

Partner Relationship Management

A Comprehensive Strategy for Building Profitable Partnerships

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Introduction

The Internet has permanently altered the course of business. Electronic commerce, Web portals and other forms of advanced communications have opened up dramatic business opportunities for companies everywhere. Yet, despite this success, many high-end technology providers have not been able to harness the Internet's potential for their own sales initiatives. This is because their products – which include networking systems, computer hardware, enterprise software and telecommunications equipment – tend to require lengthy sales cycles and advanced services that are not easily delivered online. As a result, they turn to channel partners who, according to a study by the Aberdeen Group, control approximately 60 percent of their revenue.¹

What have these companies done to support and manage their partner relationships? Unfortunately, not a lot. Due to a fundamental lack of automation many have resorted to one-size-fits-all partner management strategies in which they produce costly promotional materials and sales incentives and then lob them at their partners in a blind effort to build revenue. But without a means to engage partners in a meaningful way and accurately measure program effectiveness, these investments rarely pay off.

Several manufacturers tried adapting their Sales Force Automation (SFA) and Customer Relationship Management (CRM) solutions to address this need for better partner engagement; however, these strategies also fell short because these direct sales tools were not designed to properly address the distinct needs and complexities of the channel sales process. It has only been with the advent of the Web that vendors have been presented with a new means to address the complexities of their partner relationships and form lasting bonds. This revolutionary solution is Partner Relationship Management (PRM).

More than a simple technology, PRM is a comprehensive strategy for leveraging the Web for the improvement and expansion of partner relationships. Through the provision of product information, selling tools, communications vehicles and other resources through secure Web interfaces, vendors can not only provide their partners with an arsenal of sales resources, but also track the effectiveness of these resources and the needs of the partners who use them. Through this powerful, Web-based connection, vendors can more effectively align partners to their strategic business goals and hold them accountable for bottom-line revenue.

PRM promises tremendous gains for channel-dependent technology providers, but how does it actually fit into an existing infrastructure and deliver immediate value? To answer that question, one must first look at the needs of channel partners.

1. *Customer Relationship Management, Year 2000 Edition*, Aberdeen Group, October 2000

Undervalued Partners

Channel partners play an invaluable role in the technology sales process, often acting as the voice and face of vendors. They typically establish customer relationships, listen to customer needs, offer specialized insight and ultimately provide customers with products and services essential to their success. Nevertheless, these partners have historically been neglected because of a lack of resources and automation that would otherwise link them with vendors. Paper-based reporting methods have only exacerbated the problem by clogging the communications channels and creating administrative burdens for both parties.

This communications problem has been compounded with the fast-changing needs of today's market. As end-customers continue to raise their demands, and partners continue to adapt to their needs, vendors have been left with a limited ability to track all of the activities and opportunities that occur. As a result, they have focused on their top-tier partners who generate the most revenue, leaving the remaining partner population virtually untouched. This condition is commonly referred to as the "80-20" rule, in which 80 percent of the business is handled by 20 percent of the partners.

PRM practices pull companies out of the 80-20 bind by providing a means to better manage the top 20 percent and offering ways to engage the remaining 80 percent. Through Web-based connections, vendors engage their entire audience of partners so that each can be drawn closer to the vendors' strategic goals. As an increasing number of PRM implementations have proven, this method of interaction can dramatically improve channel effectiveness and assist companies as they strive to achieve a variety of important channel goals, including those listed below.

- Increasing bottom-line revenue for both vendors and partners.
- Forming lasting partner loyalties.
- Expanding vendor mindshare.
- Enabling partners to better serve the end-customer.
- Improving lead distribution and follow-up.
- Sharpening revenue forecasts.
- Increasing Web presence and online sales effectiveness.
- Decreasing channel conflicts.
- Reducing channel management costs.

