

IT Marketing World

Best Practices Webinar Series Presents...

“Designing and Managing Channel Incentive Programs for Optimal ROI”

Featuring Craig DeWolf,
Vice President of Strategic Development, CCI Inc.

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Craig DeWolf

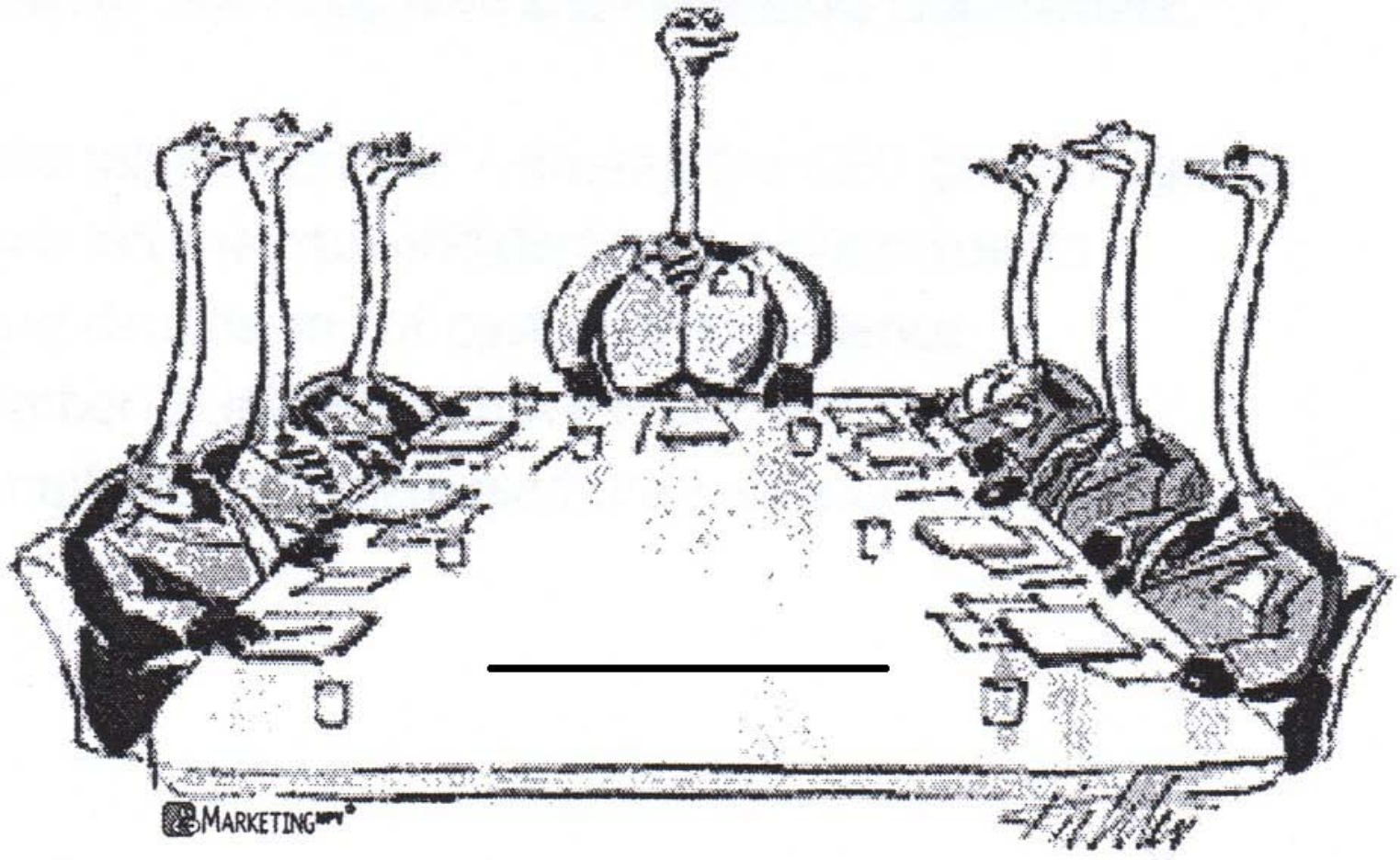
Vice President, Strategic Development

Craig's extensive experience spans 25+ years across a variety of industries and distribution models.

This experience provides an excellent perspective on the issues facing marketers and their distribution partners, and the solutions that will make them mutually successful.



