

***Relationship Management in the IT Channel  
A New Opportunity for Competitive Advantage***

By



[www.frontlinehq.com](http://www.frontlinehq.com)

Bob Thompson  
President  
[bob@frontlinehq.com](mailto:bob@frontlinehq.com)

July 1999

**CONTENTS**

**INTRODUCTION ..... 1**

**INDUSTRY PERSPECTIVE ..... 1**

**EXECUTIVE INSIGHTS..... 1**

**PURPOSE OF STUDY ..... 2**

**SURVEY METHODOLOGY..... 2**

**COMPETITIVE ENVIRONMENT ..... 3**

**SATISFACTION WITH CURRENT TOOLS ..... 3**

**MAJOR REQUIREMENTS ..... 3**

**IMPACT ON PARTNER LOYALTY ..... 4**

**KEYS TO SUCCESS..... 4**

**ABOUT THE AUTHOR..... 5**

**HOW TO GET THE FULL REPORT ..... 5**

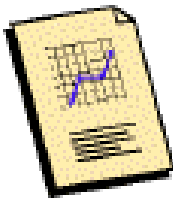
**PARTNERS AND SPONSORS ..... 6**

## Introduction

During the first half of 1999, Front Line Solutions conducted an extensive research study on Relationship Management tools in the Information Technology (IT) Channel. The scope of the study included the full range of automation solutions used to support marketing, sales, and customer service, and also delved into the emerging world of E-Commerce. The main goal was to learn whether Relationship Management technologies could provide competitive advantage to vendors, distributors, resellers, and other indirect sales partners in the IT selling chain.

The result was a rich source of information about IT Channel business challenges, competitive strategies, and satisfaction with current automation tools. Most important, however, the study revealed the prioritized requirements for the information and tools needed for more successful Channel relationships.

## Industry Perspective



Despite the hype about E-Commerce and the “direct” sales model, indirect sales channels remain a potent force. True, customers are buying more products direct from manufacturers, and E-Commerce will certainly become a major sales channel. However, technology vendors still need the skills, sales coverage, and customer relationships that partners have developed over many years. By the year 2000, Dataquest predicts that indirect sales channels will handle \$165 billion in IT products and services.

Customer Relationship Management (CRM) emerged in the late 1990s as a major initiative for large enterprises. Many smaller, more innovative companies followed suit as CRM solutions became easier to implement and more affordable. In 1999 the market for CRM solutions will exceed \$2 billion and is expected to grow by 50% per year for several years. Yet with all this growth, CRM has been slow to catch on in the Channel for relationships between vendors and partners, and between partners and their customers.

## Executive Insights

The main conclusion of this study is that IT Channel is ready, willing, and able to invest in better Relationship Management tools to gain a competitive edge. Because of intense competition and increasing customer demands, vendors and their channel partners are seeking new ways to add value while also running a lean, responsive operation.

What’s the payoff? Partner Relationship Management (PRM) systems can improve the selling process between technology vendors and Channel partners, as well as reduce the cost of operations. Enhanced partner loyalty could be the biggest benefit of all—24% of partners surveyed said that more effective Relationship Management tools would be a major factor in vendor selection. Fortunately, PRM vendors are emerging in growing numbers to meet the specific challenges of the IT Channel.

Channel partners have much to gain from using vendor-supplied PRM tools, but also need to take better care of their own customers. Current Customer Relationship Management (CRM) tools are rudimentary. Channel-specific CRM tools are not widely used and neither are full-function CRM application suites. This is hardly a formula for success, as customers demand more personalized, responsive sales and service.

### **Purpose of Study**

CRM solutions have been primarily client/server-based and focused on the needs of direct employees and customers. In mid-1998, CRM vendors began a migration to Web-based solutions, which provided a more effective technology platform to support Channel partners. However, CRM tools have not been widely adopted in the selling process from vendors to partners, and from partners to end customers.

This study was initiated in early 1999 to answer four key questions:

- What is the current satisfaction with automation tools used to manage partner and customer relationships in the IT Channel?
- Is Relationship Management technology an important competitive weapon?
- Which are the most critical requirements for vendors and partners?
- Will the IT Channel invest in improving Relationship Management tools?

### **Survey Methodology**

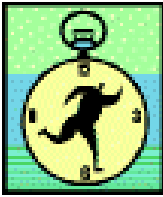
Front Line Solutions designed a research project following an IT Strategy methodology. The main principle is that technology investments should be made only if they will deliver significant business benefits. In other words, automation is a means, not an end. Current satisfaction is also important because it influences whether business executives will be motivated to change the status quo. The greatest propensity for change will occur when satisfaction is low and perceived benefits of an improved IT solution are high.

A Web-based survey was developed to gather information in the following areas:

- the business environment and competitive strategies
- current automation tools in use, with satisfaction ratings
- the value of specific Relationship Management functions and features

Where possible, the same questions were presented to both vendors and partners to facilitate comparisons between the two groups. The final result was 499 completed survey responses, from partners (54%), vendors (42%), and distributors (4%).

## Competitive Environment



Vendors and partners strongly agree on two points: 1) it's getting harder to make a profit, and 2) the top business issue is finding enough people with the right skills. Other critical issues include coping with a rapidly changing, competitive environment, and dealing with customers that are increasingly demanding and difficult to satisfy. Partners are especially concerned about declining gross margins and bottom line profitability.

Key competitive strategies include building value through services and specialization, plus streamlining operations to reduce costs. Using Relationship Management technology to streamline sales and service was one of the top-rated business strategies. In somewhat of a surprise, survey respondents did not rate E-Commerce as a major competitive threat or one of the top business strategies.

