

# LOYALTY

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## MANAGEMENT

Powered by Loyalty 360

The Balance  
of Powers  
in Payment  
Cards and  
Loyalty

Technology  
Can Do That,  
But Can We?

What works with  
today's loyalty  
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OPTIMIZING  
HUMAN CAPITAL  
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TOUGH TIMES

INFLUENCING  
THE CHANNEL  
Building Trust  
to Drive Loyal  
Relationships



# Creating a Loyal Relationship with Your Channel

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**I**N BUSINESS you really only have three audiences... your employees, your customers and those you rely on to distribute your product, service or brand. An awful lot of information is available for employee engagement and customer programs but it seems there is a lack of good info on how to engage your channel. Not much is available to help you build long-term, strategically important relationships. Having a loyal and engaged channel allows you to:

- Increase sales
- Decrease cost of sales
- Increase selling efficiency with better data
- Increase competitive differentiation

In other words, a channel loyalty initiative will drive better business for you and for your partners.

## Loyalty is a Function of Interactions

Loyalty is difficult to define as every industry, company, and end-user has a personal definition of loyalty. However, we can start to create a definition by looking at the type of business interactions that occur between the supplier and the channel.

As the chart above illustrates, customers who “buy” from you are simply an “invoicing entity”. Those that use additional services such as online tools, marketing support, and credit options, become more than just an address to send an invoice. Obviously, the best place to be is “partner.”

## Driving True Partnership

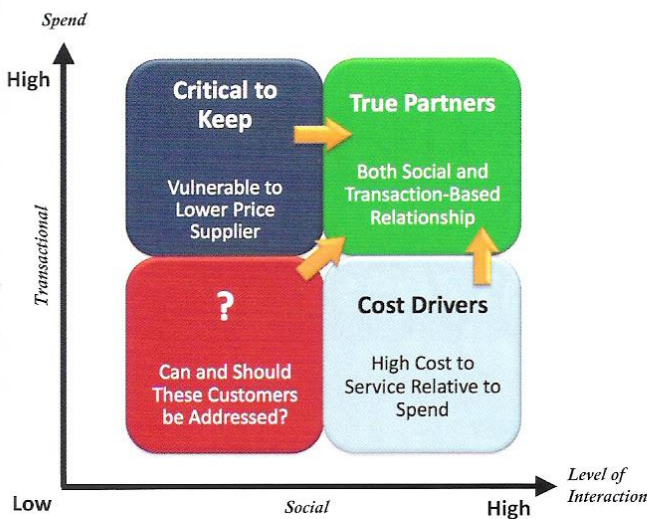
In most businesses the measure of a relationship is financial – the dollars spent. Unfortunately, measuring only the financial side of any relationship will create a mercenary mindset—focusing both you, and the channel, on the price of your product/service. The last thing you want is to have your entire business relationship based on the price you or your competitor may charge.

But there is another measure of your relationship that isn't purely financial. It is the amount of time and attention they spend with you as a vendor (and vice versa.) Call it the “social” measure [See Graph A]. The “social” measure can be defined by how much interaction there is between you and your channel. How many support services do they use? How often do they communicate with the sponsoring company? How often do they meet with your sales representatives? Each of these elements is an “interaction” and helps to expand and define a “social” relationship with the sponsor.

Only by balancing the “transactional” and the “social” axis, can we develop a long-term, strategic and mutually beneficial relationship between you and your distribution channel.

## Developing a Transactional/Social View of Your Customer

When you look at your customers through this lens you can start to segment your customers based on these axis. How many of your customers are question marks—they don't buy a lot and



they don't interact a lot. What about those big customers that buy a ton but don't really use other services or interact that much? The ultimate goal is to have as many customers as possible in the top right quadrant—buying a lot—and interacting a lot.

CHART 1

Tools To Drive Loyalty	
Transactional Programs	Social Programs
Discounts/Rebates	MDF Participation
Net-New Business	Advisory Councils
Volume Based	Attendance on Travel Awards
Cross-Sell	Co-Selling Opportunities
Promotions	Conversation/Meetings with Vendor Personnel
Spiffs	

Developing a loyalty initiative requires you to include programs, initiatives, plans, and structures; whatever it takes to move your customer to the "True Partner" square. In some instances you may need to include social programs—things that drive interaction. In other cases you may need to include more transactional programs [See Chart 1].

### Increasing Interactions through Traditional Means

Some of the more traditional efforts included in loyalty programs will include variations on the following:

**Discounts and Rebates:** Since discounts are given upfront they have more influence over sales. Partners see this as margin enhancement and will choose the product with the greater margin/discount. Rebates have less effect on the sale as they are received at a specific point in time after the sale (end of quarter, end of year).

**Net-New Business:** Obtained on a deal where the customer is new to the vendor (not the partner). Whether given as a discount or rebate, this incentive doesn't drive behavior as much as loyalty. From the partner's perspective they expend just as much energy trying to generate, pitch, and close a deal with a new customer as they do an existing customer.

**Volume Based:** The more a partner buys the bigger the discount. Typically applied over a annual spend level they can also be based on other periods of time (quarter, month, etc.)

**Cross-sell:** Vendors tend to use these incentives when trying to drive a joint solution or gain exposure for a product-line that is new or not doing as well. A vendor will offer a discount or rebate if the partner sells Product A with Product B.

**Competitive Displacement:** Vendors provide this incentive when a partner replaces a competitor's product with their product.

**Promotions:** Generally given on a seasonal or quarterly basis, promotions focus on a certain product or solution for which the vendor is trying to get more exposure. Feedback from partners is that these tend to be hard to follow and change too often. These incentives tend not to drive behavior as the partner's usually do not know which promotions are currently in effect.

**Spiffs:** While the sales people appreciate them, the partner business owners see them as a distraction and would rather manage their own sales peoples' directives, not have them coming from the vendor.

### Social and Relationship Building Tools—Driving Interaction

To really build a strong relationship you must engage your distribution channel around other issues besides sales. Some of the ways your distribution channel can help you (and you them) include:

**MDF/Co-op:** These funds are used for demand generation, training, and other marketing activities. Measuring how well and how often your channel accesses these funds is one way to judge their level of interaction and connection to your company/brand/product line.

**Advisory Councils:** Inviting and having your channel partners participate in Advisory Councils is one way to target specific partners and solicit their feedback and input.

**Attendance on Travel Awards:** While earning the award may be based on a specific transactional metric, the attendance and participation on the award is where true relationships can flourish. Allowing channel partners to "opt-out" of the travel award is in essence providing a financial incentive and devalues the travel award making more of a disguised "discount".

**Co-selling Opportunities:** Do your partners access your subject matter experts to help close a sale? If so they are reaching out and communicating that they value your relationship. Keep track of this and use it as another metric to measure their social connection to you.

**Conversations/Meetings with Vendor Personnel:** Are you tracking the number of meetings/interactions your channel partners have with your sales people or even your executive staff? Creating a strong long-term loyal relationship requires face-to-face contact—especially in today's hyper-connected e-driven world.

### The Bottom Line

The bottom line for developing strong, loyal channel partners is to engage them on both an economic front and a social front. Done correctly you can expect:

- More and earlier input on what your channel needs to succeed, giving you time to adjust and provide new services and processes
- Greater resiliency to failure—true partners allow for some mistakes, as long as you're addressing them and continuing the conversation with them.
- Greater overall margins as your products and your relationship increase the value you have with your channel partner.

Stop looking at your financial spreadsheets when evaluating your channel—look at the big picture. **L**