Craig is author of the channel best practices blog- [Channel Champion](#).



“OK, if anyone asks about ROI, you all know what to do”

Challenges:

Incentive programs can consume 15% and 50% of your total budget, yet:

- Difficult to assess real ROI of any one or multiple programs
- Disparate sources of data
- Sense of entitlement among program participants
- The great debate: Incentives vs. Discounts
 - What's more effective?
- Channel models growing in complexity
- Legacy programs not evolving fast enough to meet changing needs
- Complex management systems and resources

// in·cen·tive

[in-sen-tiv]—*noun*

Something that incites action or promotes greater effort
-- a reward offered for increased productivity.

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Incentives are about motivating a broad range of behaviors
- They're not just about rewarding sales performance -

Incentive Program	Desired Behavior
<i>Co-op/MDF Funding</i>	Advertising, Marketing and Promotion
<i>Deal Registration</i>	“Hunting” for new sales and opportunities
<i>Sales Performance Rebate</i>	Attaining/exceeding period sales goals—company focus
<i>SPIF</i>	Reward for “selling” specific products—salesperson focus
<i>Purchase Rebate</i>	Reward for “buying” product—purchaser directed

Best Practices: Evaluate and Improve ROI

1. Design all programs to work synergistically to reward desired behaviors at each level of the demand chain

Incentive Program Influence

	Pre-Sale (Enablement/Influence)	Post-Sale (Reward/Recognition)
Strategic	MDF	Partner Rebates
Transactional	<ul style="list-style-type: none">• Deal Registration	<ul style="list-style-type: none">• Rebates/SPIF sales• Bundled discounts• Trade in programs

MDF/Co-op Programs as Enablement

- Activities are shifting away from Marcom/Lead Generation
- Most popular use of funds include:
 - Customer/Prospect Events
 - Training
 - Demo Equipment/Seed Units
 - Tradeshows
 - Conference Attendance
 - Incentive Programs
 - “Champion” or dedicated personnel

MDF/Co-op Programs as Enablement

Joint Business Planning

- Assure spending alignment with mutually beneficial activities
- Track progress of the plan throughout lifecycle
- Compare “Forecast” and “Actual” expenses and ROI
 - Help establish best practices for partner performance and activities
 - Evaluate ROI against business goals, as well as for each activity specified in the plan
- Standardized data formats facilitate roll-up reporting

Key Trends in Partner Rebates

- Rewards are either performance-based or objective-based
- Soft goal attainment is considered: they serve either as rewardable activity, or used as basis for program qualification
 - Training and certification level attainment
 - Achieving threshold performance: Co-op/MDF, support calls, deals opened, lead close ratio, etc.

Best Practices: Evaluate and Improve ROI

1. Design all programs to work synergistically to reward desired behaviors at each level of the demand chain
2. Knowing what you're going to measure, and how you're going to measure it, is the foundation for program design

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*Not everything that can be counted counts, and
not everything that counts can be counted.*

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-- Albert Einstein

Criteria for Metrics Selection

Organizational Value

- Directly link program objectives into business objectives
- Drive organizational alignment
- Improve resource allocation
- Improve decision process to drive effectiveness and efficiency
- Enable financial controls
- Evaluate relative differences in performance between programs, territories, and partners
- Promote program value to all stakeholders

Partner Value

- Identify habits of top performers as a basis for best practices
- Promote program value to partners by demonstrating:
 - Improved top-line growth
 - Attracting new customers
 - Increased transaction value
 - Increased customer engagement frequency
 - Reducing/optimizing resource investment

Considerations

- Strategic vs. Tactical Metrics
- Leading vs. Trailing Indicators
- Reported data vs. Behavioral
- Cost Saving vs. Revenue Generation
- Qualitative vs. Quantitative
- Snapshot vs. Trends

Considerations

Strategic vs. Tactical Metrics

- Strategic Metrics:
 - Tied to the business objectives
 - Program objectives must be associated with defined goals and sources of data
- Tactical Metrics:
 - Derived from all the drivers that influence program success

Tactical Metrics: Examples

Enrollment (who's participating?)	<ul style="list-style-type: none">• Which partners enrolled in the program? Didn't enroll?• % of partners targeted are actually enrolled?• What are variations by sales region/territory?
Level of Participation (how engaged are they?)	<ul style="list-style-type: none">• Number of new deals opened by partner per month• MDF utilization rates (%)• Number of claims received by partner• Average sale value or rewards earned by participant and by territory
Administration (efficiency evaluation)	<ul style="list-style-type: none">• Program costs vs. plan• Adherence to approval and payment SLAs• Partner support requirements (help desk time)• Top questions/issues raised by partners

Considerations

- Strategic vs. Tactical Metrics
- Leading vs. Trailing Indicators

Leading vs. Trailing Indicators

- Trailing indicators report on the past
- Leading indicators help provide insight at a point that you can influence outcome.

