



# Channel Incentives: All Roads Lead to Revenue

A N I N F O S H E E T

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# Channel incentive programs are important

**Did you know** that 54% of companies' total revenue is attributed to channel incentive programs?

Channel incentives are used to improve direct sales performance, drive partner behavior, and engender a symbiotic relationship between the company and its channel partners. Your priority needs to be ensuring they are incentivized to concentrate on your offerings and equipped to provide a best-practice service and experience when it comes to selling your products.

With 75% of world trade traveling through a sales channel, according to Forrester, channel incentive programs are seen as a versatile and essential navigation tool. Even in a picture-perfect economy, manufacturers, distributors and wholesalers are tasked with finding better ways to promote their products and outsell their competition within the massive and nebulous channel.

Channel incentive programs are a form of behavioral modification used to align channel partners' behaviors with business goals. Some of these goal-aligned behaviors include:

- Increasing total sales volume
- Increasing high-margin product sales
- Fast-tracking the adoption of new products
- Accelerating the sale of older inventory
- Encouraging cross-selling and product bundling
- Making referrals to increase market visibility

Channel incentives are also used as a way to increase channel enablement by training and coaching channel partners on a product.

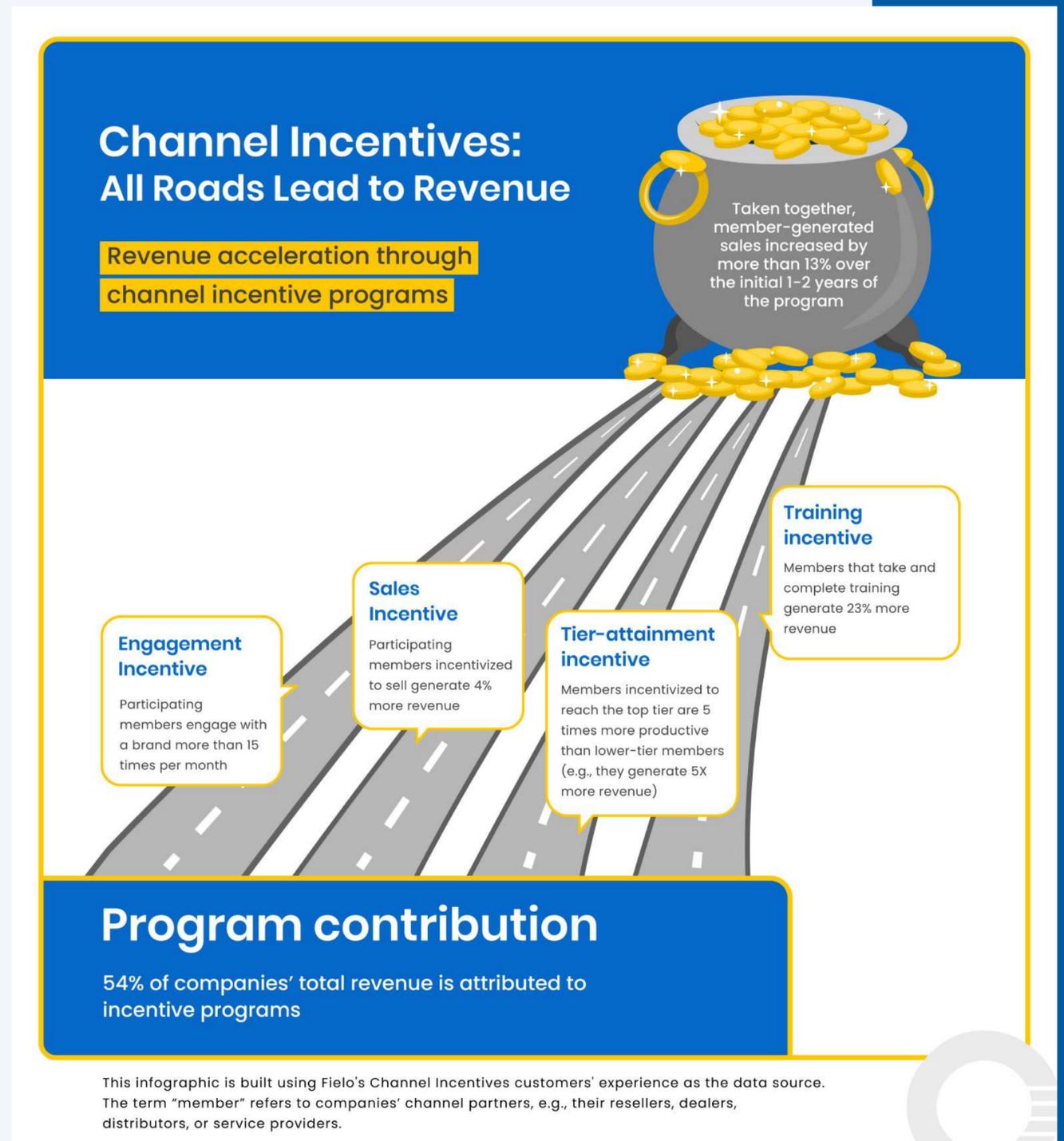
# All roads lead to revenue

To achieve growth and revenue in the current challenging channel landscape, tech and manufacturing companies have made important changes, like the creation of new digital channels, the addition of specialized roles, and the adoption of team-based selling. There is another crucial shift, however, that needs focus - the development of new, thoughtful compensation models that provide clear motivation for how a channel partner can continue to sell effectively. Channel partners and their salesforce shouldn't be told what to do; they should feel persuaded toward behaviors that will support a company's go-to-market strategy. Adjusting the mix of discounts, quotas, and channel incentives can be a driver for growth and revenue. Further, according to Mckinsey, smart revision of incentive models can have a 50% higher impact on channel sales.

