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Article

The Challenge of Predicting Future Partner Performance

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The Challenge of Predicting Future Partner Performance

One of the most difficult tasks that alliance and channel managers are faced with each year is to determine the revenues that each partner will contribute. The second most difficult task, which is related to the first, is to determine how he or she is going to ensure that the revenue contributions will be achieved. In most companies, it is less difficult to accurately forecast revenues from sales efforts where a company has direct control of the sales force and sales processes than it is to forecast revenues from alliances, partnerships and channels where the company has virtually no control of the salesforce and sales processes. Companies, most often, use historical performance data and current market trend information to gain insight into its indirect sales channels contribution to revenues.

Alliance and channel relationships are becoming more and more complex. Partners have a choice of what to sell. In highly competitive markets, commissions and incentives are only marginally different. Partner mindshare is extremely difficult to capture. What were once good relationships with partners have deteriorated over the last few years because of the lack of attention given them due to program staff reductions related to the recession. Email has become the standard way to communicate with partners. Getting salespeople to attend and participate in webinars, seminars and training has become difficult. The constant barrage of information sent to partners that sell for multiple vendors often goes unread. Marketing programs with partners have not had the expected impact or results.

Two of the major objectives of managing alliances and partnerships are optimizing partner performance and continuously improving the results over time. The "what can you sell for me this year?" strategy employed by many vendors has grown ineffective. Today's partner performance measurements concentrate heavily on quantitative results. A snapshot of what is often measured is shown below.

Increase in partner sales	Products sold by partner	Margin by partner
Increase in new partners	New partner effectiveness	Sales from leads
Prospects generated w/o leads	Marketing program costs	Marketing materials costs
Forecast accuracy	Sales vs. forecast	Sales by customer
New partner support costs	Competitive wins/losses	

Only some companies go to the above extent to measure partner performance. At the end of the year partner results are analyzed so that predictions for the upcoming year can be made. Short term optimization strategies fail to achieve expected results primarily because they are really only tactical revenue generation plans. Optimizing partner performance in itself is a strategy.

Another method used to predict partner revenues is often called the "best guess method" which uses last year's results and adds on the company sales growth percent objective. The last and least effective method is the "let's let the new manager decide method" which is often a combination of the previous two methods. In both of these last methods, partner performance optimization is a subjective result of other components of the partnership program. Because partnerships are complex, it is difficult to predict performance and optimize the results. All technology companies are faced with these issues.

So, how can performance be accurately predicted for the upcoming year and for subsequent years? How can predictive modeling that uses partnership business intelligence ever be accurate when it comes to relationships that cannot be controlled? As I have written about in many other articles, qualitative data must be collected and analyzed along with the qualitative performance results in order to start addressing the first problem of partnership optimization. What are some of the measurements that should be evaluated? The best answer to this question is to ask your partners what is important to them. When you do, you will notice that each partner may have somewhat of a different answer to the question. The partners' responses will differ as each one's strategy differs. If done correctly, it will create a great deal

of work to gather the information, but the benefits of doing so will allow companies to isolate the issues that are impacting each partner's results and ability to perform.

As this will be the way of the future as the employment base shrinks and partners align more closely with vendors that are inline with their business strategies, the long term strategic benefits will outweigh the costs of managing the process. As partnerships are more optimized and more data is collected, performance predictions and predictions related to costs and projected expenditures will become more accurate. The end result will be greater predictable performance and greater cost efficiencies.

What are some of the qualitative issues that should be measured? A snapshot of some of them are shown below.

Trust building plan effectiveness	Achievement of non-revenue objectives
Partnership improvement plan effectiveness	Sales training effectiveness
Joint marketing plan effectiveness	Marketing program effectiveness
Incentive plan effectiveness	Dispute resolution satisfaction
Technical training effectiveness	Partner manager effectiveness

When quantitative data results are analyzed against qualitative variables that may impact the results, the relationship comparisons will show definitive movements in quantitative results as qualitative variables increase and decrease in value. As changes are made to improve the processes that support the qualitative variables, quantitative performance will increase and also, over time, will become more predictable.

A few of the measurements that can be lined up against revenue performance are shown below.

Revenue Generation - Sales Training Effectiveness
Incentive Plan Effectiveness
Partner Manger Effectiveness

Revenue Generation - Trust Building Plan Effectiveness
Dispute Resolution Satisfaction
Achievement of Non-Revenue Objectives

Revenue Generation - Joint Marketing Plan Effectiveness
Marketing Program Effectiveness
Sales Training Effectiveness

All of the above qualitative issues have an impact on quantitative performance. Their management is almost as important as the management of the revenue generating tasks. It is only with the measurement of both hard and soft variables and the improvement of the identified processes at issue, that partner optimization will occur and performance predictions will become accurate. As or if partners are to become strategic assets for vendors, it will be critical to look at partnership issues from both vendor and partner perspectives. It will also be critical to collect data so that the historical performance data that is used to predict future results considers all of the variables that may have an impact on the predictions. If all of this can be accomplished, predicting results will be just one more report to run.

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