

## Global Sales Strategies:

### Adopting a Hybrid Model for Success

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#### Article Series: One of Three - Channels and Alliances

With today's increasingly global economy and market, many technology companies are venturing into distribution partners as value added channels to quickly launch, sell and service their products in addition to their direct sales force. From a speed-to-market and cost perspective, this is quite attractive.

#### Four key drivers for adopting a channel or alliance model are:

- Entry into new markets
- Accelerate growth and time to market
- Improve margins
- Customer segmentation

After an initial surge in revenues, many companies find that sales growth through third parties plateaus and even trends downward. While a few partners excel, the majority produces mediocre or unpredictable sales. This occurs because many channel partners business models are built on services models vs. product sells as the major revenue stream.

#### Key Decision Points:

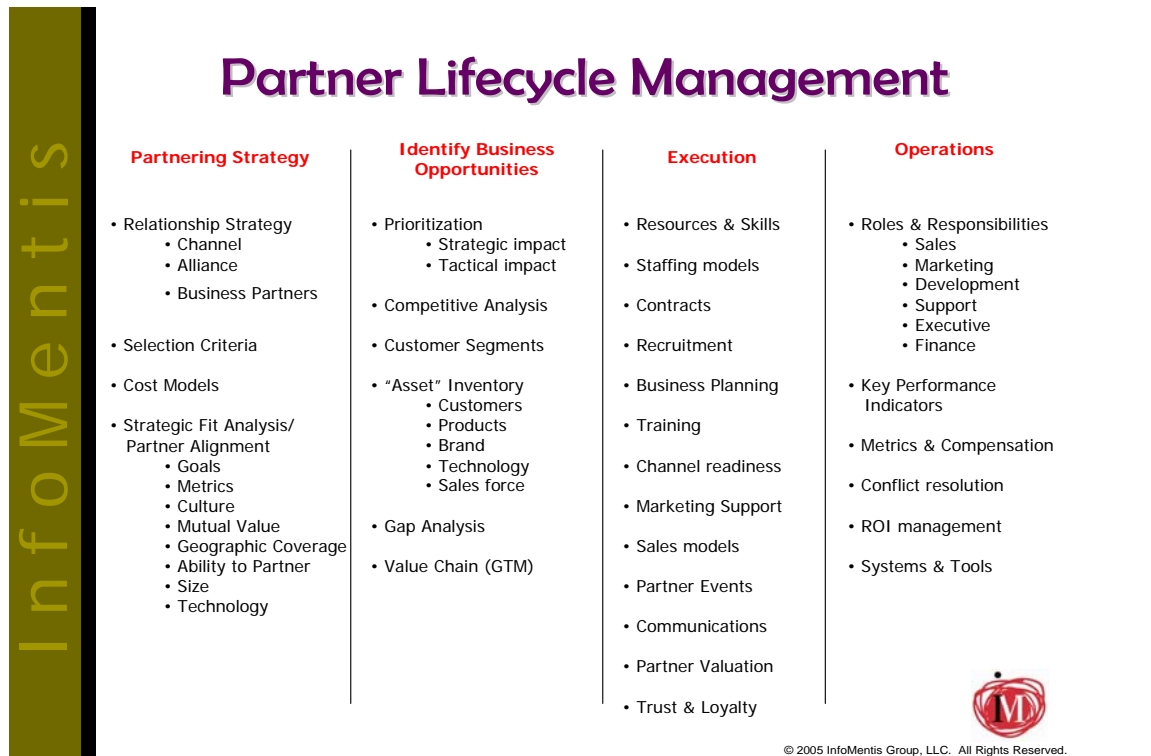
In adopting a channel or alliance model, carefully evaluate the pros and cons. This is a long-term decision. **Here are some of the factors you must consider:**

- **Market Size**—Is the market large enough for both? Remember that each operation takes management bandwidth and incurs administrative overhead. Does the market support both a direct and channel model? Is there still new market to pursue, or is the market already well-penetrated, highly competitive, and dominated by price-driven replacement sales?
- **Relationship Strategy and Selection Criteria**—Do you understand all your third party relationships and the impact each type has on your customers? Have you established selection criteria for channel partners vs. alliances vs. business partners?
- **Buyer Considerations**—How does the buyer typically buy your type of products or services? Do they feel comfortable being sold and serviced by the manufacturer or channel partner? How is account control determined? If the buyer is sold by a channel partner, who services the account and is responsible for problem resolution?
- **Investment Requirements**—Do you have the money to invest in this hybrid model? Can you fund cash flow for an initial operating period? Does the market generate enough from add-ons, recurring revenues, leases, rentals, and maintenance to fund both a direct and channel operation and avoid first-year losses? Is your product's lifecycle on the upswing, "across the chasm," a cash cow, or is it declining?

• **Availability of qualified staff**—This is a crucial question. You will win or lose depending on whether you have the right management and talent. Can you manage both a direct and indirect model?

**Partner Lifecycle Management:**

The graphic below illustrates key areas you must consider for the different types of relationships you have such as channels, alliances and business partners. Not all areas apply to every type of partner, but careful consideration must be given to each.



Resist the temptation of “Ready, Fire, Aim” sales and revenue strategies. Instead, carefully craft a plan that considers the entire partner lifecycle management. This may pay immediate dividends regarding revenue and profitability while also engendering long-term customer success—significantly accelerating both speed-to-market and long-term market performance.

Our next article in this series will explore the implications of managing a direct organization while maximizing partner performance.