PRM brings a fundamental change to the vendor-partner relationship by enabling the vendor to see the partner, understand his or her needs, and provide appropriate resources. This specialization can improve bottom-line revenues for both parties and create a lasting bond between the provider and the seller. In a recent study, Dataquest found that 69 percent of information technology buyers received product and brand recommendations from the channel partners who were involved with the sale. Moreover, 96 percent of those buyers ultimately purchased the recommended products.² With that level of influence it is hard to overlook the value of strong partner alliances.

2. Dataquest Study/Reality Research 2000

Building Partner Loyalty

Over the years, technology vendors have devised countless incentive schemes to grow channel sales. Cash prizes, box seats, cars, vacations and a variety of other promotions have been used to stoke enthusiasm; however, without an underlying support infrastructure, these efforts have rarely created lasting results. This is because the one-size-fits-all incentive only pushes partners toward immediate goals and opportunities, instead of helping them create and execute a lasting sales strategy based on a deeper understanding of their needs.

Just as channel partners must understand customer needs to sell a product, vendors must also gain a fundamental understanding of partners' needs to influence their behavior. This point cannot be overemphasized. Without exposure to partners and the pressures they experience, vendors have little chance of building loyalty. The following is a sampling of trends that influence today's channel partners.

Expansion – Faced with declining product margins, many of today's sales partners are expanding their service operations as a means to grow revenue. The formation of these new revenue streams requires a significant investment in training and certification. Vendors who understand this, and streamline their certification procedures, will help their partners achieve this expansion.

Specialization – Many partners aim to differentiate their companies by providing solutions, rather than incremental products. This approach means they will often need to integrate multiple products and work with multiple partners to deliver the product solution. Vendors who understand this, and provide tools to both support and link their partners, will help to promote this success.

Responsiveness – Most partners compete in crowded and highly competitive markets. If they do not have timely and accurate product data, they may lose business. Vendors who understand this need will provide data in a manner that helps their partners capture sales that might otherwise go to another competitor.

These trends illustrate a few of the pressures facing today's channel partners. Vendors who recognize the needs of their partners – and use this knowledge to segment their partner base and customize programs – will transcend the mere sales push and gain long-term loyalty. According to a study by Front Line Solutions, a San Francisco-based consulting group, channel partners manage approximately \$120 billion in computer revenue each year, nearly half of the total information technology market.³ Quite simply, vendors who use PRM technologies and services to build loyal ties with this partner community will be in a better position to gain greater industry revenue.

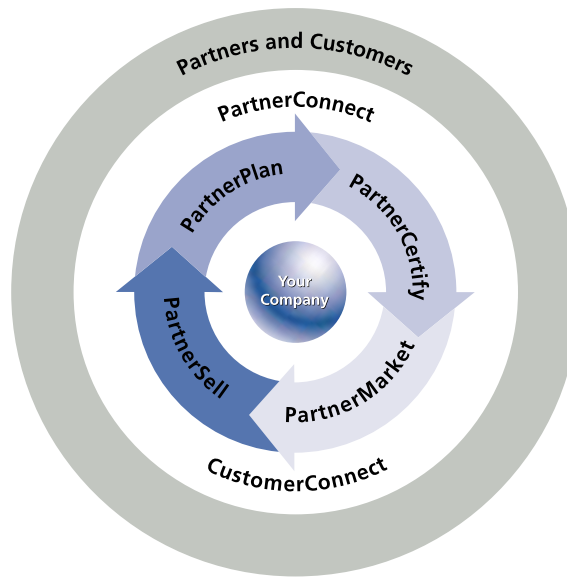
3. *Partner Relationship Management: A Critical eBusiness Strategy for a Multi-Channel World*, Front Line Solutions Report, August 2000

The Partner Loyalty System™

PRM solutions are the most effective means to maximize partnership opportunities, build loyalty and form lasting alliances. These solutions offer more than a mere money-saving way to automate. They offer a technologically driven strategy that focuses on partner needs throughout the entire partner relationship lifecycle, which includes steps for recruiting, planning, marketing campaign management, lead management, sales reporting, revenue forecasting, training and certification. This is a complex, mission-critical process in which vendors and partners must communicate and collaborate as if they were one extended team.

