

CHANNEL DEVELOPMENT & MANAGEMENT IN THE SOFTWARE INDUSTRY.

Building Successful Partner Channels

Hans Peter Bech

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"A book with guidelines and inspiration that you can use directly in your own business"

Preben Damgaard



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When Microsoft acquired Navision in 2002 there is no doubt that the price they paid was heavily influenced by the value of our channel partner ecosystem. I can think of no one better suited than Hans Peter to write a book with the title Building Successful Partner Channels.

**Preben Damgaard, Co-founder
and CEO of Navision**

"Predictable growth and market leadership through independent channel partners are on every software industry CEO and sales executives' mind. However, it is rarely achieved. With "Building Successful Partner Channels" Hans Peter Bech provides a great tactical approach toward reaching this goal."

**Torulf Nilsson, Product Executive,
Visma Retail, Oslo, Norway**

"Hans Peter Bech has been at the forefront developing indirect channels in the software industry for more than three decades and his track record is impressive. I'd highly recommend this book to anyone searching for the route to global market leadership in the software industry."

**Yusuf Soner, School of Management at the
Sabanci University, Istanbul, Turkey**

"Building Successful Partner Channels provides a powerful, practical approach to building a strong network of independent channel partners, so as to optimize sales and marketing activities. The book helps senior sales and marketing executives understand how to work in concert to achieve global market leadership through the indirect-channel approach."

**Toke Kruse, Founder and CEO at Billy,
San Francisco, USA**

In memory of Gianmaria Odello

FOREWORD BY PREBEN DAMGAARD

When Microsoft acquired Navision in 2002 there is no doubt that the price they paid was heavily influenced by the value of our channel partner eco-system. As you may know, the Navision that Microsoft acquired was a company formed by the merger of Navision Software and Damgaard Data in 2000, the latter a company started by my brother and I in 1983.

From the very first day both Navision Software and Damgaard Data decided to take an indirect route to market and although our first generation products were not designed with the channel partner in mind, both companies released partner enabled products in the late 1980's. Navision (now Dynamics NAV), Concorde XAL (now Dynamics XAL) and AXAPTA (now Dynamics AX) were all designed as international products allowing the channel partners to extend the functionality, integrate to other products, perform customizations and deliver all sorts of product associated services. These concepts accelerated the proliferation of value-added products and services developed by our channel partners and created an eco-system reaching into corners of the market that we would never have dreamed of serving. The Navision and Damgaard eco-systems became the basis for many new and successful companies that employed thousands of people delivering value to thousands of customers all over the world.

Our journey from young start-ups to mature companies took place in a period of substantial change with trends that were very hard to predict and we constantly had to adjust our strategies and change our decisions when our expectations for the future proved to be inaccurate. Figuring out how to grow and manage the channel was

something we had to learn along the way and it was by no means a straight road from A to B.

There is still no handbook for how to build channels in the software industry and I therefore welcome Hans Peter's initiative in documenting his experience and insight with channel partner eco-systems in this book. Providing general guidelines for channel building and management in the software industry is not an easy task given the rapidly growing diversity of products and markets and the enormous changes in technology and environment that are dramatically different compared to when we started out. Using the Osterwalder business model framework and drawing on his vast experience, Hans Peter manages to spell out the generic principles that apply in all situations at all times as well as discussing the possible impact of the changes we are currently witnessing in technology, communication and social media.

I first met Hans Peter in 1991 when he was country manager for Data General in Denmark and wanted Concorde XAL to be made available on their new AViiON series of UNIX computers. In 1997 Hans Peter joined Damgaard Data as part of the team designated to take over the international distribution from IBM and in early 1998 he moved to Germany and became responsible for our operations in the German speaking countries. In 1998 we also launched AXAPTA and Hans Peter was on the executive launch team participating in the development of all our partner programs for this product line. I can think of no one better suited than Hans Peter to write a book with the title Building Successful Partner Channels and I am sure you will find guidelines and inspiration that you can use directly in your own business.

