Breaking Channel Inertia

For B2B Tech and Solution Provider executives

looking to enter new geographies or vertical markets.

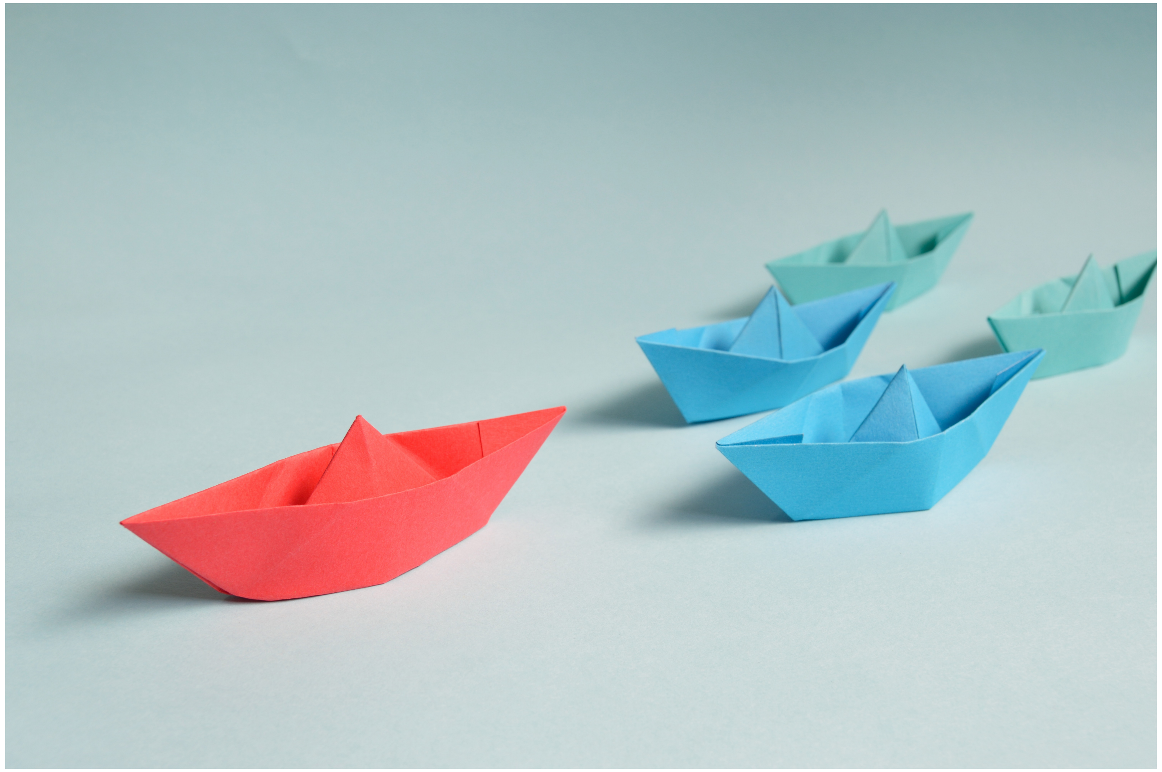
Content

INTRODUCTION

This paper is written for C-level executives and leadership teams who are outlining their technology- or solution-company's strategy to enter into new geographies or verticals via a direct and/or an indirect approach.

This ebook specifically addresses indirect approach and the phenomenon of "Channel Inertia" and offers an approach to counter and minimize its effects on your future business.

Certainly innovative technologies and/or solution are subject to Channel Inertia and do well to pro-actively anticipate to negate its effects so they can lead the pack.



ENTERING NEW GEOGRAPHIES WITH LIMITED RESOURCES

When you are thinking about entering new geographies or verticals to offer your technology or solution to the market, all of a sudden many questions pop up on how you are going to limit the risks and reduce the exposure to the rest of your business. Of course, if your technology or solution addresses an issue encountered in the target markets you want to take on, it makes sense to leverage your investment and deploy your business in that market.

Do you have what it takes?

And even if so, what's the risk? How will this venture weigh on your company's financials in the ramp-up period? How long will it be to make a profit? Because let's be honest, very few technologies or solutions sell themselves without too much of an effort.

This means you'll have to make yourself known, **create awareness** with your target audience, **position yourself** against your direct and indirect competitors, develop early interest and **manage** those **contacts throughout their buy-cycle** before you can close the deal. And depending on your technology or solution, this might require the efforts of more than just one individual.

