

## Partner Relationship Management Has Come Of Age

### *Optimizing a PRM strategy begins with the right technology solution*

The enterprise world has become all too familiar with the notion of customer relationship management (CRM). While it serves its purposes in addressing a broad spectrum of contact activities in day-to-day business operations, relationship management has evolved to encompass varying levels of activities according to the business need and audience. One of those critical activities is managing channel partners.

Since they first appeared on the scene, partner relationship management (PRM) solutions have gone through a significant evolution (see sidebar). For today's vendors, it is a tool that can play a key role in improving sales, increasing margins and strengthening communications. The key to a successful PRM implementation is understanding what capabilities make the most sense for specific business needs.

The following paper will outline what PRM is today, how it can help organizations manage channel partners, and what capabilities – and results – executives should look for in a PRM solution.

#### **What is PRM?**

Partner Relationship Management (PRM) is a business strategy for developing effective partner relationships between companies and third party organizations (partners) that sell their products or services. It enables companies to educate, motivate, guide, and measure the effectiveness of individual partners to maximize the productivity of their sales channels.

Specifically, PRM software enables a vendor to capture demand chain data, analyze it, and then optimize the behavior of their partners through mutual incentives. With the right PRM software solution, vendors can focus on improving productivity, while empowering their demand chain partners to better handle increasingly complex bundling, delivery and service demands. Ultimately this will improve end-user service, reduce inefficiencies, lower channel management costs, and increase overall sales and market share. A well planned and executed PRM strategy will also increase partner loyalty for a vendor and deliver real value to the partner.

Despite these benefits, a recent study suggested that while almost half (46%) of vendors have sponsored programs or other activities designed to increase partner loyalty, few have the ability to measure the results of their programs and how they impact that partner loyalty. This gap clearly indicates that PRM has an important role to play in a channel management strategy.

#### **PRM vs. CRM: One size does not fit all**

While some would argue that PRM and CRM are one and the same thing, comparing the two functions is much like analyzing the difference between a bus and a plane. Both carry passengers from one point to another. However, a bus is designed to travel on land, while a plane is designed to travel through the air – and putting wings on a bus will not make it fly.

Some of the key differences include:

	<b>CRM</b>	<b>PRM</b>
<b>Audience</b>	<ul style="list-style-type: none"> <li>• CRM is fundamentally designed to manage direct sales engagements between a sales rep and a buyer in a one-to-one relationship.</li> </ul>	<ul style="list-style-type: none"> <li>• PRM is designed to manage a complex ecosystem made up of legally independent partner organizations.</li> </ul>
<b>User buy-in</b>	<ul style="list-style-type: none"> <li>• The types of administration and configuration capabilities typically offered within a CRM system are quite complex and require training and specialized skills to use.</li> <li>• Since CRM was designed for captive, internal audiences who are mandated to use the system, administrator usability is not a critical issue.</li> </ul>	<ul style="list-style-type: none"> <li>• Partners are independent and voluntary users with limited access or time to spend on system training.</li> <li>• To engage partner adoption and ensure they are using the system effectively, it is critical that the software be intuitive and easy to access while offering good performance – otherwise they won't use it.</li> </ul>
<b>Capabilities</b>	<ul style="list-style-type: none"> <li>• CRM solutions cannot handle the finer complexities of channel requirements, such as incentive programs and compensation - these features tend to be treated as isolated portal applications or modules.</li> </ul>	<ul style="list-style-type: none"> <li>• PRM extends beyond isolated portals of information and functionality to deliver true sales-specific support and channel management-specific tools, as well as visibility to the individual sales level (much like having visibility into one's direct sales organization).</li> </ul>

**PRM: The right elements**

As with any solution of this scope, there is a right way and a wrong way to go about the selection and implementation of a PRM solution. So what are the elements that make up a solid PRM system that delivers real value?

Following are the key building blocks of a successful PRM solution:

**1. Robust features**

Any good PRM system should be able to track individual training milestones and performance levels. This information is vital in terms of mapping sales performance versus training levels and identifying areas of weakness and/or potential retraining needs.

Document storage capabilities are also critical factors in a PRM solution since they ensure that critical information is easily accessible for salespeople. In order to be effective, partners need access to top quality selling tools such as competitive analysis reports, sales scripts, and white papers, along with the usual brochures and product sheets.

A good PRM system should also provide an invaluable resource for delivering ongoing information on product information, company news, industry updates, etc. to channel

partners. In doing so, it will help elevate vendor messages above the “industry noise level” to keep the focus on generating sales.

