

# THE PURSUIT OF PARTNER RELATIONSHIP MANAGEMENT

Optimizing Partner Relationships Enables Organizations to Eliminate Costs, Inefficiencies and Risks; Ensure Higher Levels of Customer and Partner Satisfaction and Increase Market Share and Revenue

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### EARNING PARTNERS' TRUST

In these times of economic uncertainty, many organizations want to expand their reach and revenues, reduce costs and minimize risks by sharing more sales-related responsibilities and costs with their business partners. Yet, such maneuvers require finesse. Oftentimes, business partners work not just with one company, but also its competitors. Furthermore, before a business partner assumes greater costs or risks, it will demand: what is in it for them?

To help address and manage such concerns, many companies are now launching more advanced partner relationship management (PRM) programs. PRM is to business partners what CRM is to customers: strategies, processes and software tools that enable companies to organize and optimize their partner relations. The goal: to create a highly coordinated, "closed loop" system for ensuring marketing, sales and service success across the extended business ecosystem.

### NEW PRM STRATEGIES

As with CRM, however, technology alone is not enough. Instead, achieving PRM success starts with revisiting fundamental business assumptions, including current sales and marketing practices, and the degree to which they directly support external operations. In addition, to ensure business partner participation and satisfaction, business rules for PRM — including referrals and incentives — must be clear and equitable. Companies must also select technology and use integration best practices to ensure easy deal registration and sales pipeline visibility, as well as to verify they have received the correct incentives after deals close.

By pursuing these strategies, Innoveer has found that com-

### VENDOR PROFILE

#### SAAS CRM Application

Salesforce.com, one of the world's largest CRM vendors — with more than 40,000 customers and over 1 million subscribers — offers its easy-to-use, eponymous application exclusively via SaaS. Originally designed to automate sales, marketing, service and call center practices of small and midsize organizations, Salesforce.com is now used by numerous large enterprises as well, which rely on it to increase customer satisfaction, productivity, revenue growth and business intelligence. Its streamlined customer relationship management functionality is accessible via multiple devices, including the BlackBerry and iPhone. The company also offers AppExchange, a repository of more than 800 compatible applications and add-ons, and IdeaExchange, a user-determined forum for selecting future software functionality.



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panies will create more efficient and equitable interactions with business partners, avoid cross-channel conflicts and entice partners to prioritize their products and services over the competition. Such activities lead to increased revenue and market share, stronger and happier business partners, greater levels of customer satisfaction and improved visibility into the sales pipeline, resulting in more accurate revenue forecasts. Furthermore, PRM also enables companies to diversify sales outreach and de-emphasize costly direct sales channels, which reduces expenses and potential risks.

### ACHIEVING PRM MATURITY

Today, supported by automated technology, advanced business practices and years of data-driven customer insight, many companies have relatively mature CRM practices. What might a similarly advanced PRM practice look like?

To answer that question, let us examine three industries with arguably the most mature approaches to PRM: high-technology, pharmaceutical and medical devices. Of course, their advanced PRM practices have often been driven by market realities. For example, almost all pharmaceutical and medical device sales occur indirectly thanks to business partners – physicians, in their case – who “own” all customer relationships. Accordingly, these companies have become experts at segmenting, tracking and targeting their partners using a variety of hard and soft data points, including product knowledge, brand awareness, propensity to buy, sales volume and influence. To bolster sales, they design activities to advance each physician through various “sales stages,” from “awareness of product” to “mature customer with a propensity to reorder or prescribe.”

### Five Hallmarks of Mature PRM Programs

- 1) Alignment: Align sales, marketing and service policies, processes, relationships and technology to better support partners*
- 2) Incentives: Use the correct incentives to entice business partners to work with the PRM system and assume more customer-related responsibilities and costs*
- 3) Integration: Use dedicated PRM technology, integrated with internal and partner CRM and financial systems*
- 4) Segmentation: Rate partners based on actual performance and capabilities, then apportion leads accordingly*
- 5) Support: Support external sales teams through training, increased funding and by embedding internal marketing personnel*

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These state-of-the-art practices can contrast with PRM approaches in other industries. For examples, some organizations think they outright “own” all customer relationships, when in fact partners may do much more to influence any given customer’s purchasing decisions. Some companies do share leads with partners, but emphasize quantity over quality, resulting in poor leads and dissatisfied partners. Others do not rank their partners to identify the best performers. Accordingly, they cannot help their top performers become better, correctly match partners and customers or avoid wasting time – not to mention valuable leads – on underperformers.

### PRM BEST PRACTICES

How can companies overcome the above problems and create mature and successful PRM programs? Based on its work with numerous organizations, Innoveer has identified five best practices that companies should pursue:

1) **Revise business practices:** Emphasizing partner sales over direct sales requires rethinking existing sales and marketing approaches. For example, one Innoveer client derives 80 percent of its revenue from partner sales, yet historically, the company allocated 10 times more of its budget to direct sales rather than external sales.