Examples:

Program type	Leading indicators	Trailing indicators
SPIF program	Number of pre-registrations	Claims received, amount paid
Co-op/MDF	Number of Funding Requests received, value, and focus	Claims received, amount paid
Deal Registration	New Registrations received	Opportunities won

Evaluating Incentive Programs: The Basics

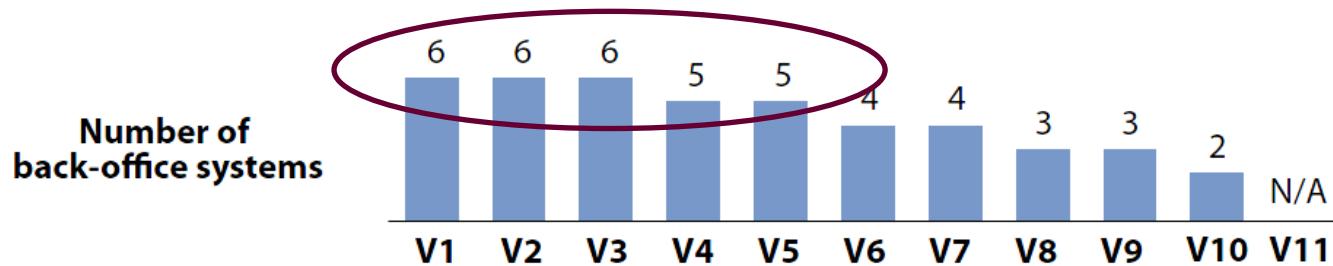
- Strategic Vs Tactical Metrics
- Leading vs Trailing Indicators
- Cost Saving vs Revenue Generation

Cost Saving Vs Revenue Generating

- A dollar saved flows directly to your bottom line.
 - At a five percent return, efficiency optimization equates to a 20% earnings increase to your bottom line
- Finding ways to reduce waste in the system directly impacts program performance and ROI

System Complexity

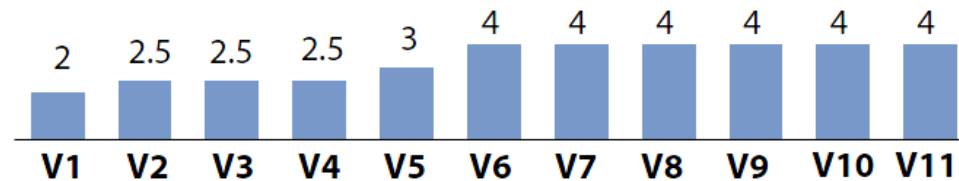
Vendor back office systems are complex and often require multiple points of access



Score of 5 for one consistent partner portal with full personalization and transactional (claims); score of 4 for several partner portals with full personalization and transactional (claims); and score of 3 for several partner portals with full personalization



Partner portal maturity
(On a scale of 1 [lowest score] to 5 [highest score])



Base: 11 TI vendors

Source: B2B Channel Incentive Programs in the Technology Industry, Forrester Research 2009

Cost Saving Vs Revenue Generating

Q. Does it make sense to simply lower the price?

A. Reducing margin rarely translates to incremental volume

- More margin usually only translates to lower street price, funding channel switching is only throwing your money away
- Generally, it's more effective to direct funds to promote desired behavior--and more sustainable

Evaluating Incentive Programs: The Basics

- Strategic vs. Tactical Metrics
- Leading vs. Trailing Indicators
- Cost Saving vs. Revenue Generation
- Qualitative vs. Quantitative

Quantitative vs Qualitative

Quantitative:

