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## Partner Relationship Management Market Update Blue Skies Ahead for Channels and PRM Vendors

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Last year I predicted that 1999 would usher in the era of Extended Enterprise CRM -- what we now call Partner Relationship Management or PRM. (See [New Solutions To Enhance Partner Relationship](#) and [CRM Industry--Top Ten predictions for 1999](#).) It's clear that PRM is now off the runway and gaining altitude fast, fueled by entrepreneurial dreams and millions in VC funding. As the Application Service Provider (ASP) market gains momentum, PRM will get a turbo boost into the Year 2000 and beyond.

PRM solutions focus on the unique needs of indirect sales channels -- merging the concepts of CRM with partner extranets. Is PRM a subset of CRM, a next-generation extranet, or a new type of business-to-business application? Depending on your point of view, these could all be reasonable definitions.

But let's not argue about labels. PRM is all about optimizing channel relationships to increase partner loyalty and sales productivity, while streamlining operations and reducing cost. The end game is increased customer sales for the vendor through its channel partners. Sound too good to be true? It isn't. Companies like Cisco Systems, Great Plains, and Intel have spent millions to develop custom partner extranets, and have reaped the rewards on their top and bottom lines. Now packaged solutions bring state-of-the-art PRM into reach for any company.

## New Horizons for Partner Relationship Lifecycle

The initial squadron of PRM vendors is primarily focused on the sales function, much like sales automation vendors in the early days of CRM. Just as CRM's scope expanded to include marketing and service, PRM must embrace more of the total relationship lifecycle. Ultimately PRM systems must include targeting and acquiring the right partners, closing deals effectively and efficiently, and providing first-class service to improve partner retention and loyalty. PRM systems should also integrate into enterprise CRM systems, so that all direct and indirect channels have a consistent view of customer needs, preferences, and opportunities.

### PRM Must Evolve To Include Marketing and Service

	<b>Marketing</b>	<b>Sales</b>	<b>Service</b>
<b>CRM</b>	<b>Now</b>	<b>Now</b>	<b>Now</b>
<b>PRM</b>	<b>Future</b>	<b>Now</b>	<b>Future</b>

## Why Web-Extended SFA Doesn't Work for Channels

Since most Sales Force Automation (SFA) systems allow Web access, why not just give SFA to your partners (with a little extra security, of course) and turn

them loose? The short answer: because SFA solves problems that channel partners don't have.

The complete answer is more complex. Most traditional SFA applications were designed with a tracking and monitoring mentality, assuming that users would use the application frequently -- perhaps even "living" in it each day. You've seen the demos: a sales rep reviews daily opportunities, updates a forecast, pulls some information from the marketing encyclopedia, makes a sales call, closes the deal, then updates account status via a cell phone while driving to the next appointment. Whether you believe this scenario or not, there's no question that SFA works best when it supports a well-designed sales process.

Channels don't work this way, at least not very often. Whatever sales process you have as a vendor (you do have one, don't you?), your partners will have something different. Furthermore, partners are not interested in "living" in any sales automation system, much less yours. When you have information relevant to closing some business or handling a service issue, partners will use it. Other than that, partners are operating their own businesses, executing their own selling processes, and using their own automation systems. So it's not surprising that I've found very few examples of web-extended SFA systems working for Channels. It looks good on paper, but not in the real world.

Another way to think about it -- different jobs demand different applications. Why do we have unique CRM applications for marketing, sales, and service employees? Because their jobs are different. When partners are involved in your sales and service processes, you can treat them like part-time employees. However partners also have choices, so you'd better provide great service and earn their loyalty -- just like customers. This employee/customer hybrid, combined with sporadic usage, means that partners require a different approach than SFA.

## PRM Vendors on the Radar Screen

In the past six months the PRM space has filled out with new entrants from Internet startups, channel extranet software companies, and established CRM vendors. ASP vendors are starting to appear with more announcements slated later this year. A positioning diagram shows major groupings and some of the leading solutions. Expect more news in the coming weeks.