Preben Damgaard
Copenhagen, March 2015

ACKNOWLEDGEMENT

The idea for writing this book comes from a series of workshops that I conducted for the Executive Development Unit of the Sabanci University in Istanbul, Turkey in Spring 2013. The workshops were an activity in the Turkish Government's UR-GE sectorial program for industrial development organized by IMMIB¹ for the software clusters companies in the "TETSoft Project" and sponsored by the Ministry of Economy. I developed a series of whitepapers for the workshops and was urged by IMMIB to document the entire content of the workshops in a book format. This book entitled Building Successful Partner Channels in the Software Industry is the first of two books, with the next being entitled Entering Foreign Markets in the Software Industry and is planned for publication in 2016.

The drafts have been thoroughly reviewed and commented on by a team of subject matter experts including Mohammad Adi, Regional Sales Manager at SEDCO in Jordan; Dick Bryer, President of Sales Builder Inc., Toronto, Canada; Pamela Campagna, principal at BLUE SAGE Consulting, Inc., Boston, Massachusetts, USA; Bjørn Eilertsen, Vice President with Milestone Systems A/S, Copenhagen, Denmark; Amit Gavankar, Regional Sales Manager with LeadSquared, Mumbai, Maharashtra, India; Fikret Idil, Executive Partner with TBK Consult in Istanbul, Turkey; Frank Meijer, Program Manager with VanMeijel Automatisering, Zwolle, The Netherlands; Torulf Nilsson, Product Executive with Visma Retail, Oslo, Norway; Gianmaria Odello, Executive Partner with TBK Consult in Milan, Italy; Per Steen Pedersen, principal at SMP

¹ Istanbul Minerals & Metals Exporters' Associations

Management, Copenhagen, Denmark; Bob Snyder, Editor-in-Chief with Channel Media Europe Ltd., Brussels, Belgium; Paul Solski, principal at AIM International, Seattle, State of Washington, USA. Without the numerous suggestions and recommendations from this team of experienced channel developers, the book would have been very different and would have missed some crucial issues and trends.

My dedicated PA Emma Crabtree has undertaken the editorial proofing from her residence in Condeixa-a-Velha, Portugal and the illustrations, book cover and layout come from the hand of Jelena Galkina with the design studio Sordako Oü in Tallinn, Estonia.

Hans Peter Bech
Hillerød, March 2015

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CHAPTER 1

INTRODUCTION

Welcome to my book about how to become a global market leader through independent channel partners. In this introductory chapter I will take you through some fundamental questions that I am always asked by my consulting clients when I run my workshops and that I also regularly receive in my mailbox based on my on-going writing on the subject.

Any book needs to choose between the pronoun “he” or “she.” I flipped a coin and “she” won.” Throughout the book I will use “she” and “her” instead of “he” and “his.”

Let’s get started.

WHO IS THIS BOOK WRITTEN FOR?

I have written this book for B2B² software industry executives³ and their operational staff with companies that have chosen or are considering taking the indirect channel route to market leadership.

Is the ambition of achieving market leadership then a prerequisite for reading the book? No, it is not.

It is, however, a prerequisite for being successful in the software

² B2B: business-to-business.

³ Thus I am referring to the software vendor, the principal, when I use the pronouns “we” and “us” in this book.

industry. The market leadership⁴ ambition is even more important when we consider a go-to-market approach through independent channel partners. If we do not have the ambition of achieving market leadership in our industry then I cannot recommend the indirect channel approach because it will not work.

This statement is based on my 35 years + of personal operational experience, but it is also supported by common sense.

Channel partners want to work with the market leaders and not with unknown brands.

When channel partners choose to engage with an unknown software vendor they do so anticipating that they are joining a winning team for the future. By joining early they can enjoy surfing the steadily growing waves as the software vendor builds her brand, becomes recognized and market demand shifts from being push-driven⁵ to becoming pull-driven⁶.

Tell a channel partner that we have no ambitions of “making it big” and see what their reactions are. Channel partners are not interested in doing business with software companies that lack market leadership ambitions, because that may leave them in a cost-inefficient push-driven position forever.

⁴ Successful companies strive to become number one or two in the (global) markets where they operate. As the software industry is young, extremely dynamic and mostly unconsolidated it can be hard to define exactly what market leadership means. However, if a company is not on the path to pass the 20% market share in their domestic market then they are most likely not on the path to becoming market leaders. The 20% is the “tipping point” (see Gladwell, Malcolm. 2002. The tipping point : how little things can make a big difference (Back Bay Books: Boston). and Moore, Geoffrey A. 2014. Crossing the chasm : marketing and selling disruptive products to mainstream customers (HarperBusiness, an imprint of HarperCollins Publishers: New York, NY). When passing the tipping point market forces kick in and accelerate demand for a product lowering the Customer Acquisition Cost and increases gross margin per unit sold.