We have identified 4 types of incentives that accelerate revenue growth. If sales is the engine of your business, then these incentives are high-octane fuel for the engine. But before we go further, there are two concepts that you need to understand - rewarding for:

- 1) single-action events (do something, get something) and
- 2) multi-action events (do multiple things to meet an aggregate goal)

All the incentive types can apply to both concepts, and it is even more powerful when you interweave these incentive ideas together to build a robust rewarding program, both for short-term and long-term benefits.



## ROAD 1

# Engagement Incentive

Channel partners can be incentivized to engage with a brand. Everything from selling to marketing activities, to MDF utilization, to training can be incentivized. Many partner programs ensure that the highly engaged partners receive co-marketing support, priority support, a dedicated account manager, higher discounts that can be passed onto the customers, and opportunities to become a product expert.

Based on our customers' experience, **participating members engage with a brand more than 15 times per month.**

## ROAD 2

# Sales Incentive

An example of a sales incentive is money or another reward that is offered to a channel partner and its sales reps if they sell a large number of a product or service. This is just one of many sales incentives and rewarding options available at the channel chief's disposal. But it is important to understand that no two channel partners are the same. You may work with large partners, small partners, some that focus on a specific vertical industry, and even some that are in a different part of the world. Likewise, channel sales deals are not all the same. You may want to reward them for sales in a specific industry market, geographic region, or on the size of the deal itself.

Based on our customers' experience, **participating members who are incentivized to sell, generate 4% more revenue.**

## ROAD 3

## Tier-attainment Incentive

A tiered compensation structure motivates channel partners to use discount rate tiers. Unlike flat discount plans, tiered compensation encourages channel partners' sales reps to hit sales milestones. As a seller's performance increases, they earn a higher reward. For example, let's say at the start of a new fiscal year, channel members will earn an 8% compensation on every deal until they sell \$100,000 in total revenue. After that, they'll earn 9% until they sell \$250,000, at which point they'll move up to 10%, and so on. This type of incentive is meant to motivate channel partners and their reps to meet indirect sales quotas and, ideally, continue closing deals to exceed their goals. Tier-attainment incentive structures are effective because the more they sell, the more reps benefit. In fact,

Our customers' experience suggests that **members incentivized to reach the top tier are 5 times more productive than lower-tier members (e.g., they generate 5x more revenue).**

## ROAD 4

## Training Incentive

Channel partners, when fully trained, can be a vehicle for increasing revenue and growing market share without having to hire or train additional employees and invest in office space, tools, and equipment to support those employees. The biggest example that comes to mind is Microsoft, with 95% of its revenue flowing through its partners. Or the Canadian eCommerce website, Shopify, which made \$673 million in revenue in 2017, while its partners nearly made \$800 million. However, the challenge is getting these partner sales reps to take advantage of the training - especially because they have multiple vendor lines to sell. For effective channel partner training, businesses should focus on engaging partners and their sales reps with what's important to them.

- Partners need holistic information on products and services to share that knowledge with existing and potential customers.
- Effective product/service training requires evaluating a current learning strategy to determine gaps and weaknesses, planning sessions to fulfil partner requirements, issuing certifications/rewards on training completion, and collecting feedback to drive improvements.

For example, Intel rebranded its partner program and introduced new tools for training and collaboration. One of the key components of the new program is Intel Partner University, which aims to deliver targeted content to individuals based on their level of training and their company's focus. Once the partners complete their training, they can receive competencies, added to their LinkedIn profiles.

Fielo's Customer Success team has seen firsthand that **channel partners that participate in training purchase (and sell) 23% more than those who do not participate in training.**



## Planning for success

When bundled together, these incentive types can lead member-generated sales to increase by more than 13% over the initial 1-2 years of the program.

When designing the channel sales incentive program, there is no precise answer to how many or which road will lead to maximum revenue. The key is to strike the right balance between all 4 roads to revenue and a plan focused on modifying partner behavior to sell more for you over your competitors.

The decision should always be based on a company's overall strategy. Additionally, one thing should be non-negotiable for every organization: the cultural embrace of data to inform key decisions about incentives and to manage the channel reps. In today's environment, companies should be collecting data on every aspect of the channel sales process—the pipeline of new deals, the channel reps involved in particular deals, the accuracy of last quarter's forecasts, and more—then funnelling it into a single unified source of information about customers and sales transactions that is trusted by both the organization and partner companies.