Leaders Exchange, a network of senior channel executives to understand their challenges and plans/priorities with respect to their partner recruitment programs and initiatives. In addition, we factored in research on what drives the channel partner community's vendor investments and loyalty.

Companies interviewed for this research include:

- Dell EMC
- Fujitsu Technologies
- McAfee, an Intel Company
- Panduit
- Plantronics
- Polycom
- Quattro Technology
- SAP
- SUSE
- Unify
- Veeam
- VMware

ABOUT

Nuvoce

Nuvoce is a global network of industry analysts and consultants specializing in research and insights regarding the go-to-market – channel, marketing, and sales – functions; and the design, roadmapping, and implementation of go-to-market programs & technology. Nuvoce's mission is to educate, equip, and energize channel, marketing, and sales professionals to innovate and execute their strategies integratedly to effect high business performance. For more information, please visit http://www.nuvoce.com.

ICLP

ICLP is a leading end-to-end loyalty agency that drives customer devotion for both B2C and B2B vendors with complex sales channels. We give customers and channel partners compelling reasons to engage, spend more and become loyal advocates –while delivering commercial results. With over 25 years of experience and 26 global offices across Europe, the US, Middle East, Asia and Australia, ICLP drives devotion for global brands including The Carlson Rezidor Hotel Group, Cathay Pacific, Estee Lauder, Guess, Harrods, Lenovo, L'Oréal, MasterCard, VISA, and Vodafone. ICLP is part of the Collinson Group, a global leader in influencing customer behaviour to drive revenue and value. Collinson Group offers a unique blend of industry and sector specialists who together provide market-leading experience in delivering products and services across four core capabilities: Loyalty, Lifestyle Benefits, Insurance, and Assistance. For more information, please visit http://www.iclployalty.com.

Channel Leaders Exchange

The Channel Leaders Exchange is a network of senior channel professionals from leading IT and software vendor businesses. It is the collective voice of forward-thinking leaders to challenge, provoke, and drive best practices in the channel community. The Channel Leaders Exchange is in association with global loyalty agency ICLP.

---

[i] For example, applying the Law of Large Numbers open-registration approach, with a goal of 100 right partners, five years ago may have resulted in 1000 new registered partners, 10% which may develop into right partners. Today, you would only get 500 (or less) open-registered partners, due to the shrinking supply pool. And the right-partner development rate is less, due to more channel partners being "full up" in terms of their portfolios (resulting in the channel partner loyalty index being lower than it was five years ago). With a rate of 5%, you would get only 25 right partners. Applying the LLN, you would have to bring in 4x (4000) new open-registration partners to meet the goal of 100 right partners.

[ii] There's nothing wrong with compelling partners to find you (see Rule #8), as long as that approach is combined with an active outreach program. *"It's more than just us finding the right partners, it's also about partners finding the right vendors,"* said Alanzo Blackstock of VMWare.

[iii] Distribution investment does not have to be a black hole. Properly managed, distributors can be wielded as a strategic component of a right-partner recruitment strategy. It's a matter of emplacing accountability and appropriate metrics.