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Enterprises, facing a changing partner landscape, can undertake proactive actions to create greater value and improved experience through channel loyalty programs and new, related technology options.

A New Digital Era in Partner Engagement, Experience, and Satisfaction

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Questions posed by: Fielo

Answers by: Chris Webber, Research Director, Strategic Alliances

Q. Why are channel partner loyalty programs vital to the ongoing success of companies today?

A. Changing customer preferences, the growing influence of new technology in buying decisions, and the emergence of new competitors are requiring senior executives to evaluate and adjust their traditional business models. Many executives are recognizing the necessity to better leverage channel partners to improve the customer experience, gain or retain brand recognition and access to critical markets, obtain greater market coverage, and accelerate adoption of new products or solutions. By leveraging channel partners, companies can improve their ROI and the deployment of critical internal assets.

While channel partner loyalty and retention remain paramount to the long-term success of any organization, many channel partners also believe that manufacturers' channel programs have failed to adapt to the changing market.

Q. In what ways are companies unsatisfied with their channel programs? What are the most common reasons channel programs fail?

A. Overall, partners are seeking an enhanced loyalty incentive experience that values their engagement, encourages collaboration, and affords more options and flexibility while addressing their needs in a tailored manner. Most existing channel programs, however, are perceived as too limited and focused primarily on traditional revenue-tiering structures and discount reward models. Therefore, partners are gravitating to manufacturers that recognize that traditional programs and related incentives (e.g., spiffs, MDFs, and co-op funds) are not adequately equipping partners for current and future success. There is not a "win-win" mutual success value proposition in the partner's mind.

Partners recognize the need to alter their business approach to remain competitive in the future, yet many are unsure of the best way to proceed. As a result, partners are seeking closer guidance and enablement from their manufacturers in understanding and addressing new engagement drivers, the corresponding activities of those drivers, and the value the partner can provide at each stage of a customer's journey. Companies are also voicing concerns regarding channel programs, including the following:

- Lacks clear and consistent communication processes
- Lacks flexibility or options that address specific requirements or create a personalized experience
- Offers minimal guidance, best practices, and methodologies
- Fails to incentivize engagement and desired behavior
- Is too slow to respond to market shifts and dynamics
- Provides limited related analytics and data for improved decision making

Q. Why do companies need to change the way they design channel incentive programs, engage channel partners, and measure partner performance?

A. Channel incentive programs have been managed as a back-office "black box" science — by marketing agencies, segmentation specialists, and haphazard program rule designers (requiring custom coding) — for too long. This approach results in inflexibility and a lack of visibility into program effectiveness and yields programs that are slow to market, not focused on creating long-term value, or too complicated to apply and achieve the program goals. If manufacturers do not address these issues now with a "partner listening" methodology, channel partners will seek new relationships or swing investments to alternatives in their ecosystem.

Q. What are the key considerations for implementing an effective channel incentive program?

A. To effectively counter and eliminate the previously mentioned perceptions, companies should consider a channel incentive program that can do the following:

- Simplify program guidelines with clear and measurable objectives (win-win proposition).
- Offer more flexibility and a multi-dimensional success structure that can differentiate and build value in a changing environment (partner experience and satisfaction).
- Enable channel management with a "front-office" application with enhanced tools (partner enablement, ongoing integration, and ease of use).
- Provide better performance status insights, analytical tools, and related metrics (enhanced decision making and tracking).
- Communicate on a regular basis to internal and external audiences the key themes of trust, confidence, and building a long-term relationship and customer loyalty.

Q. How will incentive automation technology transform the way companies build channel incentive programs?

A. Combined with an organization's expertise and experience, technology can significantly transform and improve participation in, as well as performance and results of, a channel incentive program. Incentive automation can act as an "equalizer" and therefore provide companies of all sizes with more alternatives and options in developing greater partner engagement and loyalty. In particular, modern incentive automation solutions bring ease-of-use power "to the masses" for:

- **Design.** With user-friendly tools, portals, and segmentation modeling, channel organizations are provided more agility and options in the design and evaluation of programs for various targeted audiences.
- **Execution.** Smart calendaring and alerts let channel professionals and partners know what programs are in the field at any point in time and for whom as well as what's on the horizon for planning purposes.
- **Learning.** Support for emerging technologies such as artificial intelligence (AI) and machine learning allows companies to leverage modern incentive automation solutions to improve productivity, analyze results, and adjust programs on a real-time basis to reflect adoption patterns and changing needs.

In addition, companies can gain efficiency by leveraging solutions' support for existing IT investments and databases (e.g., Salesforce, Microsoft Dynamics) to minimize time-consuming integration roadblocks.

About the Analyst

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Chris Webber is Research Director for IDC Strategic Alliances responsible for working with the Strategic Alliances Leadership Council (SALC) members to define and research key topics that affect strategic alliance investments, and he provides analysis into alliance trends, best practices, and benchmarking. In addition, Chris evaluates cloud, economic pressures on alliances, key performance indicators, and alliance organizational best practices.

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