



ZS ASSOCIATES

ZS EXECUTIVE SUMMARY

Three Partner Perspectives That Could Transform Your Channel Management Model—and Boost Sales

ZS Associates' 2014 research study on technology vendors' voice of partner programs

What happens if your sales channel partner is giving you information that could significantly improve sales, but you aren't listening or you can't understand what the partner is saying?

High-tech vendors rely heavily upon their channel partners, to the tune of approximately \$1.5 trillion in annual sales. As a result, many vendors are implementing voice of partner (VoP) programs, which develop competitive insights using data and feedback from sales channel partners.

But, as a new ZS Associates study shows, not all partners feel they have a strong voice in their VoP programs. As innovation in cloud computing, big data analytics, social media and mobility transform the IT channel, many VoP programs are out of sync with emerging partner business models. Vendors are struggling to keep pace.

About the Experts

John
DeSarbo,
Principal



ZS Associates,
San Francisco

John leads the ZS Sales Channel Strategy & Management Practice, and has more than two decades of consulting and industry experience focused on sales and marketing strategy and operations. His areas of expertise include multi-channel go-to-market strategy, channel analytics, alliance and partner programs, and sales force design. John works with clients across a variety of B2B industry sectors with a particular focus on the technology industry.

Erik Long,
Principal



ZS Associates,
Chicago

Erik has helped high-tech clients improve their voice of partner programs. His expertise includes the application of customer insights and analytics to a range of marketing issues including market segmentation and targeting plans; value proposition and brand positioning; and voice of partner/voice of customer programs and customer experience. Erik has helped clients across various B2B and B2C industries, including high tech, consumer packaged goods, retail, financial services, health care, and travel and hospitality.

The study has some surprising results. One that jumps out is that half of all value-added resellers (VARs) selling products as a cloud service aren't satisfied with how their vendors listen to and act upon their feedback. This has real implications for vendors: With the exploding demand for high-tech solutions delivered as a service, vendors need VoP programs that meet the needs of both themselves and channel partners.

This executive summary of ZS's research includes key findings from the study, what these findings mean for vendors and channel partners, and ideas for how high-tech companies can cope with a sales landscape that seems to shift by the day.

Key Findings

1. VARs focused on cloud services are not thrilled with VoP programs.

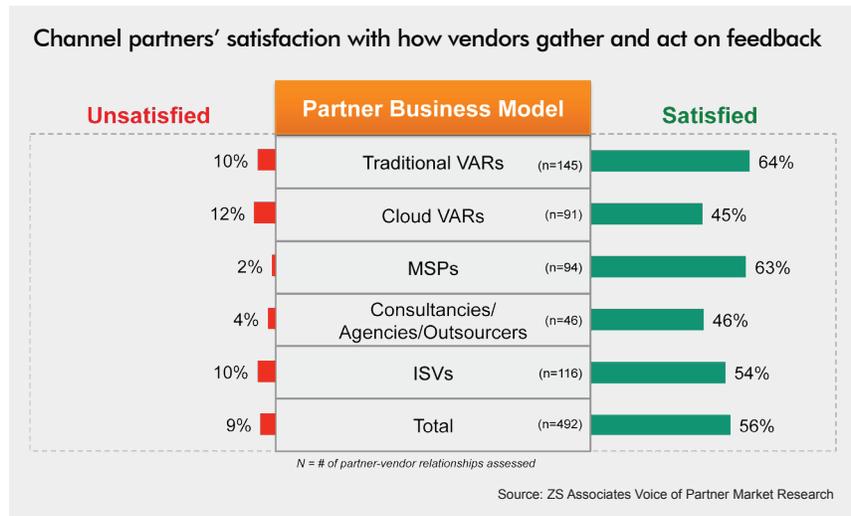
Channel partners' overall satisfaction with vendors' voice of partner programs is mixed. According to the study, merely half of partners are satisfied with their vendors' VoP programs—we find this to be an unsettling finding for vendors, which are clearly struggling with how to communicate with their channel partners.

But the results are not uniform among the different types and sizes of channel partners: Of the 492 vendor-partner relationships studied, 64% of traditional VARs and 63% of managed service providers are satisfied with the manner in which vendors gather and act upon their feedback, compared with only 45% satisfaction among "cloud-based" VARs, resellers that generate greater than 30% of their revenue from cloud services (see Figure 1).

