Tool: Indirect Channel Performance Evaluation

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Technology and service providers looking to improve the performance of their indirect channels need to regularly evaluate their partners. This Tool offers providers an objective means to evaluate partners by performance and potential to ensure sales growth and maintain partner satisfaction.

When to Use

Today, most technology and service providers are faced with generating revenue through indirect channels with few channel resources (e.g., personnel, time and money).

This Tool will greatly assist providers in evaluating partners and making objective decisions on where to allocate resources and what amount is appropriate.

Directions for Use

Who Should Use the Tool?

Providers that leverage indirect routes to market will benefit from regularly evaluating their channel for current performance and future potential. This Tool will provide providers with these additional benefits:

- An optimized use of partner program resources. This ensures that the focus is placed on the partners and activities that have the greatest impact today and in the short term to meet sales and growth objectives.

- A reduction in internal conflict between channel sales and other departments. Conflicts such as these are often caused by poor knowledge or understanding of partners and their potential effect on company performance.

- Elimination of inconsistent measurement of partners by channel managers. Inconsistent measurement often occurs when determining partner program resourcing. This Tool can help put objectivity back into evaluation and take the emotion out of channel selection.

Why Use This Tool?

Poorly performing indirect channels occur for several reasons, not least of which is the lack of value the channel partner derives from the partnership. However, the way that the partner is managed, and the resources applied, can also have an adverse effect on channel execution. By regularly evaluating your indirect channel with this Tool, the right resources can be applied to optimize the channel and

reduce resource waste. By applying an objective measure of performance and potential to indirect channel evaluation, providers can avoid the following:

- Misguided preference. Management of channel partners and allocation of resources are often defined by the relationship the channel account manager (CAM) has with the partner. This means opportunity could be lost with other partners that show greater performance and/or more potential.

- Volume-based metrics. Historical performance is often the only measure used to decide the allocation of program resources. This leads to lost opportunities to nurture partners that may have significant market share but are currently not performing.

- Incorrect resource allocation. Often, little thought is given within channel management to regularly reevaluate the channel to ensure the right partners are given the appropriate channel program resources in relation to current or future contributions.

When an evaluation of channel partners is carried out, current volume-based performance or current partner program-level achievement, (e.g., gold, silver, bronze) is often the only criterion used. But will these partners be able to continue to grow their contribution over time? This sort of short-term/current analysis fails to weigh the partner's potential to deliver more revenue against committed investments or the ability to transform its business (e.g., to deliver cloud services). This is particularly important when:
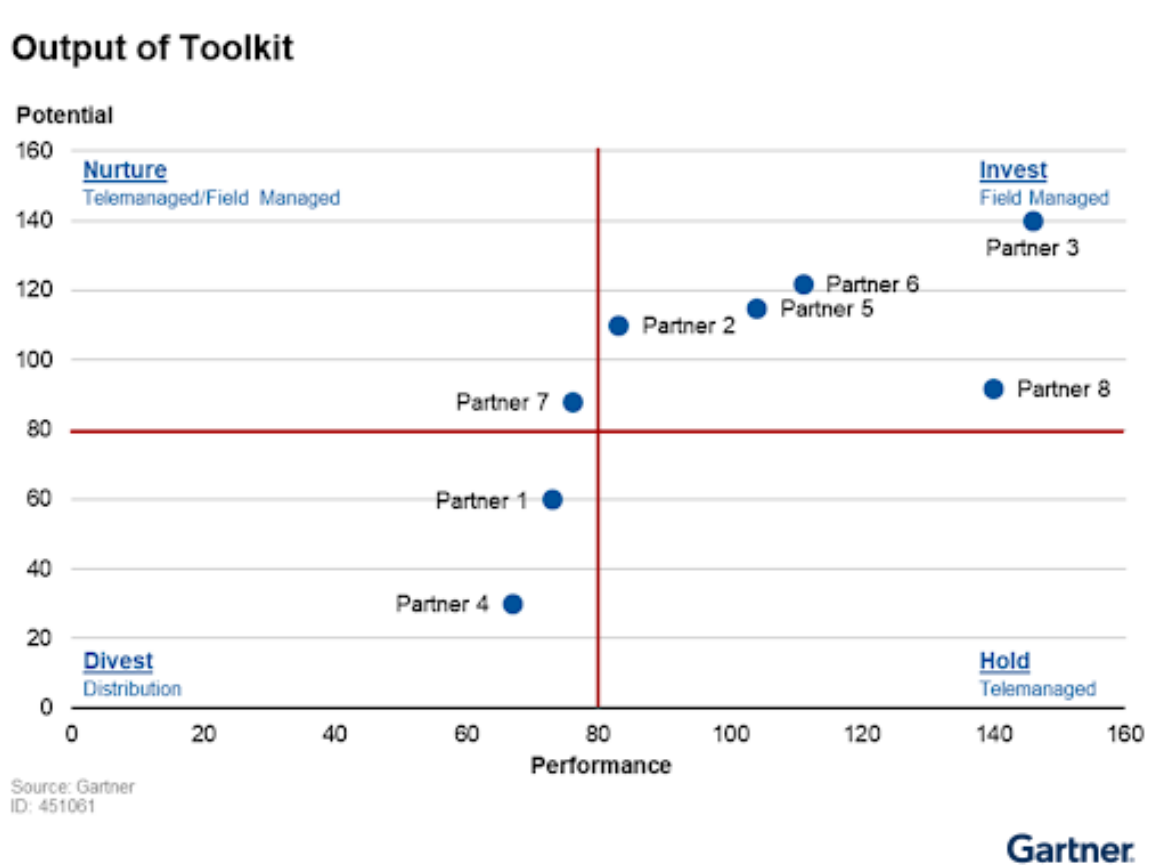
- A partner with low sales performance is closer to the ideal profile that the provider wants to engage with (see Toolkit: How to Select the Right Channel Partners for Resell and Support).