The core PRM vendors (upper right quadrant) are sharply focused on indirect sales channels. Some common functions include partner profiling, lead management and tracking, personalized content and alerts, and unique channel management. Leading this formation are Allegis, ChannelWave, Click Interactive, Drums, Intelic, Partnerware, Ten North, and Webridge. Other strong companies, including Bowstreet, BroadVision, Eprise, Radnet, and Sales Vision, aim to provide more of a tool kit that can be deployed to develop complex indirect and direct channel applications. Some new vendors specialize on specific functions with high affinity for indirect channels -- such as lead management from

MarketSoft, configurators from Trilogy (ChannelChain), or online assisted selling from NetPCS. And last but not least, CRM vendors are introducing robust PRM functionality, starting with Pivotal, SalesLogix, and Siebel making strong moves into this emerging market.

Web-extended SFA applications can also have a role in PRM, but as noted earlier, it's unlikely they will gain broad acceptance because of their sales automation paradigm. Still, where partners are tightly integrated into the selling process, applications from Firstwave (Netgain), GoldMine, ONYX (ChannelConnect), UpShot.com, and Vantive (Partner Desktop) could make sense. Rounding out the field (not shown in diagram) are innovative technology vendors providing web-based collaboration and broadcasting services, such as Broadcast.com, Centra, and Netpodium. In short, when vendors support indirect channels they belong in the PRM space. For the broadest PRM functionality, however, consider vendors represented in the upper right quadrant.

## Channels Are Not Just Indirect Anymore

In CRM circles a channel means any customer touch point, including direct sales, telesales, email, web, or fax. In distribution lingo a channel is composed of intermediaries such as a distributors, resellers, integrators, or agents. Whether or not title changes hands, a channel partner includes any third party that handles or influences a sale, or participates in a service process. In the broadest sense, therefore, channels should refer to all the ways that an enterprise can reach its target market, including direct and indirect resources.

How naïve we were to think E-Commerce would simplify our lives! In fact the Internet has created more channels -- internal and external -- and these must be integrated into one relationship management system. Forrester coined the term "eRM", and I think this makes perfect sense (although I like "eCRM" better). Visionary business executives now realize that the real goal is to optimize all channels to get the maximum sales at the lowest cost. In the next few years new systems will emerge to tackle this extended enterprise opportunity.

In the short run, however, PRM applications solve real-world problems that have festered far too long in indirect channels. Vendors suffer from poor channel management functions -- much like driving a car at high speed in the fog, at night, with the lights off. Partners are tired of huge complex vendor web sites that waste their time and don't add value. It's time to re-engineer indirect channels with new technology. PRM is the answer.

## eWake-Up Call for CRM Industry

The size and growth of the CRM industry is astounding. Undaunted by reports of 50% failure rates, businesses will invest \$2 billion in CRM applications and services in 1999. Most analysts predict growth rates of 50% or more in the

coming years, and that CRM will be larger than ERP in less than five years. Not bad for a market that contained contact managers a few years ago!

The Internet could put a kink in the growth plans of some CRM vendors, however. Most need to successfully navigate a transition to web-based technology, embrace the extended enterprise, and battle well-funded Internet start-ups that don't have to worry about legacy client/server applications. For established CRM vendors, the PRM first-mover advantage (for full-featured partner extranets) goes to Pivotal which announced and released PartnerHub just as PRM was starting to take off. SalesLogix will soon launch ePartnerSite (part of CommerceLogix) to battle Pivotal in the mid-market. Siebel eChannel should make the short list in large enterprises, but don't be surprised to see specialized PRM solutions gain a toe hold in "Siebel accounts" -- as we've already seen at Compaq, for example. Channel executives won't wait long for a CRM vendor to deliver PRM functionality.

## Updrafts and Turbulence for PRM Specialists

Think PRM is hot? ASP is hotter. Put the two together and PRM should go supersonic. ASPs solve key problems that plague many companies trying to implement enterprise applications -- shortages of technical resource, capital, and time. Whether you define ASP as "app on tap" or an outsourced application, it's bound to be a popular option for small-to medium-sized companies initially, and for larger enterprises later as integration issues are resolved.