⁵ You will have to find potential customers and activate the need for your solution.

⁶ The customers with an active need for the solution will find you.

Thus, the primary objective of this book is not just to discuss how to build a channel. The objective is to discuss how to become the global⁷ market leader, if we have chosen to take the journey through independent channel partners.

The objective is market leadership.

The channel is “just” one of the means of getting and staying there.

WHAT IS YOUR SITUATION?

My fellow countryman Søren Kierkegaard said the following about education:

“... if real success is to attend the effort to bring a man to a definite position, one must first of all take pains to find him where he is and begin there⁸.”

The challenges you may face building and managing independent channel partners will differ substantially depending on the nature of your business model, its environment and your current situation.

Have you just started? Are you well under way? Do you want to switch from a direct to an indirect approach? Do you already run an indirect approach, but are having challenges? Do you have a standard or a platform product? Do you have short or long sales cycles? Etc.

As software companies can be very different animals I will introduce a set of characteristics that I will refer to throughout this book discussing the conditions that apply for the stages we are in and situations that we may be facing. In table 1 below I have chosen seven fundamental characteristics of business models, business model environments and channel development stages in the software industry.

⁷ The software industry is with very few exceptions global by nature. Most software products requires no or only very little localization to travel across borders and even the products that do require substantial localization enjoy the economy of scale opportunities provided by the global market.

⁸ Søren Kierkegaard, The Journals, 1854

DEFINITION OF BUSINESS MODEL AND ENVIRONMENT CHARACTERISTICS

Variable	Level 1	Level 2	Level 3
Company Maturity	Start-up Looking for a profitable and scalable business model	Stable Growth Profitable and growing faster than the market	Leadership Domestic market share >20% and global market penetration initiated
Market Maturity	Emerging Market There are only few and small providers of this type of solutions	Fragmented Market Several providers of this type of solution, but non with >20% market share	Mature Market A few clear market leaders with < 20% market share
Channel Maturity	Low Less than 25% of the market can be reached through channel partners	Medium 25-50% of the market can be reached through channel partners	High >50% of the market can be reached through channel partners
Customer Touch and Sales Cycle	Low No field sales required -avg. sales cycles <3 months	Medium Field sales required-avg. sales cycles are <12 months	High Field sales required-avg. sales cycles are >12 months
Value-add Potential	Low Auxiliary products and services are <50% of CLV	Medium Auxiliary products and services are 50-75% of CLV	High Auxiliary products and services are >75% of CLV
Channel Importance	Low <25% of the revenue is from channel partners	Medium 25-50% of the revenue is from channel partners	High >50% of the revenue is from channel partners
Channel Development Stage	Early Mode <25% of the revenue is from current partners	Growth Mode 25-75% of the revenue is from current partners	Mature Mode 25-75% of the revenue is from current partners

Note: CLV=Customer Lifetime Value

This book is primarily written for software companies with a maturity Level 2 or 3, penetrating markets with a maturity Level 2 or 3, where there is an independent channel at a maturity Level 2 or 3, where the customer touch levels⁹ and sales cycles are Level 2 or 3, where the value-add potential is Level 2 or 3 and with a channel importance Level 3. All of the general frameworks described in this book will work for all levels of channels development stages, but whenever I make a statement or provide a rule of thumb I have software companies with Level 2-3 type maturity in mind.

If you are switching from a direct go-to-market approach to an indirect go-to-market approach then this book is definitely for you although your current situation may not match with all the Level 2-3 scenarios in figure 1.

Please let me stress that the book is deliberately not written specifically for start-ups. However, I do realize that many start-ups are pondering exactly this question: direct or indirect? I have been in this very situation myself several times. In some situations we chose the indirect channel approach and became successful, but not without substantial homework and business model re-engineering along the way. In other situations we chose the direct approach and also became successful. And in some situations we failed irrespective of which approach we took.