- Tied to program goals—the focus of this presentation

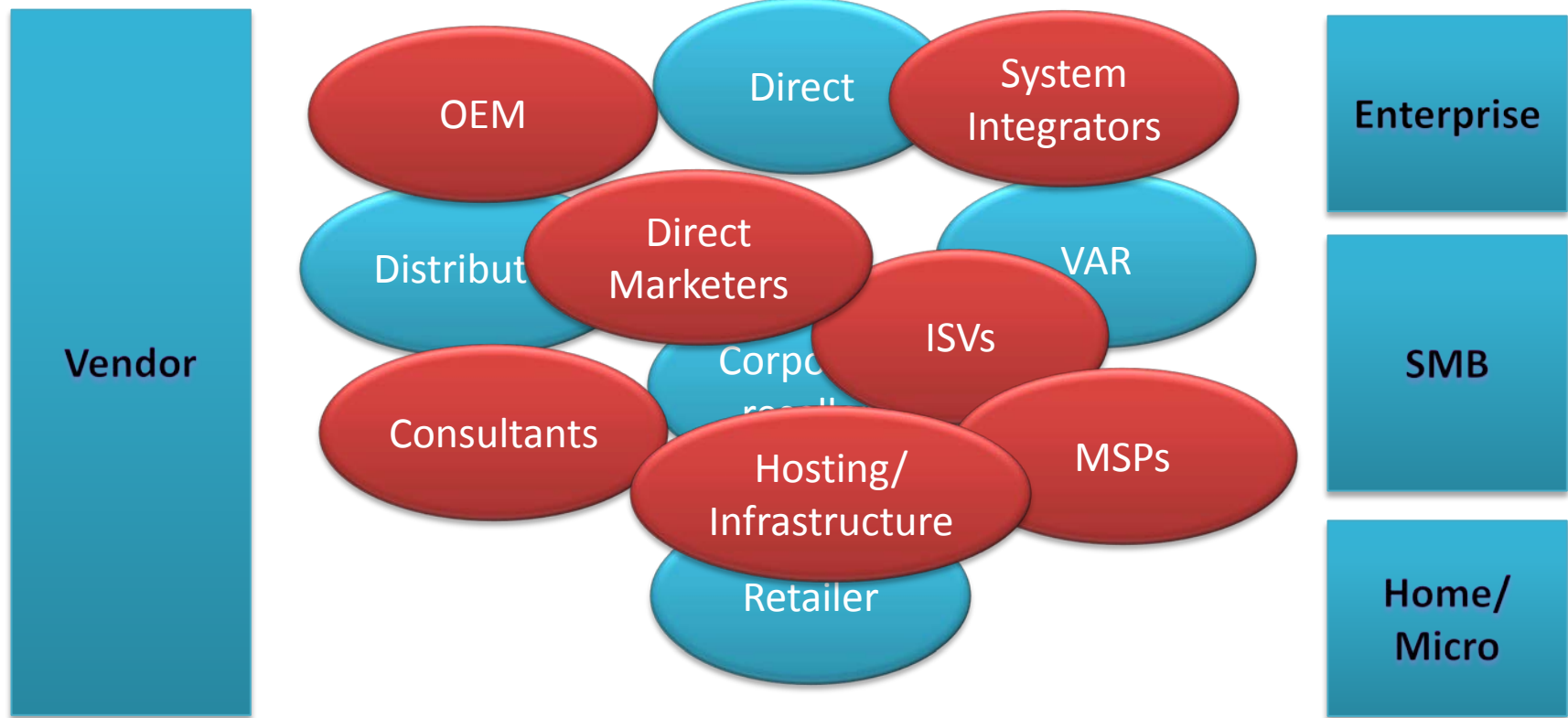
Qualitative:

- Perceptions and insights from key stakeholders
 - ✓ Improve programs and processes over time
 - ✓ Helpful to assess why key partners didn't participate or underperformed vs. expectations
 - ✓ Also used as an informal method of pre-testing program concepts and associated administration

Best Practices: Evaluate and Improve ROI

1. Design all programs to work synergistically to reward desired behaviors at each level of the demand chain
2. Knowing what you're going to measure and how you are going to measure it is the foundation for program design
3. Tailor programs for each partner segment

Channel Evolution



Tailor programs GTM of each segment

	Segment 1	Segment 2	Segment 3	Program goals
Program A	Partner Metrics	Partner Metrics	Partner Metrics	Program A Goals
Program B	Partner Metrics	Partner Metrics	Partner Metrics	Program B Goals
Program C	Partner Metrics	Partner Metrics	N/A	Program C Goals
Segment Objectives	Segment 1 Business Objectives	Segment 2 Business Objectives	Segment 3 Business Objectives	

