

Define How You Engage with Channel Partners

by Janet A. Gregory

Do you, your channel partners and your customers all know what your rules of engagement are? Every game has its rules, whether in sports, competitive events or business. Some rules are codified in great detail while others like good sportsmanship are more subtle.

You are committed to the success of your channel—direct, single-tier (resellers, VARs), multi-level (distributors, wholesalers) or a combination. You need to clearly document your rules of engagement so you can put them to work for you.

Every student in Junior Achievement Economics* knows the “pillars of free enterprise”. These pillars are: Private property, the price system, market competition and entrepreneurship, and they are the foundation for the rules of engagement of your channel program.

The privilege of ownership.

- Standards - Establish minimum standards to join the elite ranks of your channel partners. Develop and monitor staffing, training, certifications, facilities, demonstration units and skill requirements. Clear standards build a strong market reputation.
- Inventory - Define stocking requirements, minimum inventory levels, title transfer and service coverage.
- Guarantees - Clearly state warranties & guarantees for the channel partner and for the customer.
- Responsibilities - Identify roles and responsibilities for initial implementation and on-going support. Consider the channel's responsibilities to the community, environment, employees, government, customers or other.

Everyone wants value at a fair price.

- Price Basis - Choose fair trade, MSRP (manufacturer suggested retail price), unpublished price list, value pricing. Consistency in pricing policies builds trust.
- Discounting - Consider a tiered discount program for the channel based on one or a combination of volume over time, customer satisfaction ranking, certification levels, installed base, penetration, or other relevant measurable attributes. Choose whether discounts or incentives to the channel must to be passed through to customers, or if the channel can retain them in whole or part to improve profitability and margin.

Whose customer is it anyway?

- Exclusivity - This is one of the most troublesome engagement definitions. Exclusivity can have one or a combination of dimensions: geography, named account, industry, vertical market, time or other relevant factor.
- Customer Choice - Customers like multiple bids to ensure they receive the highest value at the lowest possible price. The web also gives customers access to global channels.
- Co-opetation - Foster cooperative competition where possible. Help partners develop different skills to work together on bids and projects.
- Account Ownership - Set installed base ownership rules specific to your business for service delivery, upgrades and expansions. Does the customer “belong” to the installer, the service contract holder, the supplier or none of the above?
- Positioning - If your channel partners can carry competitive products, help them define the target market for each.
- Sportsmanship - If one partner has worked many months, or even years to develop a customer relationship, it is acceptable to ask a competitive channel partner to respect

that. It is a fair market. Collusion is illegal.

- Openness - Clear communication, consistent policies and no double standards reward you with industry status as a rational, just and even-handed company.

Encourage innovation.

- Entrepreneurship - Turn a reseller into a value-added-reseller (VAR) or solution provider with a unique value proposition. Entrepreneurial channels compete on merit, usefulness and productivity rather than price. Unwavering channel loyalty is the gift of fostering entrepreneurship.
- Innovation - Encourage the channel to improve, modify, configure or combine products and services in unique ways to heighten value. Some companies offer SDK (software development kit) or API (application programming interfaces) with their products to encourage innovation and customization. It is important to build the supporting infrastructure for innovation in training, certification, support and ongoing services.
- Portfolios - Help partners build a portfolio of complementary products and services that enable them to better meet customer needs, build differentiated offerings, form long-term customer relationships, and value you as a supplier.

Write down your rules of engagement. Ask your partner advisory board to review them and comment. Some of "the rules" should be published; others should be part of the leadership training for your field based and channel facing employees. Your rules of engagement provide the foundation for building a world class channel built on established standards, trust, fairness and unwavering loyalty.

**Junior Achievement (JA) Economics is a high school program delivered by Junior Achievement www.ja.org. Janet Gregory has been a JA classroom volunteer since 1990.*

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