The risks of entering new markets

It either means spreading your existing resources thinner and across multiple timezones which could backfire on your existing business or making additional (higher) investments in putting some feet on the street. This either results in higher travelcosts for international travel or in local teams which will need time to ramp up your business and build productive, profitable funnels. What is the critical mass needed for such a local organization?

5 Big Challenges Entering A New Market

Cover the addressable market	• How big do you estimate the market to be? • How much can you cover/service? • Is there a way to leverage your resources and capabilities? • How do you make sure you can cover the most important segments of that market?
Establishing the required awareness	• Does the addressable market know you? • How do you make them aware about your offering? • Can you make sure your brand gets recognized?
Position differently than the competition	• Do they see the difference with your traditional competitors? • Are you well positioned against direct and indirect alternatives? • Are the proposed benefits clear and proven?
Support local end-user customers	• Can you reassure the new market of excellent customer service? • Do they have easy access to your solution-/technology-expertise? • Can you provide access to support in their timezone?
Overcome language and cultural barriers	• Do you understand the business culture and habits of the new market? • Is English widely accepted by all customers? • Also for end-user support?

ORGANIZE A CHANNEL (& DISTRIBUTION?) GO-TO-MARKET

Now, what if there existed already a whole set of companies that is already serving your target customers? What if there was an eco-system of companies that had the right skillsets to make your products a part of their portfolio? And what if there were companies who could potentially provide services in making your products available to that local eco-system? Enter Channel Partners and maybe even Distribution.

Of course it would be great if you could leverage that eco-system. They are already in the market, they know the customers, they speak the language and can be trained to deploy and support your product at arms length in the local market. If your projected volumes and value are high enough and the uniqueness of your solution is recognized, you might even achieve being listed by a distribution company, increasing the availability and reducing the delivery-times of your products.

At first glance, this looks like a very good idea; there are less companies to talk to, they will have the appreciation and skills to onboard your solution and technology and they can approach the end-users in their local markets which will instill a certain level of comfort with those local customers. Probably, it looks easier to support them across multiple timezones a well, doesn't it?

In fairness, setting up your go-to-market via Channel Partners often doesn't just look, but actually is a good idea which carries many benefits.

Challenges in setting up a Channel

- Channel Partner Selection (skills, markets, competitive analyses)
- Channel Partner Education (technology & implementation, sales & marketing)
- Channel Partner Support (commercial, project, customer care)

But the biggest challenge of all is 'Channel Inertia'

Channel Inertia

Almost all companies fail to understand or anticipate the effects of Channel Intertia in their business plans and therefore don’t deliver the results they anticipated.

What is 'Channel Inertia'?

Channel Inertia is a phenomenon that shows itself frequently if not always when a new product, technology or solution is brought to market via a network of ChannelPartners.

The 4 phases that lead to disappointment

1 Brand owners (technology and solution companies) go out to recruit new channel partners in their targetted markets.

2 They successfully convince a number of them to work with them and start to train them properly on their proposition.

3 They work both with technical resources and the commercial leadership. After this initiation everyone is excited and they start thinking about the potential... "Let's get our sales people to work with this as soon as possible!".

4 The Salesforce gets equipped with some support materials, receives a pitch-training and is sent on a mission to sell

And often, barring the exception, they fail to deliver on the true potential. Why ?

What is 'Channel Inertia'?

5 Major Causes of Channel Inertia (Cont'd)

1. **The Channel Salesforce is conservative**
   - It is because of Channel Inertia, because the sales force is by definition a bit conservative; "We know what we sell and we sell what we know". And can you blame them? They are on targets, need to achieve quotas and are pressured to deliver. However, onboarding a new solution or technology requires an investment from their side (time, building confidence,…) and brings with it some counter-productive side effects.
2. **They stay on the beaten path**
   - The sales force or solution architects are staying on the beaten path and selling their traditional solutions instead of the newly introduced proposition so that they can (a) keep risks minimized, (b) sales cycles shortest and (c) won't disrupt their existing routines and customer relations.
3. **They don't have the time to get comfortable**
   - The investment required is often time like stated above; studying the proposition, the materials and documentation, the creation of proposals for which they have no templates, checking things back and forth on matters that otherwise are easy because of experience. And therefore, they themselves are less comfortable pitching about the solution and it will be clear to their customers that it is all new.
4. **They want to keep customers happy**
   - It is a given that sales people want to deliver a good service and proper, working solutions to their customer so that they stay happy. They often feel less comfortable with new add-ons to their portfolio as they haven't established the reality of the offering; is it as good as they say; will it bring the benefits, is the after-service performant enough,… They can't hide it and so it creates a more sceptic mindset with the prospective customer before the sales cycle has even truly started... So the chances of success have dimished already.
5. **They don't even try to sell**
   - The result is often that the larger majority of the newly recruited channel sales force doesn't even try to sell it to their existing customers; they decide not to make the effort, no to spend time. At best those who do will be looking for fresh new names that can be won with the new proposal. Most often, they will carry the new proposition with them in the back of their mind, should anybody ask.