ChannelWave was one of the first technology providers to understand the need for improved vendor-partner interactions. Since its founding in 1997, the company has grown the market for PRM products by extending its **Partner Loyalty System™** to the needs of channel-dependent organizations worldwide. Companies like 3Com, AT&T, BEA, HP, Honeywell, IBM, Intel, Nortel Networks, Qwest, Toshiba and Xerox have used the company's Web-based solutions to support and grow their partner relationships. ChannelWave solutions not only address immediate partnering activities, such as planning, certification and selling, but also help to build synergies among vendors, partners and end-customers. Through this provision of a fully collaborative environment, ChannelWave has helped many leading technology providers improve their market focus and build lasting partner relationships so that they can better reach and service their end-customers.

The Partner Loyalty System is designed entirely around the needs of the channel-dependent organization, providing a complete set of resources for bringing PRM best practices to the sales process. In particular, the system provides a host of software and service options that address the three critical aspects of a PRM implementation including: **partnering** tools that help companies build and maintain effective partner relationships; **connecting** technologies that extend the reach and effectiveness of these relationships; and **enabling** technologies that accelerate and optimize the deployment, management and integration of PRM systems.



ChannelWave's Partner Loyalty System is a highly flexible solution that enables companies to efficiently and effectively apply Web-based PRM resources to their channel management efforts.

Partnering

- **PartnerPlan™**
- **PartnerCertify™**
- **PartnerMarket™**
- **PartnerSell™**

Partnering is the essential activity that takes place in a PRM framework, encompassing the more traditional activities that occur between vendors and partners. These activities include ongoing communications in which vendors recruit, enable, motivate and direct partners toward sales goals that are shared by both vendors and partners. ChannelWave's partnering solutions successfully automate these processes and overcome many of the communications problems that have plagued vendor-partner relationships in the past. Among the many fundamental benefits of this process, ChannelWave's PRM partnering tools help vendors

increase their understanding of partner needs, improve their analysis and segmentation of customer opportunities, simplify and accelerate interactions, and ultimately increase partner loyalty and bottom-line sales for both parties.

The Partner Loyalty System includes four core partnering components that work together to significantly improve sales performance. A description of each follows.

The PartnerSell offering includes a module for Closed-Loop Lead Management, enabling vendors to effectively distribute, track and manage sales leads to closure.



PartnerPlan

PartnerPlan offers a secure Web-based environment in which vendors can build, manage and motivate channel partner teams. With this system, critical partner management activities such as new partner recruiting, goals analysis and alignment, program management and personalized reporting can be executed in a shared context. This creates strong partnerships in which the entire extended team works toward common objectives. The product includes the following modules: Partner Recruiting, Partner Planning, Territory Planning, Partner Program Manager and Contract Manager.

PartnerCertify

PartnerCertify enables vendors to deliver highly efficient and effective Web-based training and certification resources to all browser-equipped partners. This means that certification can be delivered at virtually any time and in any location so that more partners are better equipped to sell vendor products. PartnerCertify includes the following modules: Registration Database Builder, Catalog Builder, Curriculum Builder, Test Builder, Calendar Builder, Report Builder, Reference Builder and Survey Builder.

PartnerMarket

PartnerMarket provides vendors with the tools to coordinate joint marketing activities, identify opportunities and direct marketing resources toward value-bearing programs. It enables channel managers to easily and efficiently create, track and execute joint marketing activities online, as well as communicate with partners and allocate marketing funds for their strategic selling efforts. By enabling vendors to better manage their marketing funds and analyze program effectiveness, PartnerMarket helps to improve the entire marketing program lifecycle, from conception to completion. PartnerMarket includes the following modules: Co-Marketing Funds Manager, Communications Manager, Product Manager and Literature Fulfillment Manager.