"This gap—almost 20 percentage points—points to a lag in how well high-tech vendors are keeping up with evolving trends," says Erik Long, a Principal at ZS Associates who works with high-tech companies on their customer insight capabilities, including VoP programs.

Given the skyrocketing demand for cloud-based technology solutions, cloud VARs have become important partners, but vendors are not refining their VoP programs to address cloud VARs' needs and preferences. "Voice of partner programs are not evolving at the same rate as partner business models," Long says.

Figure 1. The gap in satisfaction in VoP programs between traditional and cloud VARs “points to a lag in how well high-tech vendors are keeping up with evolving trends.”



Study Background

ZS surveyed 213 high-tech partner organization representatives responsible for providing vendor feedback on 492 vendor relationships in the third quarter of 2013. The study sought to determine how well IT vendors were capturing and acting upon channel partner feedback, explore the current state of VoP programs and identify the components of an ideal program.

John DeSarbo, a ZS Principal who helps high-tech companies design and manage indirect channel programs, points out many cloud VARs are small, fast-growing companies seeking different types of support from technology vendors.

“Many of these firms were ‘born on the cloud’—they’re still early stage companies,” DeSarbo says. “They are hungry, high-growth companies with unique needs. Vendors’ programs for larger, traditional VARs that sell on-premise solutions don’t fit the cloud VARs’ business model.”

Independent software vendor (ISV) channel partners are also often less than enamored with their vendors; their perceptions of specific aspects of VoP programs were among the lowest rated of the study. The majority do not believe vendors value their feedback, address partners’ concerns or have partners’ interests in mind when updating programs.

Unsurprisingly, larger channel partners are generally happier with VoP programs. Some 65% of partners with more than \$50 million in revenue are satisfied with their VoP programs, compared with 48% of partners with less than \$50 million in revenue.

Not only are a higher percentage of large channel partners satisfied with their program, but they are generally more positive regarding specific aspects of VoP programs. For instance, only 29% of small partners agreed with the statement, “I am clear how this vendor uses my feedback to make decisions,” compared with 42% of larger partners.

“Vendors with traditional VAR channels have a lot of work ahead with ISVs and cloud service providers and resellers,” DeSarbo says. “They need to quickly develop an understanding of these emerging business models and then rethink the way they engage with and support these new types of partners.”

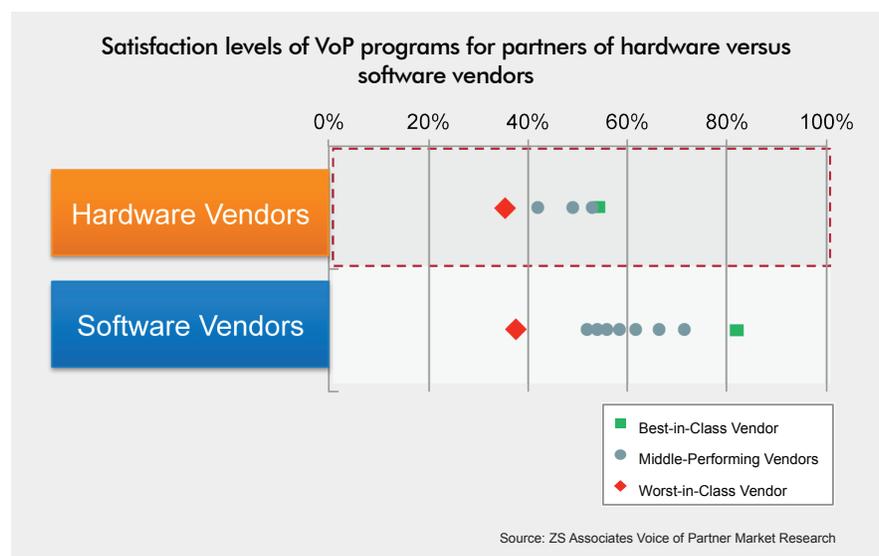
2. Hardware vendors can learn from top-performing software vendor programs.

Another clear finding from the study is that channel partners have more satisfaction with software vendor than hardware vendor VoP programs. The study showed 58% of software vendors’ partners are satisfied with their VoP programs, compared with 53% for hardware vendors’ partners (see Figure 2).

“The leading software vendors seem to be doing a much better job of communicating with channel partners,” DeSarbo says. “They are listening to their partners’ concerns, and articulating how their feedback is being considered.”