NO PUSH WITHOUT PULL

It is like Newton's Law of gravity.

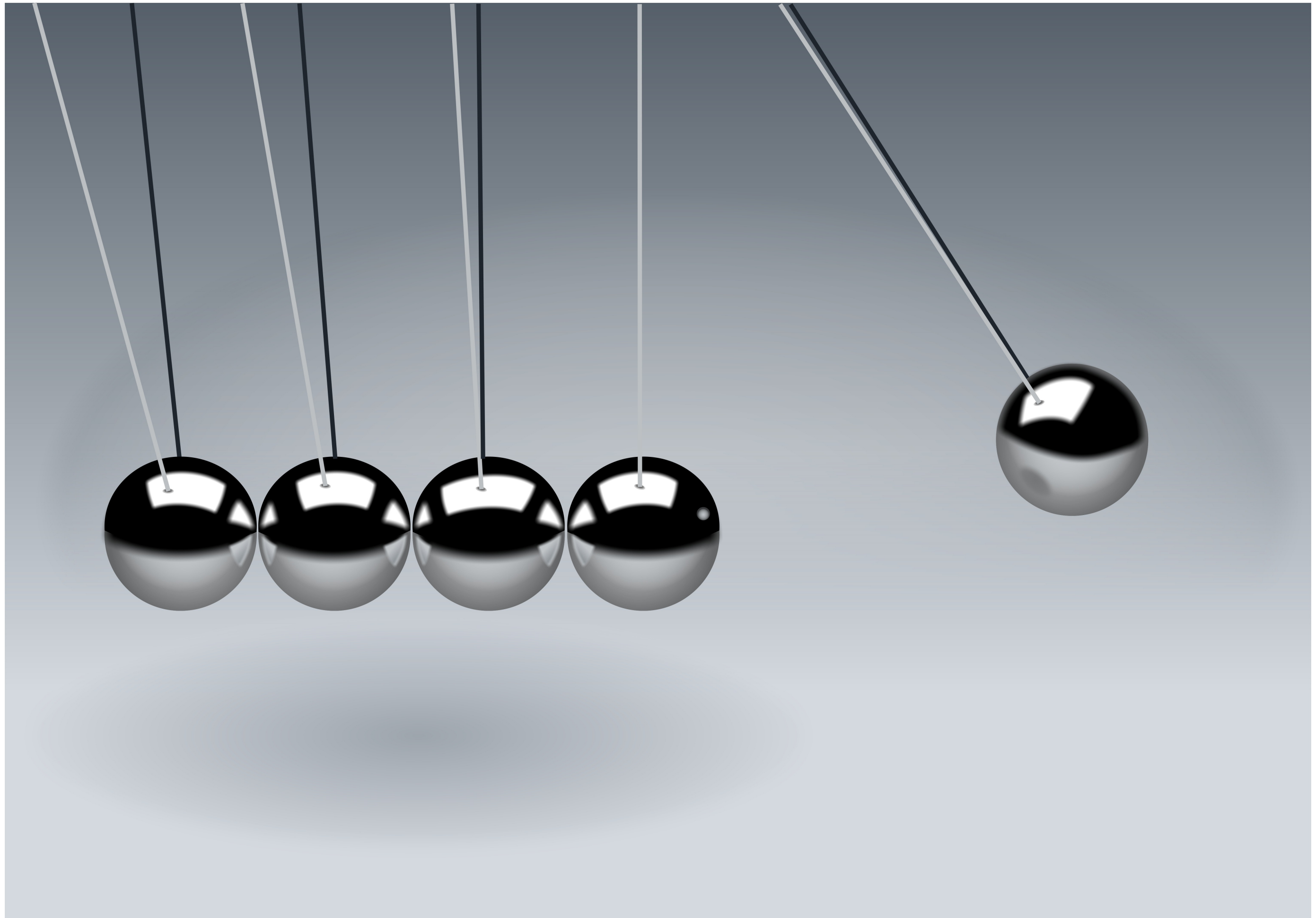
Traditional go-to-market models that work via channel and distribution do invest in supporting the channel partners and invest in making sure they stay top-of-mind with them. They'll send documentation, make some tools and manuals available, often host update webinars or communicate about the evolution and roadmap for their products and solution. At best, they'll (remotely) support the channel sales via conference call or web meeting when they do turn up with a prospective customer, certainly when the vendor is located outside of the territory.