PartnerSell

PartnerSell provides vendors with a centralized and secure means to forecast, facilitate and manage the partner sales process. Through browser-based access, partners receive leads, report on progress and collaborate with vendors on their sales goals. With PartnerSell, vendors can effectively deliver the right leads to the most effective sales people and work with them to close more deals and track and forecast their sales performance. PartnerSell also integrates with existing CRM and ERP systems so partners can use the most accurate and up-to-date information during the commercial processes of quoting, configuring and ordering products. The PartnerSell modules include: Lead Assignment Manager, Closed-Loop Lead Manager, Forecasting Manager and Commerce Manager.

Connecting

- *PartnerConnect™*
- *CustomerConnect™*

ChannelWave's partnering modules are designed to address the core activities in the partner relationship process. ChannelWave complements and extends these activities with a powerful **connecting** element that enables vendors to build high-value exchanges with end-customers and collaborative partners. This is an extremely important point of differentiation for PRM technologies, and ChannelWave in particular, because it demonstrates how the Web can be used to connect communities of buyers and sellers. Moreover, as these communities take form, they can effectively address some of the partner's most advanced competitive needs, including the need to specialize services and expand offerings.

The connecting components of the ChannelWave solution include *CustomerConnect* and *PartnerConnect*. Each product provides an interactive means for vendors to connect with their customer and partner contingents and effectively drive sales to new heights. A description of the connecting components follows.

PartnerConnect

PartnerConnect extends the reach and effectiveness of traditional PRM activities by providing vendors with the ability to connect partners with their peers. This connection is necessary because today's customers are demanding more complete technology

solutions that cover a broad range of skills, technologies and expertise that are rarely satisfied by one partner alone. With PartnerConnect, partners can easily locate one another and engage in collaborative selling opportunities that grow revenue for channels and vendors alike. The product includes modules for Advanced Profiling and Matchmaking. Additional modules for Communications and Collaboration, Analysis and Reporting and Program Management will follow.

CustomerConnect

CustomerConnect enables companies to communicate with the broad community of customers that exists beyond partners' direct reach through Web-based guided selling. Driven by ChannelWave's eConversations™ technology, the system enables vendors to conduct online consultative selling sessions in which they guide potential customers through the complexities of purchase decisions. During this process, CustomerConnect captures critical information about customers and their unique needs so that vendors can easily turn customers into highly qualified channel leads. In an industry where leads are largely under-qualified and attained through unfocused marketing tactics, this automated process can make a significant competitive difference, raising the quality and method of lead generation. CustomerConnect supports the rapid development of guided-selling sessions, the creation of customized selling models, the development of product and customer profiles and the distribution of valuable leads to partners.

Enabling

- *OpenWave™*
- *InterWave™*
- *PerformanceWave™*

The third fundamental component of the ChannelWave solution encompasses the **enabling** technologies that not only help to deploy, manage and integrate PRM systems into the vendor environment, but also provide a means to report on PRM effectiveness. This is another important differentiating factor for ChannelWave. Vendors gain more than PRM functionality – they gain the enabling technologies that fit this functionality into an active operating environment. This flexibility also extends to partners through a thin-client design that accommodates the systems' requirements of most Web-enabled partners.

The enabling components of the ChannelWave solution include **InterWave**, **OpenWave** and **PerformanceWave**. By integrating PRM solutions into the vendor environment, these enabling technologies provide a means for companies to maximize the value of their systems investment. A description of each enabling technology follows.

OpenWave

OpenWave represents a set of dynamic adapters, tools and services that use industry-leading integration technologies to extend the reach and functionality of PRM applications. The system's pre-configured toolsets support the integration of a broad range of systems, from legacy Enterprise Resource Planning (ERP) applications to the latest Sales Force Automation (SFA) and Customer Relationship Management (CRM) systems. This support reduces the time and cost associated with integration and streamlines the whole process so that vendors and partners can benefit from a truly comprehensive set of resources. Support extends to a variety of industry-leading technology standards, including: Secure Hypertext Transfer Protocol (SHTTP); Java

Message Service (JMS); Secure Socket Layer (SSL); Component Object Model (COM); Extensible Markup Language (XML); and several industry-standard message servers such as the MQSeries.