Now, however, the company has been rethinking its approach by decentralizing parts of its business and budgeting less for direct sales, among other changes, to support external sales teams. For example, the company’s marketing department now receives bonuses based on partner channel sales volume. The marketing department also funds partners’ marketing activities, provided they follow one of the 10 key themes that the company has developed. (This keeps all partners’ outreach thematically consistent.) Finally, marketing teams are even embedded into external sales groups to provide better support. As a result, while the company has decreased its overall sales and marketing spending, partner sales are growing.

2) **Create clear rules:** To avoid cross-channel conflicts, treat partners equitably and earn their trust: a company must create clear PRM rules – especially for referrals, incentives and lead-sharing. For many companies, incentives will be cash rewards. For others, the business of fulfilling the contracts will be sufficient.

Yet what happens when the partner that refers a customer is not the one that ultimately closes the deal? This is commonplace for high-technology and manufacturing companies:

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one partner owns the lead, but the company assigns the contract to a different partner because of resource or skill requirements. In such situations, the company must ensure it rewards the initial partner to preserve this valuable lead source.

3) **Select the right technology, then integrate:** Choose the right PRM technology and then integrate it – preferably internally and externally – to ensure it is a productivity enhancer, not a burden. For example, one U.S. high-technology company turned to Innoveer to help identify the best PRM technology for its needs. Ultimately, the company selected a software-as-a-service-application based on cost and because many of its competitors – and thus its own business partners – already used the same software. This eliminated training requirements, saving time and money, while also increasing buy-in.

Using middleware and Web Services, Innoveer helped this company integrate its PRM software with its financial and CRM applications. This ensures that deal and commission information flow between the correct systems. In the future, this company hopes to create similar integrations with business partners' systems, to automate all PRM activities, including deal registration and compensation, thus increasing operational efficiency and pipeline visibility.

4) **Entice partners to participate:** PRM success rests on enticements, such as providing sufficient incentives, sharing high-quality leads and making PRM easy to use. To facilitate such activities, one Innoveer client recently introduced new PRM tools and began offering incentives to encourage participation. For example, the first partner to register a lead owns it and receives compensation when the deal closes. Furthermore, the company now employs a third-party service to qualify all leads, and shares only the best leads with partners.

This more careful and equitable approach prevents multiple partners from pursuing the same customers, eliminates wasted sales and marketing expenditures and fosters higher lead-conversion rates, all of which entices partners to participate. In addition, earlier lead registration now means that the company has greater visibility into its sales pipeline and can more accurately predict revenue. Finally, the company can “red flag” any especially lucrative leads and offer extra resources to help business partners close deals.

5) **Identify the best business partners:** One benefit of a PRM program is the ability to identify which partners are best at converting high-quality leads into sales, generating maximum revenues, producing quality referrals and maintaining high levels of customer satisfaction.

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With such information, companies can segment partners and apply scarce resources to make their most successful partners even better.

Reaching that point, however, often requires making difficult business decisions. For example, one Innoveer client, which derives the majority of its revenue from partner sales, previously treated its dozens of partners equally. As times grew tougher, however, the company had to acknowledge that not all partners are created equal. Accordingly, it has begun to segment partners – using such metrics as lead-conversion, business volume and project success – to identify its top performers, and then share the highest quality leads with them. Ultimately, it hopes that its most successful partners will generate even greater returns.

### ADVANCED PRM PROGRAMS

As that suggests, properly designed PRM programs help both a company and its business partners. This is not altruism, but rather good business sense. For instance, by relying more on business partners to generate sales, a company can budget less for its direct sales channel, while nevertheless improving brand awareness, sales and marketing effectiveness, market share and revenue. Of course, a company must do right by its business partners, or else they will favor the competition.

So, in return for assuming more risk and responsibility, what do partners receive? In Innoveer's experience, effective PRM programs offer business partners these five benefits: highly qualified leads to ensure increased levels of sales effectiveness; transparent incentive schemes and timely remuneration; additional funding for sales, marketing and training to identify more lucrative opportunities and close deals; PRM systems that enhance productivity; and above all, increased "wallet share" – capturing more of each customer's spending – to grow revenues.

### IDENTIFY THE BEST PARTNERS

At the same time, however, a company must acknowledge that not all business partners are the same. Perhaps, then, the biggest benefit of a PRM program is to identify which partners have the most direct effect on a company's bottom line. Using PRM helps generate this insight, and then adjust activities to make the top business partners even more successful. Any company that wants to reduce its own risks and costs by transferring more responsibilities to business partners should consider nothing less.

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### ABOUT INNOVEER SOLUTIONS

INNOVEER SOLUTIONS, an award-winning customer strategy and solutions consultancy, provides advanced customer management services to high-technology, life sciences and insurance companies, among others, in the areas of planning and strategy, technology implementation and optimization. The company's deep industry knowledge, broad technical skills and Multishore Methodology enable organizations to address their critical customer-facing issues and achieve an integrated view of all customer information. With an exclusive focus on customer management since 1998, Innoveer has worked with more than 300 organizations to increase their overall business growth, improve internal efficiency and enhance the customer experience.