I believe a start-up can take away value from reading this book, because the channel considerations should be an integrated part of defining and developing the value proposition. However, as a start-up we always need direct feedback from our ultimate customers. We cannot rely on only getting filtered market feedback through independent channel partners. If you are a start-up then I recommend you read Steve Blank's¹⁰ books too, as he focuses entirely on start-ups.

⁹ Customer Touch Levels - Please refer to Chapter 4 for more details.

¹⁰ Blank, Steve; Dorf, Bob. 2012. The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company (K & S Ranch). www.steveblank.com

There are two measurements that I will use throughout this book as they will become increasingly critical in our rapidly changing environment¹¹ and have a fundamental impact on how to build and manage indirect partner channels:

Customer Acquisition Cost (CAC) is the total cost (marketing, sales and pre-sales) of acquiring a new customer. ACAC is the average customer acquisition cost.

Customer Lifetime Value (CLV) is the gross margin we can expect from a customer over the lifetime of our relationship. ACLV is the average customer lifetime value.

As the software industry is moving (rapidly?) from the prepaid perpetual license model to the recurring subscription model, careful management of ACAC and ACLV will be the key to survival and prosperity. If you are unfamiliar with these changes I suggest you start with reading chapter 11 before continuing with the rest of the book.

WHAT IS A SOFTWARE COMPANY?

You may ask: What is a software company?

I have included a discussion on this subject in Appendix A and will provide only the conclusion here:

In this book a software company is any company providing a B2B product and service where software is a major component irrespective of whether it is bundled with hardware, delivered as a perpetual, upfront paid, on-site license or delivered as a

¹¹ A thorough analysis of the disruptive changes currently taking place in the software industry can be found in Wood, J. B., Todd Hewlin, and Thomas E. Lah. 2011. Consumption economics : the new rules of tech (Point B Inc.: California).

service through a browser or an app. The principles presented in this book are universal for B2B software based products and services irrespective of the delivery format.

WHAT IS A CHANNEL PARTNER?

Let's assume that we run a software company.

To run our business we need to find, win, make, keep and grow happy customers¹². To grow our business we need to keep scaling and improving the productivity of the ways that we find, win, make, keep and grow happy customers. We can do so by hiring a steadily increasing number of sales and support staff, or we can convince someone else that they should find, win, make, keep and grow happy customers for our product.

We typically call that “someone else” an independent channel partner. We - the software company with the IP rights - then becomes the “principal.”

Independent channel partners operate in their own name, at their own expense and at their own risk.

We are dealing at arms length with our independent channel partners¹³.

Later in the book, I will also introduce the distributor¹⁴ role, but for now we will focus on the principal and her resellers. Channel

¹² This is a generic representation of the sales process. Specific companies will have variations of this process such as find, try, buy/win, use, renew and grow/expand.

¹³ Throughout this book I use the term “channel partner” and “reseller” synonymously.

¹⁴ In the terminology of this book a distributor is serving independent channel partners on behalf of the vendor. We call a business model where the vendor is dealing directly with the independent channel partners a “1-tier” channel approach, while the use of distributors is called a “2-tier” channel approach.

partnerships in the software industry take many forms and shapes¹⁵ and I have included a description of the most commonly used in Appendix A, too.

WHY THIS BOOK?

Using a channel of independent companies to find, win, make, keep and grow happy customers has a long tradition in the short history¹⁶ of the software industry. For some software companies the channel has been a major contributor to global success, but for most software companies making it work remains a depressing and constant struggle.

Building indirect channels may be complicated, but it is not really that difficult. It is complicated because it requires an additional and completely different layer of business principles compared to the situation where we serve our customers directly. I believe this is the core of the trouble many software industry executives face when setting out to build a network of independent channel partners (that are supposed to find, win, make, keep and grow happy customers on their behalf). Software executives often grossly underestimate what it takes to recruit, enable and manage independent channel partners. Many software executives consider the independent channel partners as a readily available, flexible and inexpensive sales resource and nothing could be further from the truth. I hope that by sharing my experience and insight through this book that more software executives will make better decisions concerning their channel strategies and their subsequent implementation, helping them on the route to market leadership.

¹⁵ A description of the most important types of partnerships is included in Appendix A.