InterWave

InterWave is a group of shared systems that bring highly configurable personalization, workflow and profiling features to the Partner Loyalty System modules. By making these modules easier to use and more relevant for each user, InterWave increases the rate of system adoption and usage. The system can also be mapped to vendors' unique strategies, processes and needs, thereby increasing the return on investment and lowering the overall cost of product ownership. Among its many capabilities, InterWave includes an industry-leading profiling system that improves the quality of partner interactions by enabling vendors to better track partner needs. By knowing more about the prior actions and needs of partners, vendors can bring more value to each subsequent interaction. Its features include customization tools that help vendors hone user interface content, workflow features that increase productivity and advanced searching and reporting capabilities that examine their partner relationship practices.

PerformanceWave

PerformanceWave is a series of dynamic reporting and tracking tools that are integrated across the Partner Loyalty System. It allows vendors to gather and use knowledge on the effectiveness of their operations so they can make informed business decisions in increasingly crowded and competitive markets. The system provides this insight by monitoring closed-loop partner performance, activities and transactions and providing a means to identify best practices across the organization. In fact, a company could use PerformanceWave to track the progress of its marketing campaigns or virtually any other channel-focused initiative. The product includes Sales and Lead Reports, Marketing Reports, Usage Reports and Certification Reports.

The ChannelWave Partner Loyalty System provides channel-dependent vendors with the essential tools to partner, connect and enable enterprise-wide PRM operations. The breadth of this offering and its exclusive focus on partner relationships, make it the most effective channel management solution on the market.

Sound product design is key to success, but usability is equally important—especially in terms of how well a product meets a company's system and budget requirements. Today's high-end technology manufacturers face countless pressures, including the need to move quickly and effectively in competitive markets. As a result, they often take alternate paths to system implementation. Some gravitate toward in-house solutions that can fit into their existing infrastructures; others turn to Application Service Providers (ASPs) that can host, implement and manage their solutions from outside the organization.

Studies have found that both approaches offer distinct advantages and that the "right" decision depends on the unique needs of the organization. In many cases, companies with short-term cost reduction objectives or limited integration and customization requirements often benefit from the ASP model because it increases speed-to-market and lowers upfront capital expenditures. However, the in-house implementation option also offers distinct cost savings to companies that want to leverage their existing resources, infrastructures and technologies. In the end, the in-house and ASP approaches can both deliver dramatic

value based on the distinct needs and resources of each company. ChannelWave believes each customer knows its needs best and those needs should dictate which option to pursue. This belief is embodied in ChannelWave's unique dual-path solution, called SuccessWave, which provides customers with a choice of implementation options.

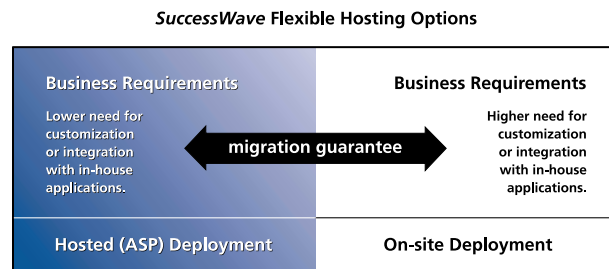
SuccessWave provides companies with a choice between hosted (ASP) or in-house PRM implementations. It also enables the integration of these technologies and the migration from one to the other based on business needs.

PRM Implementation Options

SuccessWave™

SuccessWave offers a flexible hosting strategy that meets the needs of both ASP and on-site implementations and provides companies with the opportunity to change implementation options over time. This flexibility is extremely important because as a company grows, it may need to modify the strategies and systems that support it. By providing a flexible basis for the implementation of PRM technologies, ChannelWave

ensures that companies will gain the greatest ongoing competitive value from their PRM investments.



Along with recognizing the support and implementation needs of its customers, ChannelWave realizes it must accommodate the pressing implementation schedules that many customers face. As a result, the company created the *Now!*

deployment option so that vendors can effectively launch the Partner Loyalty System within 30 business days. This offering not only gets a company up and running quickly, but also allows companies to expand their PRM investments – and their Partner Loyalty System – based on their own schedules and needs.