- Transformational alterations in the way the provider delivers products and services require partners to show willingness to change — for instance, moving from on-premises to cloud-based delivery models.

- The provider wishes to expand into different markets, and some partners offer skill, experience or geographical coverage that is currently unavailable internally.

To capture the current and future opportunity that a partner may provide to the business, providers must measure partners from two different axes — current sales performance and future potential.

Up to 50 partners and their scores can be input into the Tool, and the resulting graph will show the relative positions of the partners based on their scores (see Figure 1). Each quadrant in the graph indicates a possible course of action to manage the partner. Figure 1 represents the Tool being used to determine the type of account management to apply to the providers channel.

Figure 1: Output of Tool

Source: Gartner (June 2022)

The performance and potential axes scores could include measurement criteria for which points are assigned for each of the possible values (see Tables 1 and 2). This scoring mechanism provides a means to weight all criteria values based on the determined importance of the measurement point.

Table 1: Performance Measurement Inputs

Performance	Explanation
Technical Engineers Trained	If the partner also provides implementation and support services, then it is important to understand how competent the partner is to carry out such tasks. Although this doesn't demonstrate the engineers' skill, it is a start to delivering quality customer support. Also, training may be part of a business plan, so measuring the partner's engineering skill will show the level of partner commitment.
Sales Skills — Number Trained	Measuring the skills of the sales team indicates the ability of the partner to successfully close deals independently, helping the provider to keep sales expenses under control.
Sales Against Revenue Plan	This measurement point is essential because it measures the partner's ability to execute. Partner program criteria for resellers will include a sales target, and additional targets may be set for them to receive rebates.
Provider Investments	This measurement assesses the ROI the provider is obtaining in terms of time and money. If the provider is investing heavily

	but is getting little return, then it should reevaluate the partnership.
• Performance Against Marketing Plan	• If the provider is executing marketing through or with partners, and campaigns are part of the joint business plan, then this measurement indicates the partner's ability to feed the sales funnel without expecting leads to come directly from the provider. It is a measure of the partner's self-sufficiency.
• Current Pipeline Value	• This measurement point indicates the current qualified lead value of the partner and is also useful for sales forecasting.

Table 2: Potential Measurement Inputs

• Potential	• Explanation
• Customer Base	• Measuring the partner's customer base within the provider's target markets indicates the potential to sell the provider's products to that base. Most partners focus their sales on upselling to existing customers because it is easier than attracting new customers. Thus, using the partner's

current customer base is a good indication of potential sales performance.

- New Customer Acquisition Performance
  - Some portion of the partner's revenue has to come from new customer acquisition, or else the partner's business will stagnate or even decline. Measuring the partner's new customer acquisition performance will indicate the partner's potential to grow the business and sell more of the provider's products.

- Sales Rep Structure
  - A fully functional and structured partner sales team is a good indication of the potential to drive sales. Providers should look for dedicated new business sales reps as well as account managers for existing customers.

- Alignment With Strategy and Partnership
  - This measurement is critical to the success of the partnership and to growing and transforming the business. Partners that are aligned closely with the goals of the provider and share risk and reward show more potential of successful joint business growth. An assessment can be made based on current partner engagement.