¹⁶ The software industry emerged with the personal computer (Apple and IBM) in the beginning of the 1980's. With the proliferation of the Internet from the beginning of the 1990's and the availability of smart mobile devices lead by the iPhone in 2007 the software industry has become a gigantic industry serving consumers and businesses of all types and sizes.

I started building independent channel partner networks in 1986. Coming from a small domestic market¹⁷ I was forced to build *international* channel partner networks very early in the lifecycle of the companies where I was responsible for revenue generation and I also had to do it with very limited resources. I learned that you do not have to be big to be smart. Even small software companies can build powerful independent channel partner networks over time if they understand some fundamental business principles.

From 1997 to 2001 I was responsible for Damgaard's¹⁸ activities in the German speaking markets and in this capacity I had the unique experience of introducing and building the channel for AXAPTA¹⁹ in Germany, Austria and Switzerland. After the merger with Navision I was made responsible for our joint operations in Central Europe.

I left Navision in 2001 to start my own business and in 2003 I acquired a major share of a Microsoft Dynamics AX reseller²⁰ and held the position as CEO of the company. In this capacity I had intimate insight into the daily life of a value added reseller of a product that I was previously responsible for launching to independent channel partners in the German speaking markets. Having served on both sides of the table helped me to deepen my understanding of the principal/partner relationship and the completely different businesses that they run.

Since 2007 I have been working as a management consultant and workshop facilitator helping clients in the software industry with global growth including building networks of independent channel partners. However, as a management consultant I can only serve a few clients at a time.

¹⁷ Denmark represents less than 0.5% of the global demand for IT related products and services. Bech, Hans Peter. 2013. *Entering Foreign Markets in the Software Industry - The BECH Index 2013* (TBK Publishing®: Copenhagen, Denmark).

¹⁸ Damgaard merged with Navision in 2000 and was acquired by Microsoft in 2002.

¹⁹ Now Microsoft Dynamics AX.

²⁰ HOB Business Solutions that was later acquired by Avanade.

With this book I hope I can help many more software companies around the world make the right choices on how best to serve their customers and grow their global market share, when they apply the indirect go-to-market approach.

If your choice is to build independent channel partner networks then I hope you will use this book as the “manual.” As I have no interest in recommending that software executives in general take a specific go-to-market approach the book is not promoting the indirect channel approach over any other go-to-market option. This book is supposed to help software executives that - for valid reasons - have chosen the indirect channel approach and support them in getting it right.

HOW MANY PARTNERS DO WE NEED?

Let me conclude this introductory chapter with a crucial question that will help clear up one of the major misconceptions of what an indirect partner channel approach is and what it is not.

How many independent channel partners do we need?

The answer to this question obviously depends on how we define our market and how much market share we are aiming for, but the indirect channel approach works best if we have a big market in terms of the number of potential customers and when that is the case then we will need many channel partners.

The answer also depends on what type of product (value proposition) we offer, and the indirect channel approach works best if our product (and value proposition) is a platform requiring channel partners to add products and services in order to deliver the whole product²¹. Then we can have many channel partners as each of them adds value

²¹ The whole product is defined in (Moore, 2014) as the combination of products and services required to give the customer reason to buy and secure successful implementation. Happy customers serve as valuable references for further sales.

to the specific sub-segment of the market that they have decided to serve. In this scenario the channel partners do not necessarily compete for the same business and the market saturation threshold is much higher than if the channel partners are competing with the exact product for the exact same opportunities.

I often hear software executives talk about their channel partner approach only to realize that they are looking for one or two channel partners to cover a market, say, the size of Germany²². This book is not about recruiting one or two channel partners to cover a market the size of Germany. This book is about the situation where we need a hundred or more channel partners to secure a 20% market share in Germany and a thousand or more channel partners to secure a 20%²³ market share in North America. The numbers 100 or 1,000 are not sacrosanct. The crucial difference between the scenario with many channel partners and just a few channel partners is that in the first scenario we do not depend on the individual channel partner. Individual channel partners may come and go leaving us unaffected.

