



# The CCI Journal

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## Strategic Sourcing as Channel Best Practices



According to salary.com and monster.com, the median base salary for a mid-level Channel Marketing employee in the United States is approximately \$76,000 - \$85,000 a year. Channel Marketing Managers are often tasked with numerous responsibilities including the development and management of field-level marketing activities, company representation at industry events, and development of channel partners. In most companies a Channel Marketing Manager is also given the job of managing channel programs, which can take up as much as 80% of their time, depending on the type of programs and the methods by which they are managed. If only 30% of one employee's time is spent on management of channel programs, the weighted cost to the company for this function alone may be \$30,000 or more annually. It's not unusual for a company to employ a team of Channel Marketing Managers, with each spending a good portion of

their time managing programs in addition to their other responsibilities. In that case, a company can easily spend over \$100,000 a year internally on channel program development and management. This alone may be a good reason to consider strategically sourcing channel programs.

Outsourcing is a common buzzword, and it's a word with numerous meanings depending on the context. However, it has joined the business vernacular for a reason: Outsourcing, a form of strategic sourcing, can be an excellent way to attain business objectives while balancing resource demands with budgetary constraints. The outsourcing to which we are referring does not mean job replacement or sending work to offshore locations. Rather, it has everything to do with making strategic resource allocation decisions for the betterment of the channel and to increase company revenues.

### WHY OUTSOURCE?

Outsourcing does not make sense for every company, but it can be a very effective way to leverage economies of scale for specific areas of the business. A brief list of reasons why companies may choose to outsource includes:

- > It's more cost-effective or resource-efficient to have an outside party do the work rather than doing it in-house;
- > The work can be done in-house but doing so drains resources that would be better utilized in other ways;
- > The nature of the work makes it difficult for an employee to accomplish it thoroughly, or in a timely manner;
- > The skill required is specialized, making it impractical for an employee to do the work.

Consider this: Does your company manage channel and trade promotion programs using disparate systems

### THE IMPORTANCE OF POINT OF SALE DATA

Many channel professionals are aware that point of sale data (POS) exists, and that someone is collecting and storing it, somewhere within their company. However, getting access to the data and making good business use of it may be an elusive goal, and one without a clear roadmap. Also, having the bandwidth and skill set to analyze POS data is often outside of the scope of channel professionals who are busy working in their areas of core competency.

Yet the importance of collecting, analyzing and using POS is clear. POS data can inform you of or reveal the following trends, for instance:

- > End consumer and channel partner purchase habits
- > Changes in purchasing trends by territory
- > Increases or declines in product volume by vertical or product family
- > True profitability and revenue attainment by partner tier or territory
- > Actual partner margins or street price of your products/services
- > Which of your partners use the pull model vs. the push model

When over-laid with other significant data, POS data can help facilitate any number of channel decisions from tiering and pricing to recruiting, training and other channel investment options. Examples of overlay data that can be useful when combined with baseline POS data may include:

- > Partner types and authorizations
- > Co-marketing funding utilization
- > Market and competitive research

This combination of basic and advanced data sets creates the opportunity to truly understand the nature of the channel, tipping points and other important indicators rather than depending solely on anecdotal information. Gathering, normalizing and analyzing POS data in conjunction with other key data sets can provide you with overviews and cross-sectional views of every component of your channel, giving you the broadest and deepest information to make the best possible business decisions in a timely manner.

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## The way I see it...



Bill Kelly is CCI's Executive Vice President and he helps companies define objectives, evaluate strategies and implement programs that achieve measurable results.

### Key Learnings from Channel Focus North America

CCI was a proud sponsor of this year's Channel Focus North America Conference (CFNA), which was held in Miami in April. CFNA is an information-packed two days and an event that draws high-level channel managers from all over the country. The opportunities to learn and share best practices abound in this professional environment, and CCI generally learns as much as we share. I'd like to take the opportunity to share some of what we learned at CFNA this year.

#### Data counts

At CCI we have been touting the necessity and benefits of research for years. Practically every CCI Journal and white paper we have published discusses the merits of conducting thorough research and pre-work, analyzing data and creating processes and programs that include measurable components to gauge success. What the industry and we are seeing now, more than ever, is that having the data at hand to conduct the research is critical. Without data such as sales out (point of sale) information, progressive profiling of channel participants and fund utilization it's almost impossible to make assessments about the past, let alone fully informed decisions about the future.

#### Invest in high return areas

Conventional wisdom says that the bulk of our resources should be invested in the area with the highest returns. Therefore, most companies focus on the channel partners who bring in the most revenue. But, as the 80-20 Rule consistently demonstrates, it's not the top five percent of our channel that is bringing in the most revenue; it's usually that 45% of partners in the middle tiers who consistently attain 45% of the revenues. Data typically bears this hypothesis out, and having the data to prove this is essential to creating programs and allocating resources to maximize your channel success in these areas.

