Driving Sales Channel Results

Investing in Your Representative Sales Channel Can Deliver Increased Revenue and Profit

BY DAN DEVRIES

"Why aren't our representatives selling?"

This is an all-too-familiar cry heard during monthly sales meetings. Lackluster sales could be an indication of changing market demand, but more often are an indication of a deeper sales channel issue. So whose fault is it, and how can you address these problems?

Here are four issues that I've seen companies identify as factors affecting representative sales:

1. Lack of consistent communication and planning processes between the principal and representative.
2. The representative lacks adequate product training.
3. The representative is busy focusing on their top two or three principals, where they make most of their revenue.
4. There is no mechanism to drive joint marketing projects or campaigns.

These "go-to-market" strategic plans usually involve an annual planning meeting to establish mutual goals.

Many of these issues can be resolved with a program of consistent communication. Principals may also need to think beyond "just paying standard commissions" and start thinking in terms of "investing in their representatives."

✓ Lack of consistent communication and planning between the principal and representative

Most representative agreements do not have provisions for dictating how communication is to be handled, and don't have requirements for putting strategic "go-to-market" plans in place. Many representatives don't have to file monthly sales reports, and communication schedules are not mandated. While some principals have a representative channel management strategy, many still depend on a strategy that "hopes" their representative makes a sale and earns their commission.

According to a study by Channel Enablers, channel representative productivity was 123 percent better when channel managers committed to planning a strategy for representative development. These "go-to-market" strategic plans usually involve an annual planning meeting to establish mutual goals. A clear schedule of communication is set up to evaluate mutual performance of those goals, and make adjustments if necessary. Driving towards metric-based goals and key performance indicators (KPIs) keep both parties on track.

✓ The representative lacks adequate product training

Complex products often take time to learn and master. Software updates and enhancements are often performed multiple times a year, which makes keeping up with products more difficult. For representatives with numerous principals, keeping current is a huge task. Representatives tend to focus on products they are able to explain and demo. Plus, representatives need to clearly understand the value proposition of the product they are selling, and how they stack up against the competition.

Principals must invest in training programs to ensure their representatives can effectively sell their products. These trainings must be simple to consume, either in-person or on-line. Principals may want to have dedicated staff available to support representatives during the entire selling cycle. Support staff may be located at the principal's location, or even at the representative's location as part of a "funded support head" program.

✓ The representative is busy focusing on their top two or three principals, where they make most of their revenue

Many representatives have a multitude of principals that they represent. If a principal is not ranked in the top two or three for revenue generation, they are often relegated to the status of "We'll sell your product when we get an inquiry." From a representative's perspective, this makes sense as they need to be efficient with their resources and maximize their return on investment.

To combat this mindset, the principal has a few options. They can increase the amount of the commission paid on their products which may improve the attractiveness of the product. They can also invest in co-marketing or joint business development funds which may drive additional commitment and mindset from the representative. The principal may also have to do more "co-selling" with the representative.

Representatives need to clearly understand the value proposition of the product they are selling, and how they stack up against the competition.

✓ There is no mechanism to drive joint marketing projects or campaigns

A number of companies including Microsoft, Cisco, and HP, institute market/marketing development funds (MDF) programs to enhance sales. This allows representatives to leverage the marketing resources of a principal for support and go-to-market activities. These market development funds can take the form of training for a representative, an on-line or on-site asset dedicated to helping the representative sell, or co-branded campaigns and initiatives such as events and advertising. Market development funds can also be used for sale promotion incentive funds (SPIFs) and rebates.

To be effective, a market development funds program needs to be part of the strategic annual planning process that takes place between the principal and representative. There are many different types of market development funds tracking and reimbursement tools available. These help to maximize the effectiveness of these programs.

Conclusion

Maximizing revenue and profits by working with a representative sales channel often involves more than just paying commissions. To be truly effective, principals and representatives need to establish clear and consistent lines of communication, develop an annual strategic development focus, and look at using market development funds to drive additional revenues.

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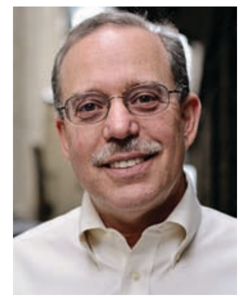

Dan DeVries, president of Wild Horse Strategies (www.wildhorsestrategies.com), delivers marketing and sales consulting services helping businesses to grow revenue and profitability. He has been selling through representatives for more than 15 years and has worked on representative programs for Microsoft, Cisco and VMware. In addition, he currently serves as the Director of Marketing for Criterion NDT — a MANA member.