If we have the ambition of making it to global market leadership through independent channel partners, then we must accept that we need many partners and that they will often be competing for the same business. We may not deliberately include the objective of “over penetration” in our channel partner recruitment brochure, but internally we know that to make it to market leadership we will need a big channel providing a broad market reach. If five independent channel partners are competing for the same business then we prefer that they are doing it with our product rather than with the products

²² Teaming up with one or two channel partners to cover a market the size of Germany is more a joint venture approach. Let's assume that the German market for our type of offering generates €1B annually. Achieving the 20% market share means managing €200M in annual revenue. With one or two channel partners taking care of such large chunks of business I can hardly imagine that we will treat them as “independent” channel partners. The more likely scenario is that we start with an exclusive arrangement and then we acquire the “channel partner” as the business becomes critical to the performance of our own company. With just one or two channel partners we have a direct Go-to-Market approach and should not mistake it for anything else.

²³ 20% market share is the tipping point after which the market dynamics change from push to pull lowering our customer acquisition cost and increasing our margins.

of our competitors. It is that simple and this is the scenario that this book is about.

This book is about building large networks of independent channel partners making us global market leaders.

Enjoy.

CHAPTER 2

BOOK SUMMARY

The software industry is full of abbreviations and labels such as ISV, SI, OEM, VAR, VAD, White Label, Distributor, Reseller etc. I have included my definitions and explanations of what they stand for in Appendix A.

The discussion of when and how to become the global market leader through networks of independent channel partners requires a conceptual framework and in chapter 3 I introduce the business model and business model environment frameworks developed by Alexander Osterwalder and Yves Pigneur. The introduction is brief and for readers who require more detail, I have an extended discussion on the frameworks in Appendix B. I conclude that our business models are completely different from the business models of our channel partners and that we need to know and master both to become successful. I also conclude that taking the indirect route to market adds a layer of complexity to our business model as we leave the control of finding, winning, making, keeping and growing happy customers to third parties.

In my humble opinion the direct and the indirect go-to-market approach are not options we can choose freely between, independent of the nature of our business model and business model environments. In chapter 4 I discuss when the indirect go-to-market approach is applicable and advantageous and when it is not, and I conclude that taking the indirect route to market requires that the channel is an integrated element of our product offering and value proposition and

unfortunately not something we can easily bolt-on at a later stage.

With the decision to take the indirect route to global market leadership we need to develop and maintain a channel partner program and in chapter 5 I introduce and discuss all the elements of this program. Although we need similar types of activities when running our own marketing, sales and implementation operations, the choice of an indirect route requires more well-defined processes, more formal formats, earlier announcement of activities and events, longer lead times for changes and communication and collaboration platforms that are scalable and available 24/7. I also conclude that our partner program will change substantially as we move from early stage channel building to the mature mode where most of our revenue comes from existing channel partners.

Chapter 6 is devoted to a discussion of channel partner recruitment, where I conclude that the initial process is very similar to the process we follow when we hire top performing customer-facing staff for ourselves. The big difference is in the compensation formats; where we pay staff to perform their duties from the day they join, channel partners will have to make substantial investments before they reap the benefits of the cooperation. It is therefore more difficult to recruit channel partners than recruiting staff and it takes much longer.

Also the dynamics of channel partner recruitment changes as we move from the early mode channel development stage to the mature stage and I conclude that as soon as we have the opportunity we should recruit as many channel partners as we possibly can. We let them demonstrate where they belong in the channel pyramid that I introduce in chapter 7, where I discuss channel partner management. I classify partners as Stars (5%), Growth Potential (15%) and The Rest (80%) and discuss how we should manage each group.

As many software companies consider adopting the indirect channel approach at a later stage after having applied a direct approach first

I have devoted a full chapter to how this switch can be accomplished. I introduce some simple sanity checks to verify if switching is feasible or not and recommend an approach for making the switch successful.

Chapter 9 defines and discusses channel conflicts and what we can do to manage them.

Chapter 10 explains that distribution does not necessarily have to be performed by the software companies themselves, but in theory could be outsourced to a value added distributor and I also explain why that in practice is difficult for us in the early stages of channel development.

The changes occurring in the software industry where the cloud-based software-as-a-service format complements and often replaces the perpetual, on-premise and pre-paid license format has - and increasingly will have - a profound impact on the role and remuneration formats for independent channel partners. I discuss these trends in chapter 11 and conclude that the change in the cash-flow, the increased competition, the diminishing power of the CIO²⁴, the diminishing cost of application development, mobile computing and the preference for simplicity over complexity, all change the landscape for channel partners and their principals alike.

