

Optimizing Channel Revenue Management Amid Economic Uncertainty

A white paper by Channelnomics and Vistex



The average channel sale is typically 10% to 15% less expensive than a direct sale. At the same time, manufacturers are cutting their channel budgets to focus more resources on fewer, more productive partners.

Despite the economic indicators showing signs of a healthy and improving economy, there remains a pervasive sense of uncertainty. This unpredictable economic atmosphere has many companies fortifying themselves against possible future volatility that would impact business.

One key focus area is operational optimization. This starts with a comprehensive evaluation of existing processes to identify inefficiencies that can be eliminated and resources that can be allocated more effectively. By going through this process, organizations can remain competitive and resilient in the face of current market dynamics.

The optimization trend is certainly catching on in the high-tech community. Manufacturers look to their partners — resellers, service providers, and integrators — to defer expenses and lower their cost of sales. The average channel sale is typically 10% to 15% less expensive than a direct sale. At the same time, manufacturers are cutting their channel budgets to focus more resources on fewer, more productive partners.

Channel professionals are uniquely positioned to lead optimization efforts and tackle some of the challenges presented by a business environment that's uncertain. Their

skill in managing intricate partner relationships, understanding the nuances of different routes to market, and improving processes across multiple stakeholders is needed to thrive in today's business world. By leveraging their experience in dealing with complexity, channel professionals can identify growth opportunities, anticipate potential obstacles, and develop strategies to mitigate risk.

Excelling in this environment requires channel professionals to expand their perspective beyond the traditional focus on partner relationship management (PRM) and typical channel programs like MDF, rebates, and deal registration. Adopting a broader "channel revenue management" mindset allows them to consider the entire ecosystem of revenue generation, including direct sales, strategic partners, e-commerce, and other emerging channels.

By taking a more holistic approach and understanding how these channels interact with and influence each other, channel professionals can optimize revenue streams, increase margins, identify synergies, and create more cohesive and effective go-to-market strategies and operations.

Channel Data Challenges

Channel teams face many challenges that can hinder their ability to manage and optimize partner ecosystems and the broader channel revenue landscape effectively. One of the most prevalent issues is managing partner incentives and rebates. According to Channelnomics research, that affects 75% of channel teams. The complexity of designing, implementing, and tracking these programs can lead to inefficiencies, errors, and overpayments resulting in financial loss.

Another significant obstacle — experienced by 60% of channel teams — is difficulty in optimizing channel automation systems. As the number of partners and volume of transactions continue to grow, manual processes become increasingly inefficient and prone to errors. Implementing and integrating automation systems can streamline operations. Organizations with channel program management systems often find their different applications disparate from each other, resulting in competing data narratives and significant efforts to gain an “all up view.”

Quantifying channel performance is yet another challenge, and one-half of channel teams struggle to do this effectively. Measuring the true impact of channel efforts on revenue, margin, market share, and customer satisfaction can be complex, as data often resides in those disparate systems and may be inconsistent across partners and channels. Without clear metrics and analytics, it becomes challenging to make data-driven decisions and demonstrate the value of channel investments to stakeholders.

Channel teams are concerned about controlling go-to-market costs and maintaining global consistency. With multiple partners, regions, and product lines, ensuring cost-effectiveness and alignment across the entire channel ecosystem can be daunting. Inconsistencies in pricing, promotions, and partner support can lead to confusion, frustration, and erosion of trust among partners and customers.

To overcome these challenges, channel teams must invest in robust systems, processes, and data management practices that look across the breadth of their indirect and direct go-to-market strategies.





Organizing Revenue Management Systems

Taming the channel revenue management hydra requires a broader view of the systems, people, and processes essential for driving success. From a technology standpoint, this approach involves understanding the intricate interactions between various systems such as Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Master Data Management (MDM), and others. Collaborating closely with finance, sales, and other departments to discuss key topics such as pricing strategy and the supply chain is also needed from a people standpoint.

By adopting a holistic perspective, channel teams can understand how different aspects of the business intersect and influence each other. This includes examining indirect and direct channels, pricing strategies, customer contract terms, promotions, and the financial impact of these decisions. Through this lens, channel professionals can identify opportunities

for optimization, streamline processes, and move toward making data-driven decisions that align with overall business objectives.

One of the primary benefits of taking a broader view is the potential for top-line and bottom-line financial impacts. By analyzing the entire channel ecosystem, teams can identify areas of inefficiency, duplication, and/or waste. For example, consolidating disparate systems and automating manual processes end-to-end across this broader landscape will yield simplified access to financial, operational and strategic insights that help to streamline operations, reduce waste, and better ability to negotiate terms with partners and customers that lead to substantial savings.

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A holistic channel management strategy can also drive increased profitability and revenue. By understanding

the interplay between pricing, promotions, and partner incentives, teams can optimize revenue streams and maximize margins. This may involve implementing dynamic pricing models, targeting high-value segments, or launching targeted promotions that drive sales without eroding profitability. With a broader view, channel teams can make informed decisions that balance short-term gains with long-term sustainability and growth.

Another key benefit of the channel revenue management approach is greater agility in responding to market dynamics. Adapting quickly to changing customer demands, competitive pressures, and emerging trends is difficult to do when there are disconnected systems, organizational silos, and overlapping processes. By having a deep understanding of the entire ecosystem, channel teams can anticipate shifts in the market and pivot their strategies accordingly with the systems and relationships in place to move swiftly.

To achieve these benefits, channel teams must foster strong cross-functional collaboration and invest in robust data management practices. By breaking down silos and establishing clear communication channels with other departments, teams can ensure alignment and make decisions that consider the broader impact on the organization. Additionally, leveraging advanced analytics and reporting tools can provide real-time insights into channel performance, enabling teams to identify trends, measure ROI, and continuously optimize their strategies.