#### Using resources to really leverage sales

It's not uncommon for companies to provide their channels with co-marketing funding and tools, sales incentives and manufacturer-to-channel rebates, and other resources to help the partners market and sell services and products. In the face of a demanding workload and numerous challenges, companies will often stick to the programs and offerings that they have utilized for years, with less than stellar results. The companies that succeed are those that are willing to assess their channel offerings regularly and make reasonable adjustments to them as needed. That means utilizing resources wisely, and asking for qualified assistance as needed to mitigate risks and improve efficiencies. ❏

**For more information on key learnings from Channel Focus North America 2006 and to download a copy of my CFNA06 presentation, "Reaching Out to Tier Two and Three VARS - How Do You Do It?" please visit [www.CCIonline.biz/CFNA06](http://www.CCIonline.biz/CFNA06)**

# Strategic Sourcing

CONTINUED FROM A1, COLUMN 1

while combining Excel spreadsheets with SAP, Siebel or Oracle data? Or, for that matter, does your company have one person approving financial transactions like rebate or co-op payments and also cutting the check or issuing the credit memo? If so, this is a practice that should be reconsidered because it may be putting your company at risk of legal non-compliance as well as creating inefficient and error-prone processes.

Strategic sourcing, whether it is in the form of outsourcing or insourcing, can, for instance, create the internal controls as mandated by the Sarbanes-Oxley Act: Separation of roles, maintenance of records and accounting for exceptions properly.

#### WHAT IS 'INSOURCING?'

Insourcing is a hybrid between fully outsourced program management and managing a program in-house. In its simplest form insourcing allows for an employee to manage a portion of a channel management program using the system of a qualified third party like CCI's Fund Management or Point of Sale Modules.

Raw point of sale data (POS), for instance, could be uploaded into the system by the employee, where it would be aggregated and normalized. Then, the system might use the POS data to calculate sales incentives or co-op accrual amounts, eliminating a cumbersome task from your employees and minimizing the risk associated with cleansing sensitive sales data. Further, a qualified third party could

audit and pay some or all of the claims for a co-op program, while authorized employees manage approvals in a centralized online system that is accessible to key stakeholders in your company, at CCI and in the channel.

The advantages of insourcing are numerous and they include:

- > Reductions in risk and costs associated with new programs or ongoing program management
- > Faster time to market of key channel initiatives by engaging the services of proven provider
- > Increased compliance, operational efficiencies and revenue opportunities
- > Improved visibility into business-critical data and analytics
- > Better use of existing resources and focus on core competencies
- > Predictable costs and processes make better use of the time and resources spent on channel programs

#### THE BOTTOM LINE

Whether a company chooses to outsource or insource elements of channel development and management, the benefits far outweigh the costs. Strategic sourcing is an excellent way for companies to attain revenue and operational objectives while applying best practices, internal controls and an added layer of expertise to the mix.

For more information about strategic sourcing and how it can benefit you, your channel and your company, please call Bill Kelly at 415.472.5100, extension 210. ❏

**POINT OF SALE CONTINUED FROM A1, COLUMN 4** CCI, in partnership with Bruce Cummings Associates, has been delivering Executive Briefings and other presentations on the importance of POS data in channel management. The one question that comes up most often for attendees is about how to get POS and other useful data. Below is a partial list of the usual sources of data that channel professionals are most apt to need:

DATA TYPE	DATA SOURCE(S)	TYPICAL USES
POS	Sales Operations, PRM/CRM databases, partners, market research	Revenue/product by partner/territory, basis of co-op accruals, etc.
Partner types and authorizations	PRM/CRM databases, partner managers or partner training team, channel partners (incl. their websites)	Overlay with other data to help uncover trends by partner type, by authorization, by sales territory, etc.
Co-marketing fund utilization	Co-op program management system, Finance Team	Cross-reference with other data to discover linear trends
Market & competitive research	Channel partners, online, end customers, field sales reps	Not what your competitors are doing so you can duplicate but rather what is and is not working in your specific industry

The bottom line is that it is important for channel organizations to gather, aggregate, normalize and analyze POS data as part of normal business practices. Some or all of that work may need to be strategically sourced, but the key is having regular updates on business-critical trends and information so that decisions and adjustments can be made to attain and keep your competitive advantage. For more information on POS data, how to collect it and how to use it, please call Bill Kelly at 415.472.5100, extension 210. ❏

<b>What's New</b>	<p><b>CCI Opens an Office in Illinois</b></p> <p>CCI recently opened an additional Client Services office in the Quad Cities, Rock Island, Illinois. The Quad Cities office officially opened on May 1, 2006, and some of the CCI Client Services operations are transitioning to that facility now. Kelly Frakes will act as General Manager of the Quad Cities office. Ms. Frakes joins CCI after a very successful, long-term career in the utility industry working as a Special Projects Analyst.</p> <p>With the addition of this office CCI can now offer standard Client Services support from 6:00AM to 5:00PM Pacific Time.</p>	<p><b>Debra Delaney named North Bay Business Journal's Technology Woman of the Year</b></p> <p>The North Bay Business Journal recently named CCI's CEO &amp; President, Debra Delaney, Technology Woman of the Year. The publication, based in Santa Rosa, California, annually names outstanding women "for their success and contributions to the business community as leaders, innovators and visionaries" in ten specific industries.</p> <p>CCI congratulates Debra on this accomplishment.</p>	<p><b>Bill Kelly Receives Most Valued Speaker Award</b></p> <p>CCI's Executive Vice President, Bill Kelly, earned himself the distinguished Most Valued Speaker Award at April's Channel Focus North America Conference in Miami. Rod Baptie, founder of Baptie &amp; Associates, the conference's organizing body, informed Bill of this award personally.</p> <p>Bill Kelly is one of several channel industry experts and thought leaders at CCI, and he is a frequent speaker at industry events. Congratulations to Bill.</p>
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