Although the formal channel partner agreement is probably the least interesting document in the context of creating a channel partner ecosystem I have nevertheless included a sample in Appendix C.

Appendix D includes a further elaboration of the channel partner P&L, which is a critical tool when recruiting and managing partners. As the channels for reaching and communicating with our customers are changing dramatically I have included a recommendation for how to include the web and social media in our channel partner management effort in Appendix E.

²⁴ Chief Information Office.

Appendix F discusses the exclusivity issue that keeps popping up all the time and everywhere. My recommendation is basically don't do it, but when we do it, then follow my other recommendations.

Finally, I have included a list of recommended literature in Appendix G.

APPENDIX G

LITERATURE

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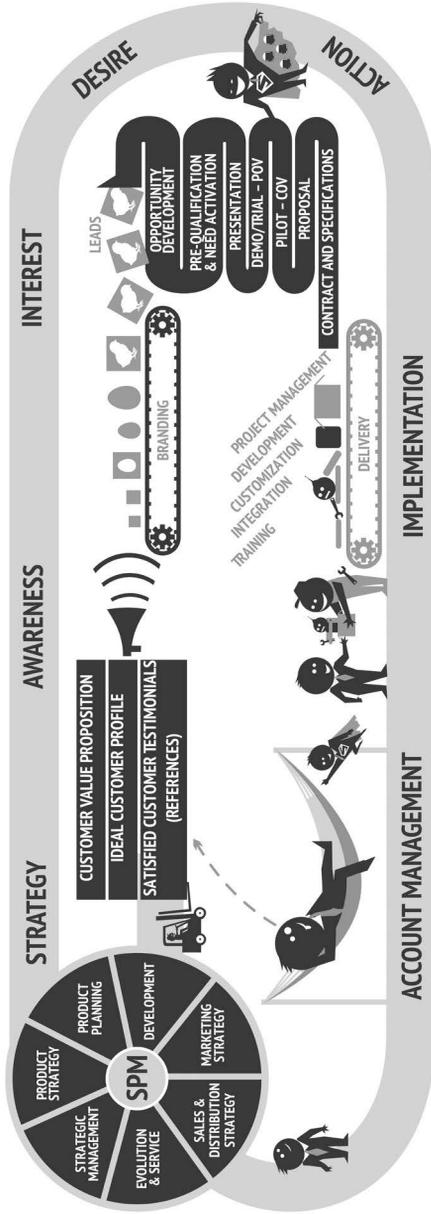
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APPENDIX H



SOFTWARE INDUSTRY VALUE CHAIN

ABOUT THE AUTHOR



After graduating with an M.Sc. (Econ) degree from the University of Copenhagen in 1977, Hans Peter worked as a civil servant for the Ministry of Employment in the department for economic and statistical analysis.

In 1980 he was recruited as a sales trainee by Control Data Corporation (Minneapolis, Minnesota, USA) and went through an extensive 2-year training program after which he was assigned to large corporate accounts as a salesman of computer mainframes and customized software development projects. In 1982 he made it to his first 100% Club and in 1983 he qualified for the Control Data Summit Conference, which was reserved for the top performing sales people worldwide. In 1984 Hans Peter was promoted to sales manager and made responsible for all new business development initiatives such as e-learning (PLATO), CAD/CAM (ICEM), Cybernet (an early attempt to create the Internet), LAN/WAN solutions and on-line trading platforms (early version of e-commerce).

In 1986 he was recruited by a Danish start-up (Dataco) to lead the revenue generating activities for their new line of LAN and WAN products based on the open ISO-OSI protocol stack. Dataco became a huge success and within a few years Hans Peter had established a network of resellers across Europe and initiated OEM activities in the

USA. In 1988 he was recruited by another Danish start-up (Mercante) to repeat the Dataco success, which he did and within twelve months a high performing reseller network was established across Europe, an OEM deal was closed with XEROX in the US and several other OEM deals were in the pipeline. Unfortunately the company suffered from severe product quality issues, filed for bankruptcy in 1989 and Hans Peter Bech accepted an invitation to become the country manager for Data General in Denmark.