By understanding the interactions between systems and departments, looking holistically across channels and financial impacts, and leveraging data-driven insights, channel teams can drive significant cost reductions, increase profitability, and enhance agility in the face of market dynamics.

Avoiding Common Mistakes

A common pitfall in channel management is viewing automation tools as cure-alls rather than enablers of a well-defined strategy and process. While these tools can certainly streamline operations and improve efficiency, they shouldn't be relied on as the sole solution to channel management challenges.

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Instead, channel teams must develop clear visions, set objectives, and outline processes to guide their efforts. Automation tools should then be selected and implemented to support and enhance these foundational elements.

Another mistake to avoid is over-customizing channel automation tools. While it may be tempting to tailor these tools to fit every unique aspect of an organization's channel ecosystem, doing so can lead to increased complexity, higher maintenance costs, and reduced agility. In a rapidly changing market, the ability to adapt quickly is crucial. Channel teams should

strive to balance customization and standardization, leveraging the core capabilities of automation tools while maintaining the flexibility to pivot when necessary.

Channel teams must also be mindful not to take on too much at once. Trying to address every challenge or implement every best practice simultaneously can be overwhelming and counterproductive. Instead, focusing on the vital few priorities that will have the greatest impact on channel performance is essential. This requires careful data analysis, identification of key pain points, and alignment with overall business objectives.

The quality of foundational data is critical. Channel teams must ensure accurate, consistent, and up-to-date information about partners, customers, transactions, and performance metrics. This data is the basis for decision-making, forecasting, and optimization efforts. Investing in data management practices, such as data cleansing, integration, and governance, is essential to avoid the “garbage in, garbage out” phenomenon.

Finally, when establishing key performance indicators (KPIs) for channel management, aligning

them with leadership priorities beyond just revenue metrics is important. While revenue is undoubtedly important, other factors such as partner satisfaction, customer retention, and operational efficiency also play a crucial role in long-term success. By defining KPIs that encompass a broader range of objectives, channel teams can demonstrate their strategic value and contribute to an organization’s overall goals.

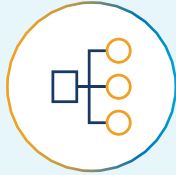


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Building for Better Outcomes

Channel revenue management has become a critical component of success. Organizations must adopt a strategic and holistic approach to navigate this complex environment and drive optimal results. Here are three key recommendations that can help companies enhance their channel revenue management efforts:



Map out the organization's channel revenue management landscape:

- The first step in optimizing channel revenue management is to comprehensively understand an organization's current landscape. This involves identifying all the various channels through which revenue is generated, including direct sales, indirect partnerships, e-commerce, and other relevant avenues. By creating a detailed map of these channels, an organization can better visualize its interconnections, dependencies, and potential synergies.
- Mapping out the landscape helps with the identification of key stakeholders, processes, and technologies in each channel. This knowledge is crucial for aligning efforts, eliminating silos, and ensuring a cohesive approach to revenue management. It also enables an organization to pinpoint areas of inefficiency, duplication, or untapped potential, allowing it to make informed decisions about resource allocation and optimization strategies.



Assess the connectedness of channel management systems and data:

- To effectively manage and optimize channel revenue, it's essential to have a robust and integrated system architecture. This involves assessing the connectedness and interoperability of channel management systems such as CRM, ERP, and PRM.
- Organizations often struggle with disparate systems that operate in silos, leading to data inconsistencies, manual workflows, and limited visibility across channels. By evaluating the current state of systems and identifying gaps or bottlenecks, an organization can develop a roadmap for integration and automation. This may involve investing in new technologies, building APIs for data exchange, or consolidating systems to create a unified view of channel performance.
- Assessing the quality, accuracy, and accessibility of channel data is crucial. Ensuring that there's a single source of truth, with clean and consistent data flowing across systems, is foundational to making informed decisions and driving meaningful insights. Establishing data governance processes, such as data cleansing, validation, and security protocols, can help maintain the integrity and reliability of channel data.



Align cross-functionally on goals, priorities, and definitions, and foster interconnected thinking:

- Effective channel revenue management requires collaboration and alignment across various functions within an organization. It's essential to break down silos and foster a culture of interconnected thinking in which teams work together toward common goals and priorities.
- It's important to establish clear and consistent definitions for key metrics, such as partner performance, customer lifetime value, and revenue attribution. Ensuring that everyone speaks the same language and measures success based on the same criteria is critical for driving accountability and making data-driven decisions.
- Cross-functional teams should be aligned around shared goals and priorities. This involves engaging stakeholders from sales, marketing, finance, operations, and other relevant departments to develop a unified vision for channel revenue growth. By involving diverse perspectives and expertise, an organization can create a more comprehensive and balanced approach to channel management.
- Regular communication, joint planning sessions, and cross-functional meetings can help maintain alignment and foster a sense of shared ownership. Encouraging open dialogue, sharing best practices, and celebrating successes can reinforce the importance of interconnected thinking and collaboration.

Channel revenue management is an ongoing process that requires continuous refinement and adaptation as market conditions evolve. By implementing these best practices to stay agile, data-driven, and collaborative, organizations can successfully navigate the complexities of channel management and achieve sustainable success.

Vistex®

Vistex solutions help businesses take control of their mission critical processes. With a multitude of programs covering pricing, trade, royalties and incentives, it can be complicated to see where all the money is flowing, let alone how much difference it makes to the topline and the bottomline. With Vistex, business stakeholders can see the numbers, see what really works, and see what to do next – so they can make sure every dollar spent or earned is really driving growth, and not just additional costs. The world’s leading enterprises across a spectrum of industries rely on Vistex every day to propel their businesses.

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