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How to Build a Business Case for Your Channel Incentive Program

Craft a business case that wins program approval and maximizes return on investment with these six steps

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Channel incentive programs can make a big impact on margins, markets, partner productivity and loyalty, and beyond. But they also represent a big investment in a business's budget. Because of this, it's important that you're able to build a business case that clearly models both the costs and benefits of your proposed program.

Here's how to diligently craft a business case that will help you win approval for your channel incentive program as well as guide you to allocate your program dollars in a way that maximizes results and—ultimately—return on investment.

How to Build a Business Case That Will Get Your Channel Incentive Program Approved

From identifying your key performance indicators to modeling the high-impact potential of your new channel incentive program, here are the six steps to creating a business case that wins program approval and maximizes return on investment.

Step 1:
Decide Which Metrics Your Business Case Will Model

Ultimately, the purpose of your business case is to prove the achievability of specific metrics.

In order to do that, you need to define exactly what those metrics *are*.

The first metric that comes to mind is probably revenue uplift. After all, a business case is ultimately about comparing dollars-in (investment) to dollars-out (production). However, there are plenty of other metrics you could model.

Some key **indirect revenue behaviors** to measure could include:

- Number of deals
- Deal size
- Reduction in deal close time
- New logo acquisition

Or, you could take a look at **revenue-contributing behaviors** such as:

- Lead production
- Product training

You may even want to incentivize **behaviors that support strategic corporate goals** like:

- Number of deals in a particular vertical or geographic segment (market penetration)
- Customer case or ticket resolution (customer excellence)

Any of these metrics can be tied to a dollar output as long as you include the right steps in your business case model, but for the sake of simplicity let's measure revenue uplift for the duration of this ebook.

Step 2:
Identify Your Fixed and Variable Metrics

When it comes to creating your business case, fixed metrics are established facts—sometimes based on historical data. Variable metrics are those which are subject to change and may have to be forecast.

In the case of revenue uplift, these metrics are fairly simple.

Fixed metrics:

- Number of channel partners
- Average revenue per partner (historical)[1]

Variable metrics:

- Program participation percentage
- Average revenue per partner (forecast)[1]

[1]The difference between “historical revenue per partner” and “forecast revenue per partner” is your revenue uplift per partner.

Step 3:
Build Your Current Business Case Model

Now you're ready to model the revenue uplift that your current channel incentive program is generating so you can compare it to the business case projection.

If you don't have a channel incentive program in place, you can skip this step. But if you do have one that's running (or had one in the past), we highly recommend completing this step to make your final business case more impactful.

Here's what your model of the current program may look like:

Reward Value (As a Percentage of Product Price)	5%	
Partner's Average Transaction	$10,000	
Forecasted Number of Transactions	10	
Forecasted Revenue per Partner	$100,000	
Forecasted Revenue - Total (Not Including Incentive)	$100,000,000	
Number of Partners	1,000	
	Current	Projected
Participation Increase (As a Percentage)		45%
Participation (As a Percentage of Partner Number)	15%	60
Number of Partners Participating	150	600
Revenue Increase	0.5%	2.0%
Revenue Uplift - Per Partner	$500	$2,000
Revenue Per Partner	$100,500	$102,000
Revenue Uplift - Total	$75,000	$1,200,000
Revenue - Total	$100,075,000	$101,200,000
Revenue Increase (As a Percentage)	0.1%	1.2%
Reward Costs - Total	($3,750)	($60,000)
Net Revenue Uplift - Total	**$71, 250**	**$71, 250**
Return on Investment		**$1900%**

Filling in the historical and forecast variables may require some digging, especially if you are modeling anything other than revenue uplift. For example, if you're modeling growth in the number of deals, you may have to dig to come up with an average number of deals per partner.

With your current model built out, the groundwork is laid to create an ideal model that will really drive home the business case for your proposed channel incentive program.

Step 4:
Build Your Current Business Case Model

It's time to plug all the expectations and forecasts for your new and improved program into the model: specifically, participation increase and revenue increase.

If you don't have a current program in operation, you will build the projected program model based on zero-start assumptions.

Reward Value (As a Percentage of Product Price)	5%	
Partner's Average Transaction	$10,000	
Forecasted Number of Transactions	10	
Forecasted Revenue per Partner	$100,000	
Forecasted Revenue - Total (Not Including Incentive)	$100,000,000	
Number of Partners	1,000	
	Current	**Projected**
Participation Increase (As a Percentage)		45%
Participation (As a Percentage of Partner Number)	0%	45%
Number of Partners Participating	0	450
Revenue Increase	0.0%	2.0%
Revenue Uplift - Per Partner	$0	$2,000
Revenue Per Partner	$0	$102,000
Revenue Uplift - Total	$0	$900,000
Revenue - Total	$0	$100,900,000
Revenue Increase (As a Percentage)	0.0%	0.9%
Reward Costs - Total	$0	($45,000)
Net Revenue Uplift - Total	**$0**	**$855,000**
Return on Investment		**$1900%**

If you do indeed have a program currently running, this opportunity to compare "current" and "projected" will really help you demonstrate the value and make a business case for your proposed channel incentive program.

	Current	Projected
Reward Value (As a Percentage of Product Price)	5%	
Partner's Average Transaction	$10,000	
Forecasted Number of Transactions	10	
Forecasted Revenue per Partner	$100,000	
Forecasted Revenue - Total (Not Including Incentive)	$100,000,000	
Number of Partners	1,000	
Participation Increase (As a Percentage)		45%
Participation (As a Percentage of Partner Number)	15%	60%
Number of Partners Participating	150	600
Revenue Increase	0.5%	2.0%
Revenue Uplift - Per Partner	$500	$2,000
Revenue Per Partner	$100,500	$102,000
Revenue Uplift - Total	$75,000	$1,200,000
Revenue - Total	$100,075,000	$101,200,000
Revenue Increase (As a Percentage)	0.1%	1.2%
Reward Costs - Total	($3,750)	($60,000)
Net Revenue Uplift - Total	**$71,250**	**$1,140,000**
Return on Investment		**$1900%**

An incentive is a rule: If a partner meets a certain goal, they get a specific reward. Therefore the cost of your proposed channel incentive program will be determined largely by how much reward you hand out for desired behaviors and results. This isn't an area you want to skimp on.

In this step, it may be important to reiterate the fact that rewards *should* constitute the biggest portion of your budget.

Step 5:
Close the Deal With Supporting Interviews

Want to get fancy? Build more sophistication into your business case model with segmentation.

You don't need to get super granular here—just think about a few logical buckets into which you can group your partners. Think average deal size, geographic location, vertical market, certifications, and so on.

For example, you could segment your channel partners into three size tiers: large, medium, and small. Large partners may have an average deal size of $100,000; medium-size partners $65,000; and small partners $25,000. You then apply the metrics and model according to each segment's attributes.

Segmentation can help make your business case more digestible and accurate.

Step 6:
Close the Deal With Supporting Interviews

Business cases become really powerful and compelling when you're able to bring them to life with interviews with real partners.

To get the most qualitative value from these interviews, go in with a script that guides you through capturing their current sentiments, their reactions to your new ideas for your channel incentive program, their opinions on your forecasts and assumptions, and more. And above all, get quotes—and permission to use them!

Summary

Building a business case is paramount to any new program/IT solution investment, but is *particularly* important for channel incentive programs because of the significant investment warranted, the production outputs expected, and the degree of variability across a wide channel spectrum. Per the latter, you can minimize variability in your model by building models for a few select segments of your channel partner ecosystem.

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