In 1992 he returned to work with internationalization projects for the Danish software industry and was made responsible for software revenue generation worldwide for Dansk Data Elektronik (DDE). For three years he traveled the world building relationships with media executives promoting EUROMAX, which was a completely new approach for managing the entire production (editorial, advertisement and production) of newspapers. Due to strategy disagreements with the management at DDE, Hans Peter left the company and agreed to join RE Technology in 1995. After the merger of RE and BARCO in 1997 he was recruited by Damgaard Data to join the team responsible for taking over worldwide distribution from IBM.

In 1998 Hans Peter moved to Stuttgart with his family and spent three years building the channel partner network for Concorde XAL (now Microsoft Dynamics XAL) and AXAPTA (now Microsoft Dynamics AX) in Germany, Austria and Switzerland. After the merger between Damgaard Data and Navision Software Hans Peter was promoted to Vice President for Central Europe and headed the merger of the operations in Germany, Austria, Switzerland, The Netherlands, Belgium, Poland, Slovenia and Russia.

In 2000 Hans Peter was highlighted by Computerworld Denmark as one of the 100 most influential people in the Danish IT industry. In 2001 he returned to Denmark to start his own business and was active in several startups and turnarounds as a business angel.

Together with his long time friend Gianmaria Odello¹¹¹ he founded TBK Consult in 2007. TBK Consult is a global network of independent management consultants helping their software industry clients with revenue growth and in particular global market penetration. In 2010 Hans Peter founded TBK Publishing®, which publishes books, white papers and other publications focused on business development in the software industry. In 2013 he founded TBK Academy® that facilitates strategy and business development workshops for software industry executives.

In 2014 the Executive Development Unit of the Sabanci University in Istanbul, Turkey invited Hans Peter to run a series of workshops for the TETSoft Software Clusters, which is an activity in Turkish Government's UR-GE sectorial program for industrial development organized by IMMIB¹¹² and sponsored by the Ministry of Economy.

As a management consultant and workshop facilitator Hans Peter has been involved with numerous international business development projects in the software industry and among his clients are companies such as Microsoft, Danfoss, Secunia, XINK, SoftScan, EG, Jabra, Milestone Systems, Targit, Jeeves, Natek, Netop Business Solutions, Workcube, CSC Scandihealth, Blancco and many, many more.

Hans Peter divides his time between writing articles and books on business development in the software industry, facilitating executive workshops, giving keynote speeches and providing management consulting for selected clients.

He has also served as a non-executive board member for companies such as The Peerless Factories, Cursum (e-learning) and SMT Data. Hans Peter enjoys traveling, skiing, hiking and biking and he plays guitar and is the lead singer in two amateur bands. He is married to Sue, has two children and five grandchildren.

¹¹¹ Gianmaria passed away on March 4th 2015. We will miss him, but his integrity and passion will stay as an inspiration for all of us.

¹¹² Istanbul Minerals & Metals Exporters' Associations

www.tbkpublishing.com
www.tbkacademy.com
www.tbkconsult.com



Hans Peter Bech

When Microsoft acquired Navision in 2002 there is no doubt that the price they paid was heavily influenced by the value of our channel partner eco-system. I can think of no one better suited than Hans Peter to write a book with the title Building Successful Partner Channels.

Preben Damgaard, Co-founder and CEO of Navision

"Predictable growth and market leadership through independent channel partners are on every software industry CEO and sales executives' mind. However, it is rarely achieved. With "Building Successful Partner Channels" Hans Peter Bech provides a great tactical approach toward reaching this goal."

Torulf Nilsson, Product Executive, Visma Retail, Oslo, Norway

"Hans Peter Bech has been at the forefront developing indirect channels in the software industry for more than three decades and his track record is impressive. I'd highly recommend this book to anyone searching for the route to global market leadership in the software industry."

Yusuf Soner, School of Management at the Sabanci University, Istanbul, Turkey

"Building Successful Partner Channels provides a powerful, practical approach to building a strong network of independent channel partners, so as to optimize sales and marketing activities. The book helps senior sales and marketing executives understand how to work in concert to achieve global market leadership through the indirect-channel approach."

Toke Kruse, Founder and CEO at Billy, San Francisco, USA

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