The satisfaction gap presents opportunities for hardware vendors. “The study results indicate that hardware partners want to be more than just distributors of technology, and they’re looking to vendors to help them identify ways to provide managed services and custom solutions,” Long says.

Figure 2. Given their higher level of satisfaction, software vendors’ VoP programs can offer lessons to hardware vendors.



3. There's no ideal feedback program for all partners.

Channel partners' visions of an "ideal" feedback program are as varied as their businesses. For instance, cloud VARs usually prefer to discuss financial topics in formal quarterly business reviews (see Figure 3); other types of partners prefer surveys to provide this type of input.

Likewise, smaller partners prefer surveys over any other feedback collection vehicle, but larger partners prefer quarterly business reviews.

The importance of this particular finding may not be self-evident. A one-size-fits-all approach—using the same feedback delivery mechanism for all channel partners—may result in lower amounts and quality of feedback, and customer insights that are not particularly insightful.

"There is no silver bullet," DeSarbo says. "You just can't take a cookie-cutter approach to how you gather feedback from your partners."

Instead, vendors may have to consider a customized approach that segments partners according to their specific needs and tailors feedback collection for each.

Figure 3. Fully 54% of cloud VARs want to give financial feedback in quarterly business reviews; other types of VARs prefer surveys.

	% Cloud VAR partners who prefer this vehicle (n=91)
Marketing funds (co-op/MDF) – Funding level and administration	
General partner surveys	31%
Advisory groups/conferences/round tables	31%
Quarterly business reviews	54%
Incentives	
General partner surveys	36%
Advisory groups/conferences/round tables	33%
Quarterly business reviews	51%
Product/service pricing	
General partner surveys	36%
Advisory groups/conferences/round tables	41%
Quarterly business reviews	44%

Source: ZS Associates Voice of Partner Market Research

ZS Perspectives and Recommendations

Vendors should expand their list of topics and issues—or, for different partner types, ask different questions altogether.

There is clear delineation between vendors' questions for different types of partners: While vendors query traditional VARs, MSPs and ISPs on operational, support and training matters, the ZS study shows that vendors are asking cloud VARs for feedback on financial topics such as incentives, marketing funds and pricing.

"Vendors know that cloud VARs have different needs," DeSarbo says. "They are trying to determine how to best support these new business models. But it's not clear if they're asking the right questions.

"Some vendors are asking tactical questions about the partner program: 'Are we offering attractive incentives, providing the right content and making it easy to use MDF [market development funds] or co-op?' Cloud VARs want to engage strategically and know about the portfolio strategy, and how they can partner to grow their businesses. It is a different conversation."

The partner should choose the feedback mechanism.

Vendors should employ a wide array of listening posts to garner feedback. While some ask questions through surveys and customer advisory councils (and may monitor feedback on social media), these vendors "aren't establishing a dialog in a consistent environment," Long says.

A truly interactive managed listening program comprises a community of partners in which questions are posed, unsolicited feedback is given and vendors feel comfortable just "letting the conversation happen," Long says. "This creates a discussion in which both vendor and channel partner stand to benefit."

It's good (and important) to share.

If you're going to ask partners for feedback, sharing the results with them is not only fair but reinforces the importance of the VoP program, and shows vendors value channel partner insights.

“You should share with partners feedback results that reveal both your strengths and weakness,” Long says. “Then show how you are using that feedback to make changes in how you’re managing them. Also, it’s important to have different channel management mechanisms in place for offering what each channel partner needs.”

Conclusion

Collaboration between vendors and their partners is more important than ever. Unfortunately, the voice of partners is often lost in a cacophony of missed signals, survey data and unsolicited feedback.

As the ZS study and our work with clients indicates, vendors will need to tailor how they communicate to address differences in partner preferences. A comprehensive, customized VoP program will allow vendors to better align the benefits and support provided through their partner programs with the partner needs.

About ZS Associates

ZS Associates is a global consulting, outsourcing, technology and software solutions firm focused on commercial strategy and implementation. For almost 30 years, ZS has helped businesses across a range of industries address market challenges and optimize performance. From 20 offices around the world, ZS experts use analytics and deep expertise to help companies make smart decisions quickly and cost-effectively. ZS comprises multiple affiliated legal entities. Learn more at www.zsassociates.com.

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