Each program should be tailored to the needs of each segment

Segment objectives should reflect the outcome of all programs

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4. Pre-test when possible
 - Help project outcome on larger scale
 - Evaluate administration and communication processes
 - Forecast/Control costs

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5. **Minimize complexity**

System Complexity

Partners are expected to track multiple programs from their Vendors

	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11
Number of partner classes	5	4	8	3	3	2	3	5	N/A	N/A	6
Number of partner programs	3	7	2	2	8	7	10	4	1	15	83
Number of incentives	2	3	4	4	4	5	3	4	1	3	3
Overall complexity grade	4	2	2	1	3	2	2	4	1	4	5

Per survey of 11 leading vendors in the Technology Industry

Source: B2B Channel Incentive Programs in the Technology Industry, Forrester Research 2009



Partners need more admin to report and claim incentives.

Partners need to understand their vendor incentive programs well to be able to process business claims accurately and to guide their own sales force to guarantee a maximum revenue stream.

The more complex the program, the more time and material investment is required to understand and explain the incentives. This is compounded by the fact that most channel partners deal with between five and 15 vendors.



Source: B2B Channel Incentive Programs in the Technology Industry, Forrester Research 2009

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6. People "Do" what gets measured

Stakeholder dashboards

Welcome Customer Management Transactions Reports SPR Incentive Mgmt General Information

Create

Search for a Contact

Matches Anywhere Search

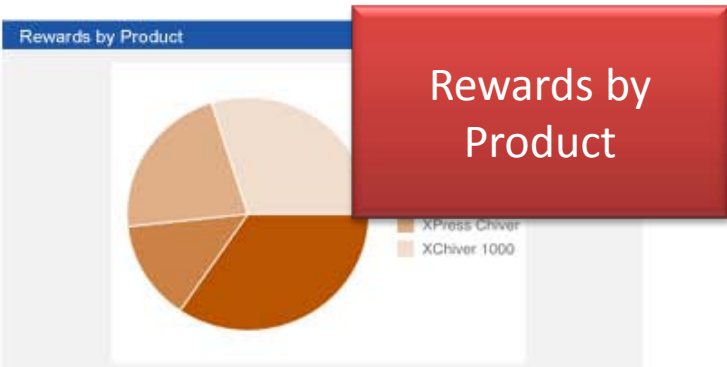
Participants by Region

Program Dashboard Partner Metrics Rewards Table

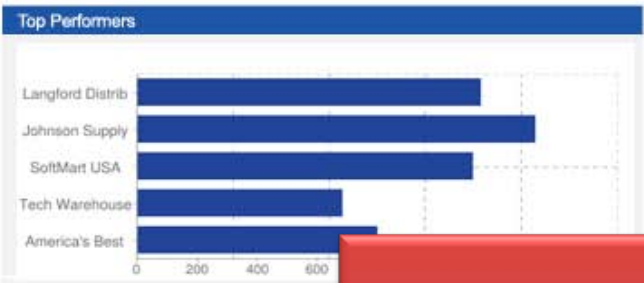
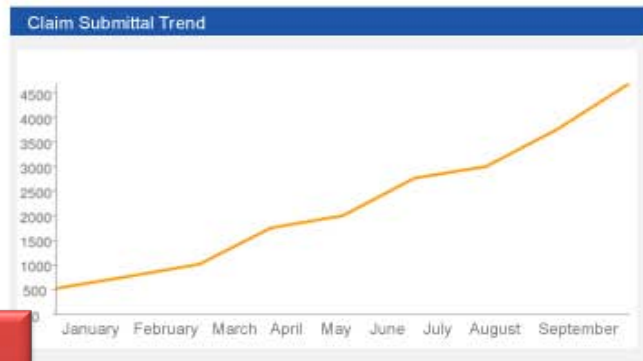
Click here to add FACTfile(s)

Promotion Registration Report

Region	# of Partners	# of Participants	# of Claims
North	64	374	765
South	175	421	1,768
East	203	568	1,258
West	84	307	907



Rewards by Product



Claim Submittal trends

Top Performer Leader-board

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7. Utilize a comprehensive communication strategy

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7. Utilize a comprehensive communication strategy
8. Remember "WIIFM"
 - Promote program value to the partner
 - Reinforce program value throughout its lifecycle