- Business Strategy
  - If the provider is looking to grow the business through channel partnerships, then the channel partner must also share the same vision of growth. The partner will then see the addition of more products and services to its portfolio as a means of achieving business goals. This measurement will indicate the partner's potential to grow the provider's

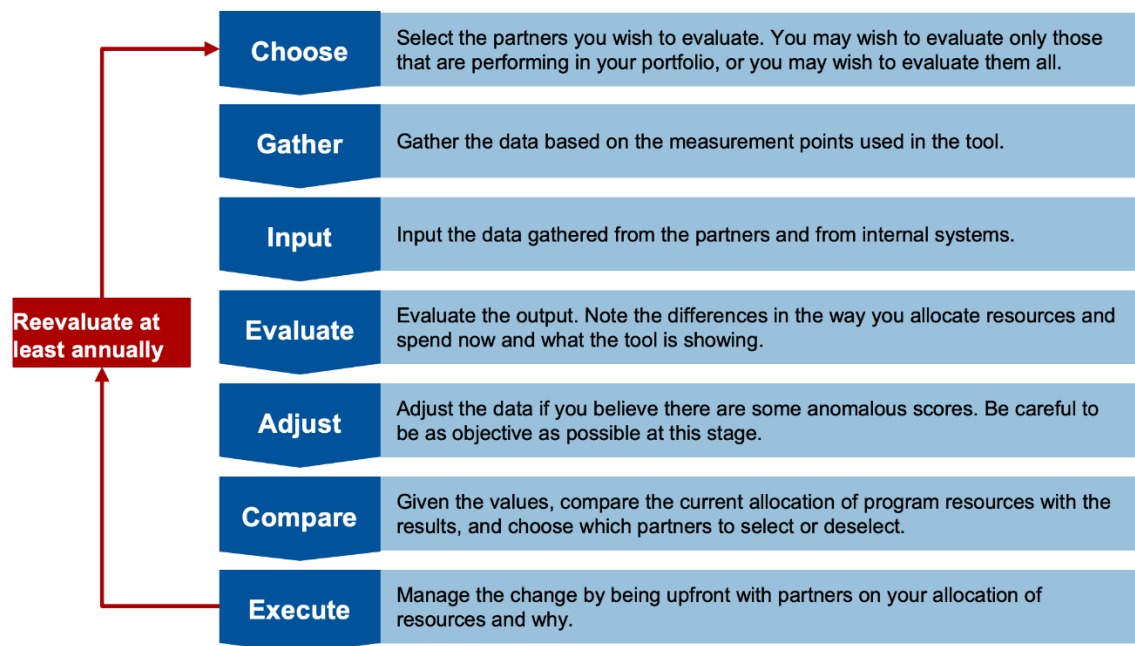business. Use tools such as LexisNexis to check the partner's revenue growth as one of the indicators.

Source: Gartner (June 2022)

- The potential axis will then evaluate the partner's growth potential as well as alignment with the provider's long-term strategy. The performance axis will weigh the partner's current achievements, including the ability to deliver on agreed targets to maintain partner status or when joint business planning is carried out.

- The Tool also provides providers a means of using other criteria for measurement. However, the measurement points must reflect current partner performance and the potential for the partner to align with the provider's future business goals (e.g., moving to cloud services or expanding into new customer segments).

- As a result of measuring the performance and potential of partners using this Tool, providers will be able to:

- Carry out a comprehensive and objective evaluation of partner performance and potential relative to other partners within their channel. They will be also able to highlight the greatest opportunity to gain the most leverage out of their partner program resources and investments as well as spotlight the most valuable and potentially valuable partners.

- Base current and future partner program resource allocation decisions on the results of this Tool to optimize the use of available resources.

- Regularly review channel performance and potential, developing rules for divest channel management for those partners that fall behind others in their ratings.

- This Tool will also provide a means of evaluating the partner's performance and potential relative to business goals. Detailed instructions for use are included within the spreadsheet. The steps required to complete the assessment are shown in Figure 2.

<p style="text-align:center">**Figure 2: Process for Using the Tool**</p>

Process for Using the Toolkit

Choose	Select the partners you wish to evaluate. You may wish to evaluate only those that are performing in your portfolio, or you may wish to evaluate them all.
Gather	Gather the data based on the measurement points used in the tool.
Input	Input the data gathered from the partners and from internal systems.
Evaluate	Evaluate the output. Note the differences in the way you allocate resources and spend now and what the tool is showing.
Adjust	Adjust the data if you believe there are some anomalous scores. Be careful to be as objective as possible at this stage.
Compare	Given the values, compare the current allocation of program resources with the results, and choose which partners to select or deselect.
Execute	Manage the change by being upfront with partners on your allocation of resources and why.