But this is only PUSH and that is where it ends.

The brand owners, either direct or via their distributors, push information into the channel, they try to agree on action- and business plans and organize business reviews with them. And then they get disappointed and frustrated that things don't move fast enough.

Traditional indirect GTM-models almost always face Channel Intertia because they are PUSH-oriented and hope that by sending all information and pushing it onto the channel partners, they will get spurred into action and get the market started. As often is the case,...

Hope is only delayed disappointment.



How to break Channel Inertia?

It is all about timing.

There are different tasks that have to be performed together in a synchronized way in order to create the right synergies and spark momentum. Therefore activities not only on the supply side but certainly also on the demand side need to be executed. So that is work needed at 2 fronts: on the channel-side as well as on the end-user side.

4 Key Tasks To Trigger Demand with Customers

- Market research and list-building,
- Creating the proper awareness and establishing a clear positioning,
- Creating demand and leading the initial customer engagements to qualify that demand,
- Develop some key target accounts up to the point to where they want to become serious

4 Requirements To Meet Demand via Channel

- Select the right partners based on skills and market coverage
- Convince them of the opportunity and the benefits of the partner-program
- Formally agree on the terms of the partner program
- Train and onboard technical and commercial resources

Succeed in bringing those two task lists to a close in sync

Now you can connect demand to supply and as you have worked with some of those new key prospective customers, you are ideally placed to bring them to a close whilst introducing the right partner to the deal. Showing success is the best motivator and by leading the partner-sales to this success, it will give him the confidence that he can do this himself as well. As they gain more confidence you can relinquish the controls over to them and take a backseat in their deals, providing your expertise in key moments and letting them run the show more and more.

There's no better catalyst than success and as you help them become successful early on, you are breaking down channel inertia and the channel will become more performant on their own.

What does that mean for your organization?

4 Things to prepare your company for an efficient new-market-entry

- Reconsider your assumptions and expectations around your go-to-market strategy as it concerns building a high-performance channel and what it takes to get it there.
- Realize that a PUSH-approach, where you are enabling a channel without creating an early end-user market, without investing to create a PULL for the channel, is lowering your overall return on investment.
- To increase your return, you'll need to turn around your thinking, not seeing the channel as a sales engine that can also assist in delivery but rather seeing the channel as a fulfillment and delivery platform that can grow into a motivated sales enabler in the future.
- Your initial investment and business plans need to cover not only the setup and initiation of the channel. But it also needs time and budget to create the market in parallel so that the initial demand can mature by the time you've geared up your first channel partners. This both from a sales, a pre-sales as well as a technical implementation perspective.

Limited budget ? Start small !

It will still be even more efficient if you split your existing budget across the channel and end-user market engagement if you have to. Even when you can only then engage with a smaller initial segment of the market because of your budget restrictions, your ability to show momentum to others in phase 2 will speed up your business more.

This turn-around can be applied early on in the planning stage when you are preparing to enter new geographies or vertical markets but you can also use it to evaluate your current channel sales & marketing strategies, reset the clock and increase its performance.

About APL Scoring

APL Scoring is not your average marketing or sales/business development agency. We are a collaborative of professionals who will be your early-stage extension in EMEA if you don't want to start by setting up a full fledged organization in EMEA right from the start. We have the understanding of bringing to market B2B-tech and -solutions, understand the mechanics of the market in various segments and are well connected into the distribution- and partner eco-system. That, in combination with our combined expertise and focus, puts us in a prime position to build you a superb go-to-market strategy for entering into new geographies and verticals in EMEA and provide you with a less risky introduction, allowing you to avoid an all-or-nothing approach.

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