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7. Utilize a comprehensive communication strategy
8. Remember "WIIFM"
9. Recognition is as important as reward
10. Use program engagement metrics to ID best performing partners
 - Include criteria as part of a partner scorecard
 - Capture their habits as a basis for best practices

Typical Metrics Indicating Partner Engagement

- % sales team certified
- Number of new deals registered
- Lead close ratio
- Ratio of new deals registered to leads provided
- # Opportunities Registered
- Lead or opportunity win ratio
- Co-op/MDF allocation spent as percentage of total earned
- Partners Registered for SPIF Program
- #/% of RSRs registered for the program for each participating partner
- Average sales per program participant

KPIs selected should be the foundation for your partner “Scorecard”

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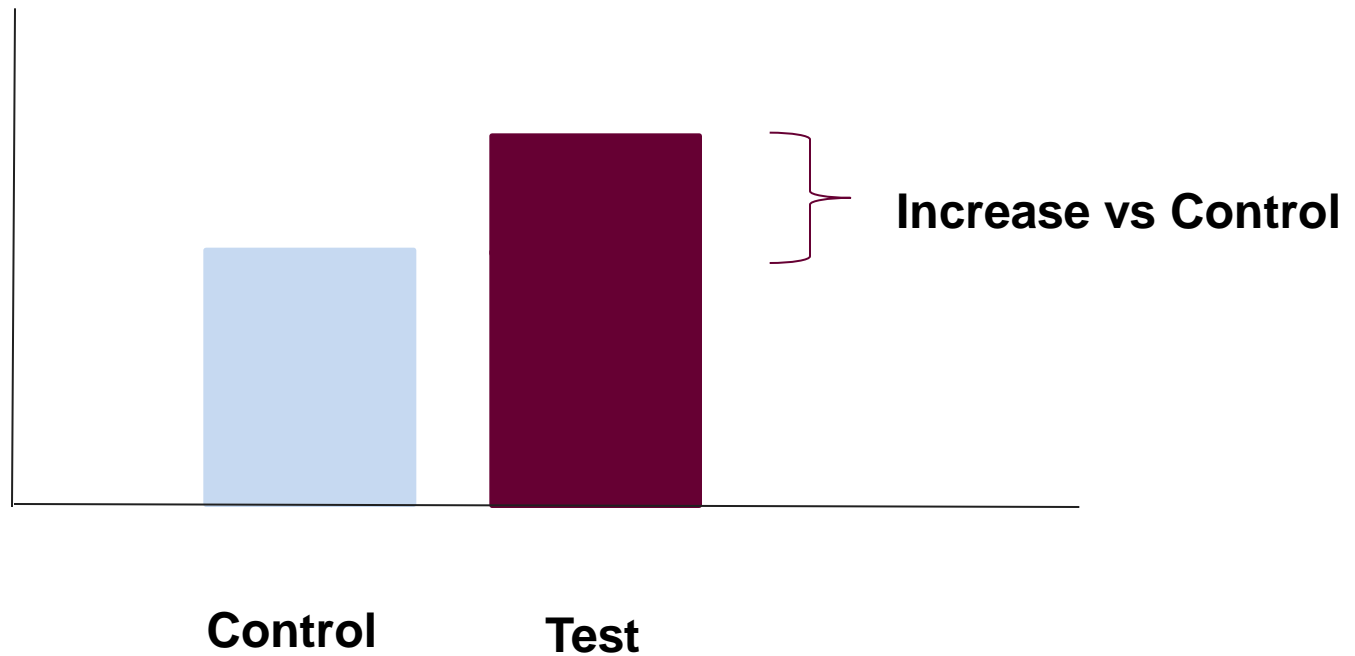
CALCULATING ROI

Calculating ROMI

$$\text{Return on Marketing Investment} = \frac{(\text{Value of Incremental Sales} - \text{COGS})}{\text{Marketing Investment}}$$