## Satisfaction with Current Tools

Is the IT Channel happy with the current state of relationship management tools? Absolutely not. Over 70% of all respondents failed to give a satisfactory rating to the automation tools used for marketing, sales, service, and E-commerce.

Partners typically use lower-level applications such as Microsoft Office or contact management software. Major reasons cited for dissatisfactions included: not easy to use, limited functionality, solution unavailable, and insufficient business benefits.

Partners also use Web sites provided by vendors and distributors, and while the picture is slightly brighter, 40% to 60% are still not satisfied. A few large vendors and distributors are lauded for effective channel Web sites, but many are criticized for ease of use problems and difficulty finding information without excessive surfing. Partners report wasting an average of 6 hours per week on Channel Web sites.

Vendors have serious concerns too. Although some vendors have successfully deployed major CRM applications, most are using custom solutions that don't work very well in the Channel. Biggest issue: vendors can't effectively manage and measure partner relationships with current automation tools.

## Major Requirements

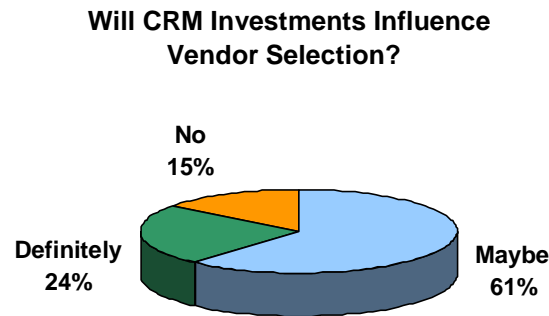
Vendors clearly want better channel management functions such lead distribution and tracking, market intelligence, and forecasting. Partners are focused on tactical issues needed to close deals and solve problems, and want fast, convenient access to the information they need, when they need it.

Vendors and partners have different opinions about how information should be distributed. Partners want personalized proactive communications, preferring email to the Web by a 2:1 margin. Vendors rate these approaches equal. Partners also want better

integration of information from multiple vendors and distributors into the partners' quoting and sales automation systems.

### Impact on Partner Loyalty

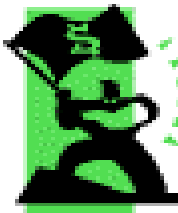
Nearly 40% of vendor respondents estimated annual CRM automation budgets of at least \$100,000. If invested to provide better automation tools to partners, will it influence vendor selection? About one quarter of partners said "definitely" and 61% said "maybe." Backing this up, nearly 80% of all channel partners who submitted write-in comments said that better tools resulted in more loyalty to vendors and distributors. The bottom line is that better service can lead to increased loyalty and market share



One Value Added Reseller captured the sentiments of many partners in this statement:

*"It is mostly about time. When a customer is waiting to hear back, a clock starts ticking in my head. I try to get the information back as soon as possible...If a vendor has that information in an electronic form, that simplifies things for me. The end result is that vendor will get more business from me."*

### Keys to Success



To be successful with automation investments, Channel executives must first focus on key business opportunities and issues, and determine how Relationship Management tools will contribute. In other words, business strategy must drive IT strategy.

PRM solutions can help vendors to better manage and measure the contributions of their partners. However, vendors must be careful not to focus too much attention on management control, which could have a negative effect on partner relations and in fact reduce partner loyalty. Implement PRM solutions in phases, where the initial rollout is focused on adding value to partners and making the business relationship work more smoothly. Then implement more rigorous management and forecasting processes, which will improve the life of Channel managers. Earn loyalty first, then ask for something in return!

Vendors also should keep partners actively involved in the development of the PRM solution from the very beginning. Implement a continuous improvement approach and don't expect to have the perfect PRM solution in the first release. Consider how partners will use information from the PRM system and develop ways to integrate that information into the partners' internal quoting and sales automation systems.

Partners need to take more responsibility for their own destiny, and not depend solely on vendors and distributors for automation tools. Full-function CRM applications and Channel-specific tools are becoming more affordable, so partners should take full advantage of these solutions. General office software and contact managers will not be enough to help partners survive and prosper in the Channel of the 21<sup>st</sup> Century.

### About the Author



Bob Thompson has over 20 years of sales management and consulting experience in the IT industry, including assignments as VP of Sales of a large computer VAR, and as Business Unit Executive and IT Strategy consultant at IBM. Bob has performed and managed IT strategy projects in several industries, including computer software, airlines, insurance, and retail. Now as Founder and President of Front Line Solutions, Bob is an expert in Partner Relationship Management (PRM) and is widely quoted in industry trade magazines on the subject. Bob contributes to the CRM and IT Channel industries by writing a column for the ChannelWeb online VAR community, publishing the popular CRM newsletter *On The Front Line*, moderating the worldwide *CRM.Talk* discussion list, and serving on the Board of Directors of the Northern California Chapter of the CRM Association. Bob earned an MBA from the University of California at Irvine.

### How to Get the Full Report

The complete report details the study's findings and conclusions in 150 pages and over 100 charts and tables. Major sections include: executive summary, demographics of survey participants, business issues and strategies, satisfaction ratings of current automation tools, requirements analysis, and impact of relationship management tools on partner loyalty. For more information, visit the Front Line Solutions' web site at [www.frontlinehq.com](http://www.frontlinehq.com) or contact Bob Thompson at [bob@frontlinehq.com](mailto:bob@frontlinehq.com) or (650) 343-8529.

**Partners and Sponsors**

Front Line Solutions acknowledges and thanks the following organizations for their support of the IT Channel Study on Relationship Management.

**Partners**



**Platinum Sponsors**



**Gold Sponsors**