Ten North is one of the early ASP leaders with a channel-specific application. Allegis, ChannelWave, MarketSoft, Partnerware, and SalesLogix offer (or plan to offer) hosted PRM services, and over time you'll see most PRM vendors allow customers to "rent" applications in some way. In September Asera will become a new ASP player, with a focus on both indirect and direct channels. USi has staked out the high ground with a Siebel solution, and Siebel eChannel will no doubt be added when it's available. For "light" channel requirements, Firstwave, ONYX, and UpShot.com hosting services are also worth considering.

New PRM vendors could struggle managing a traditional ISV sales model while ramping up ASP offering. Yet ramp they must -- ASP can't be ignored. And CRM vendors will pose increasing threats as they launch PRM products and services packaged in a more robust eCRM suite, and sell to their customer base. Still, with the exception of Pivotal, SalesLogix, and a few others, CRM vendors lack channel insight and run the risk of introducing poorly designed PRM solutions. Channel executives won't be sympathetic as they write checks to PRM-focused vendors.

## One More Time: Why Do We Need PRM?

E-Commerce has not been a death sentence for channels. In fact, partners are in short-supply in many industries where manufacturers need to leverage their

partners' reach, skills, and value added services. Customers buy solutions, and E-Commerce won't install that new furnace you bought online or implement a turnkey computer system with custom applications.

That said, E-Commerce has been a stiff headwind for any intermediary selling basic products and services. To fight back, PRM systems can help "channel chains" add value to the end customer, cut cycle times, and reduce cost. My recent study of the IT Channel revealed that PRM could improve service levels and therefore increase partner loyalty, an elusive but critical element in any successful channel. Currently 80% of IT Channel partners give low ratings to the relationship management tools provided by their vendors, and 24% claim better tools would have a major effect on vendor selection. That's a tremendous opportunity for PRM solutions to create a competitive edge. The bottom line for partners: "time is money -- make our business relationship smooth and cost effective, and you'll get more business from me."

## Fearless PRM Market Predictions

In just a few short months more than twenty companies have targeted PRM, and by year-end 1999 that figure could double. ASP offerings will proliferate, niche solutions will appear, and vertical markets will be targeted. CRM vendors will continue to catch PRM fever, with marketing (EMA) and customer service (CSA) vendors adapting their products for channels. System integrators and consulting firms will launch new services and practices in short order. PRM will grow up fast.

How big is the PRM opportunity? Really big. You can quote me. The IT Channel alone is a \$150 billion industry with many hundreds, perhaps thousands, of poorly designed extranets used by over 100,000 partners. Then consider the channels involved with financial services, durable goods manufacturing, and many other industries. Channels have a pent up demand for affordable, easy-to-implement PRM solutions, which I believe will fuel market growth to \$1 billion by 2001. Look for research firms to get out their crystal balls soon.

## Buying a PRM Solution -- Déjà Vu All Over Again

Anyone who has shopped for CRM software knows that feeling: frustration and confusion while trying to separate fact from hype. Get used to it. As PRM vendors enter the market and fire up the marketing afterburners, it will be increasingly difficult to make PRM buying decisions.

To ease your headache just a bit, here's some advice:

1. Act now. Don't delay or your chance for competitive advantage could be lost. If indirect channels are critical, can you afford to wait for your CRM vendor to "get it?"

2. Buy smart. Pick a solution that fits your channel sales model and solves critical business problems. Just like CRM, don't assume PRM software will be a "silver bullet."
3. Ask your partners. Get your partners involved early to ensure you understand their problems and how PRM will help them be more successful. Treat them like the customers they are.
4. Evaluate the PRM vendor. Look for a strong management team, substantial funding, and satisfied customers. Assess the vendor's PRM focus and channel expertise.
5. Analyze buy versus rent. ASP solutions could make great financial sense and give you a time-to-market advantage. But you may give up some control and flexibility.

If your business depends on indirect sales channels, it's time to act, not just react. Evaluate how these new PRM solutions can improve your channel competitiveness. The next few months will be exciting as solutions mature and the PRM vision expands to include the entire partner relationship lifecycle.