Reevaluate at least annually

Source: Gartner
ID: 451061

Gartner.

Evaluating the Output

Table 3 provides information on how to evaluate partners and what possible actions and resources can be applied to them. The Tool has been set up to decide what type of partner account management should be applied for maximum ROI. For example, the Tool can be used to decide the suitability of the partner to be involved in partner marketing.

The dynamics of the channel will mean that this is not a static position and partners may move from one quadrant to another based on their circumstances and/or a change in company direction or focus. Therefore, regular evaluation (at a minimum, annually) is required to track these changes and make adjustments, if necessary.

Table 3: Evaluation and Actions for Partners

Quadrant	Explanation	Enablement	Execution	Management
Top Right (Invest)	These are your prized partners that are performing well and have the potential to grow with your organization as well as work with you on any changes in strategy.	Apply enablement resources to these partners based on need, although they will more likely be self-sufficient.	Apply incentives and rebates commensurate with their status in the partner program. Work with them on "through partner" and "with partner" marketing campaigns to drive net new business.	Apply the highest level of account management to grow business, drive net new sales and guide these partners on company changes in strategy.

Bottom Right (Hold)	These partners provide performance to plan, but there is insignificant potential to grow the business through them.	Provide enablement resources dependent on their status within the partner program.	Apply incentives based on their status within the partner program.	Apply secondary account management with the purpose of ensuring that their current performance continues and spot any changes that could increase their potential.
Top Left (Nurture)	These partners show potential but are underperforming relative to that potential. Apply resources to improve performance.	Provide additional resources over and above their status within the partner program to either increase technical capability or sales skills. Assist them	Develop joint campaigns with possible marketing development funds to increase sales within their existing accounts.	Apply secondary proactive account management to nurture these partners into improving performance.

		in reaching a higher level within the partner program.		
Bottom Left (Divest)	These partners show neither current performance nor potential. Although things may change in the long term, they are contributing little to the provider's performance. They may also show little commitment to the partner program.	Provide enablement resources dependent on their status within the partner program and your contractual obligations.	Apply incentives based on their status within the partner program.	Apply minimal, if any, account management to them. Possible interaction could be through distribution or an inbound call center. Keep them informed via the partner network, and remain available for discussion should things change. Alternatively, consider removing

them from the program.

Actions After Evaluating Partners

Once the channel portfolio has been evaluated as a result of using this Tool, begin the task of applying program resources. Follow this guidance to complete the task:

Get it right first. Proper selection of partners in the recruitment phase reduces the chance of too many partners falling into the divest quadrant (see Toolkit: How to Select the Right Channel Partners for Resell and Support).

Emphasize that participation in the partner program does not guarantee more partner program resources. Providers should make it clear to partners that allocation of some program resources is based on mutual goals and joint agreement on growing both organizations' businesses. For example, attaining a gold logo does not guarantee field account management.

Be upfront with all partners on all partner program resource issues. For instance, management of selection and deselection of partners is less painful if partners are fully aware that a change of account management may occur and that objective selection criteria will be used to make the choice. Make partners aware of the policy upfront.

Be mindful of change. Partner satisfaction is vital in maintaining effective partners and recruiting new ones. Be mindful that too much change too quickly can lead to partner dissatisfaction. Develop a cadence to partner program resource selection. For instance, review partner performance and potential half-yearly, and make changes annually if needed.

Don't leave the channel manager to impart the news. If a partner is to be deselected for partner program resources and it is believed that this may cause partner satisfaction issues, an executive team member must be the one to impart the news. Letting the channel manager take on this task will only make the partner feel it is a trivial decision that has not been thought through carefully. However, it is up to the CAM throughout the year to review with the partner current performance and potential for growth so that if deselection does occur, then it comes as no surprise.

Evidence

This research is based on the following:

- Interviews and conversations with Gartner clients and channel companies

- Analyst sessions with leading providers to discuss their channel strategies

- Findings from Gartner surveys conducted with hundreds of respondents

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*** Attention: research are originally in English and I have translated it into Chinese by Google Translate as instructed by Peter. In case of any discrepancy between the English version and the Chinese version, the English version shall prevail.*