## **2. Sales tracking and incentives**

Partner salespeople are not like an internal sales force. They are not necessarily motivated to sell a vendor’s product, so it is easy for them to switch to a competitor at a moment’s notice. As a result, the best way to maintain their focus on selling branded products is through the use of strategic incentives that provide them with both compensation and recognition. However, it is not enough to simply implement incentive programs and track overall sales. Incentive programs must be accurate and flexible, as well as be able to deliver rewards quickly and frequently in order to maintain momentum.

A PRM system should have the ability to allow partner salespeople to register their sales electronically for faster validation and reward issuance. Rewards themselves can be measured in “points” or dollars as long as the vehicle for delivery encourages them to spend their rewards within the system. Point accounts and reward cards are excellent examples of incentive rewards that build loyalty and are measurable. By allowing salespeople to use their points or rewards in a PRM system, they are constantly motivated to access the system and focus on a vendor’s offerings – and not a competitor’s products.

With the right PRM solution, vendors can also financially and geographically measure the performance value of individual partners, analyze results, and determine where incentive dollars should be allocated. A high performing partner with 100 employees may be logging impressive sales for example, but how can a vendor know that all of those people are selling its products? With a PRM solution, vendors will always know which individual salespeople deliver the most value for the dollars spent.

## **3. Reporting and measurement tools**

The effectiveness of channel relationships should be measured on an on-going basis. Since a PRM system can serve as the backbone measurement tool for measuring the effectiveness of sales channels and individual partners, a good solution should also have the capability to provide a variety of useful reports. These should go well beyond the “sell through” reports that companies generally receive from their partners to analyze sales down to the salesperson level.

A PRM system should also have the ability to collect sales data to validate the sale prior to the reward payment. Beyond the issue of validation, that information can be used to compile a powerful database of customers and product information and provide a basis for the measurement of each partner’s sales productivity.

Finally, a PRM system should allow vendors to manage and customize reports to meet specific product, partner and/or financial reporting requirements.

## **4. Education and communication**

Partners do not have many of the advantages of a direct sales force, since they generally do not have the level and quantity of contacts within an organization to get useful information from in-house marketers, engineers and other salespeople. A successful PRM rollout demands advance preparation, clear messaging and effective training for partners. In simple terms, the ability to make a channel partner

productive is directly proportional to the effort put into training that partner on a PRM system and preparing them to effectively sell products and/or services.

While training is typically a high demand, labor intensive process, a well-architected PRM system can deliver product training and other education online for partners and their individual salespeople. Users simply access the system at a time that is most convenient for them to learn the material without the need to schedule on-site, or after hours training sessions at partner offices. Ultimately, an effective PRM approach can lower education costs while increasing retention rates.

### **Determining the right PRM solution**

Any company that sells their products through dealers, agents, distributors, or retailers could benefit from a PRM system at some level or another. Whether a vendor has a large number of partners, or manages partners across a wide geographic area, a PRM system can be invaluable in helping them to effectively manage their channel relationships.

In order to determine the right type of PRM solution, organizations should engage in the following process:

1. Assess what partners and their salespeople need from the vendor to make them successful
2. Develop a strong business strategy for working with partners
3. Identify communications and processes for automation
4. Understand where the system – and its components - will deliver added value to partners

With the right combination of capabilities, a PRM solution can effectively increase partner loyalty, channel effectiveness, and ultimately, sales revenues. Given the availability of software as a service (SaaS) models, today's solutions are no longer as cost prohibitive and complex as their predecessors, nor do they carry the financial risk of standalone and in-house solutions. The only question for vendors today is whether the PRM solution they choose is the right fit for their needs.

#### **SIDEBAR: The evolution of PRM**

It was in 2000 that the concept of partner relationship management (PRM) began to take hold as organizations looked for specific solutions to better manage their inter-relationships with their channel partners. As with many new initiatives, the cost of entry was high: \$250,000 and up for full-blown PRM software solutions. However, these early PRM solutions were simply administrative and marketing tools and did not distinguish themselves from the core CRM functionality.

In many cases, available solutions were simply an offshoot of a CRM release, only with slightly different "packaging". Overall, they met with limited success, since they failed to address many of the specific requirements for managing the sales/rewards components of indirect channels.

Given the limitations of these early iterations, PRM as it was presented was soon dismissed as a mere subset of CRM. Today, PRM is a real and viable need that operates independently of CRM and serves very specific functions within channel partnership relationships.

**About the author**

David Auld is the founder and president of ChannelAssist Inc., a company focused on delivering channel management and PRM solutions to customers in the information technology, communications, retail, and financial sectors. His vision for PRM Plus has developed through two decades of sales and marketing experience managing channels for Crowntek, Dell Computer Corporation, AT&T Canada, and 3Com Canada where he developed numerous integrated sales and marketing programs for medium to large organizations across North America.

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