Partner Loyalty Services

- *Consulting Services*
- *System Deployment Services*
- *Training & Documentation Services*
- *Support Services*

ChannelWave provides its customers with the ability to choose the specific applications and implementation strategies that best meet their needs. The company extends this notion to its **Partner Loyalty Services**, which range from system deployment services to training, documentation and support. These options ultimately maximize the benefits and competitive advantages provided by the PRM solution. A description of these resources follows.

Consulting Services

ChannelWave offers consulting services to its customers as a means to help them implement and maintain their ChannelWave solutions. These services are delivered by teams of ChannelWave PRM specialists who work with companies to help them map best practices for all stages of their PRM implementation. Consulting services include: strategic and tactical planning services, promotion and launch services and ongoing expertise and support. The methodologies for these services are aligned around three phases: first, a baseline assessment of current channel practices, including needs analysis and best practices recommendations; second, a launch plan that includes recommended promotions and incentives to promote PRM success; third, a series of ongoing services to maximize PRM effectiveness. Ultimately, consulting services strengthen each step in the sales process so that channel managers can more effectively plan, promote and grow their PRM implementation.

System Deployment Services

ChannelWave also provides its customers with system deployment services to support the implementation and integration of PRM systems. Customers work with ChannelWave's PRM experts to address current and future technology needs, enhancing and modifying their solutions to meet business change and growth. System deployment service options include: PRM project management services to map project deliverables and team activities to desired business objectives, configuration services to help define business processes and functionality, customization to adapt functionality and business processes to meet customer needs, integration services to ensure cross-application synergy through either pre-packaged adapters or custom interfaces and full, bi-directional deployment and migration support for ASP and self-hosted environments.

Training and Documentation Services

Training and documentation services improve system use for both the end-user and the administrator. The offering includes the following components: standard training for basic product functionality and system administration, custom training for insight into enhanced functionality and system administration strategies, partner training and documentation resources and train-the-trainer programs for the development of vendor-driven training programs and documentation efforts.

Support Services

ChannelWave's support services ensure that the Partner Loyalty System meets ongoing customer needs. The ChannelWave offering includes standard support for customer system administrators and 24x7 premium support for customers and their partners, including in-house or outsourced system administrators. Premium support also includes enhanced support services, such as partner profile database creation, cleansing and updates.

ChannelWave understands that its customers will not be satisfied with a simple product and service offering. In order for companies to be successful, they need a full array of services to ensure their needs are properly met. By providing its customers with a choice of options, and matching those options with strong industry knowledge, ChannelWave enables customers to derive optimal value from PRM, putting them at a distinct advantage in crowded and highly competitive markets.

Conclusion

Web-based technologies are transforming sales processes and bringing profound changes to enterprise-level operations. One especially promising area of development is Partner Relationship Management, a practice in which browser-based technologies are used to strengthen and extend the relationships between channel-dependent manufacturers and the sales partners who reach their end-customers.

Many leading technology companies have embraced PRM strategies and many more are expected to follow. According to current estimates, the overall PRM market will reach \$4 billion by 2003 and effectively usher in a new era of partner relations.⁴ Through the application of PRM solutions, companies will be able to build comprehensive strategies for channel growth and provide partners with critical information, insights and resources that they need to achieve their sales goals. Moreover, PRM solutions will provide vendors with valuable insight into partner activities and needs so that programs can be better targeted and managed, ultimately building stronger partner loyalties and greater bottom-line revenues.

ChannelWave understands the partner management process and the tools necessary to support it. From day one, the company has applied its extensive market knowledge and advanced development resources toward the goal of improving partner relationships. By providing a complete set of flexible product offerings and implementation alternatives, ChannelWave, more than any other PRM vendor, has effectively advanced the practice of PRM and made it an accessible option for any serious channel competitor that wants to build lasting and highly lucrative partner loyalties.

4. *Partner Relationship Management: 2000 Worldwide Markets and Trends*, IDC Corporation, ChannelWave Software, Inc., March 2000



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