“Marketing Investment”= Award Costs + MarComm + Administration Costs

Calculating Net Incremental Sales



If possible, evaluate both groups pre- and post- program

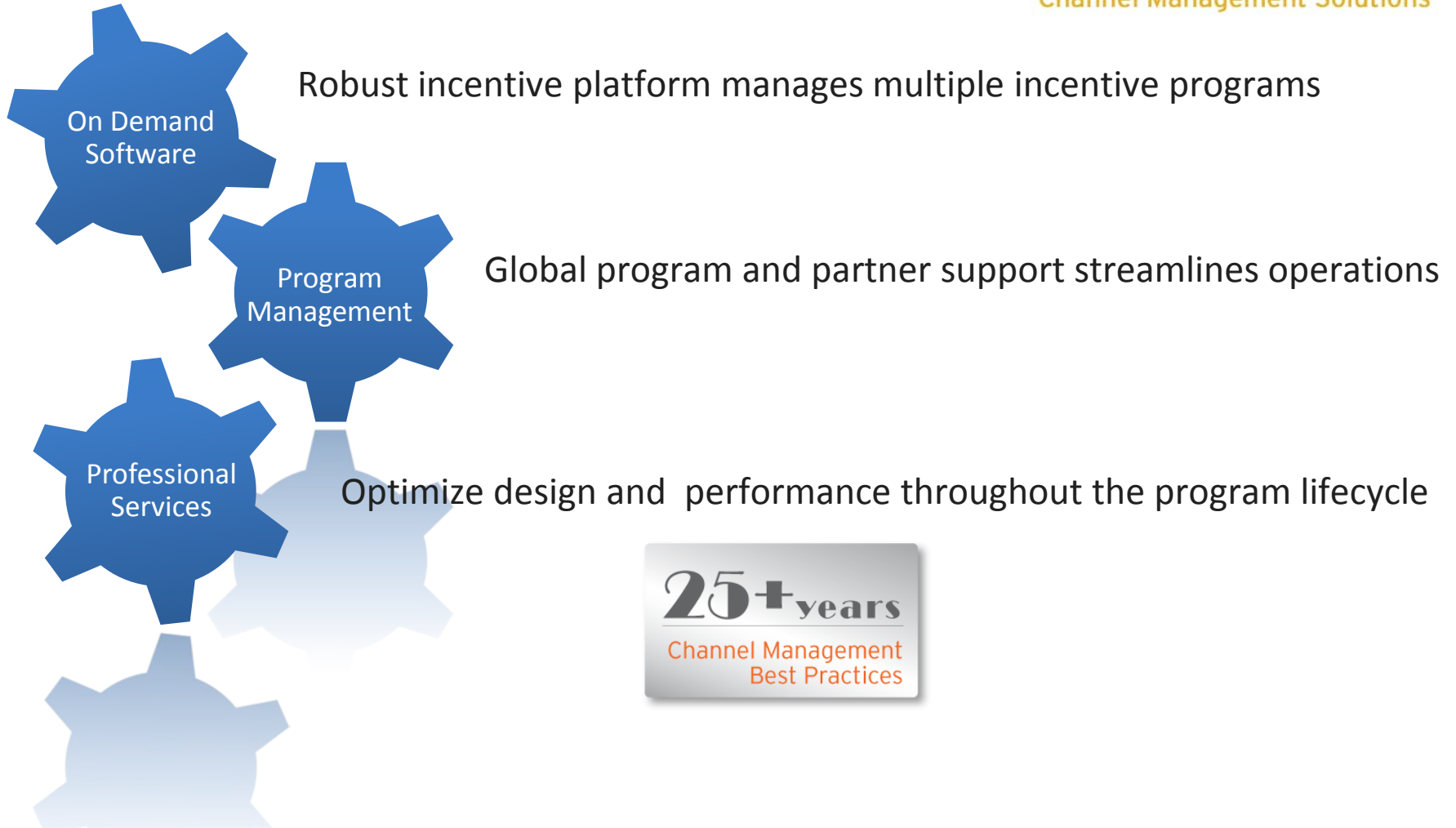
Calculating Sales Lift

“Test” vs. “Control” Performance analysis

Compare incentive program impact between Participants and Non Participants (“Control” groups) to calculate variance

- Ideally, Control group would be as *similar as possible* to the test group
- Control groups should be as large as possible, aggregating control groups helps to reduce statistical uncertainties—50-100 partners is often enough
- Methodology for selecting both groups should be consistent to minimize variance
- For short term program, including sales pre- and post- program will help normalize data and minimize the impact of outside influences such as economy, competition, and seasonality

How we deliver client value



Technology Industry Expertise



Channel Management Solutions

Hardware



MOTOROLA



Software



Storage



Telecom



Entertainment



Other



ARROW ELECTRONICS, INC.

Questions/Wrap-up



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New eBook available on website under “Thought Leadership”:

“Selecting the Right Metrics to Optimize the ROI of Channel Incentive Programs”

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