IAN GORDON ARTICLE

Relationships With Partners

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The customer relationship is only as strong as the weakest link in a chain of relationships that includes employees, suppliers, owners and investors, and channel intermediaries. For many companies, a weak link can be the go-to-market strategy and relationships with channel intermediaries. This article discusses the relationship with channel intermediaries.

Partner is actually a much better word than intermediary, but true partnership is both a frame of mind and a destination. Few relationships with channel intermediaries can be characterized this way, so we use the term "intermediary" here. Intermediary describes both channel participants who take title to goods for resale and the purchase influencers and collaborators who aid in making the sale, such as the collaboration between SAP and Ernst & Young to implement an SAP solution.

The world is full of intermediaries, but there are not enough genuine partners. How, then, to convert an intermediary into a partner? Nine suggestions follow:

1. **Mutual Respect**

   As in any relationship, mutual respect is a pre-condition for a deepened bond. If either party thinks the other is weaker or inferior, or will not accept differences between the companies or their people, it is unlikely that anything of value will be created and shared. One computer company referred to channel intermediaries as order takers and "box pushers," which they contrasted with their more "strategic" view of the world, hardly a starting point for a good relationship.

2. **Treat Intermediaries as You Would Individual Customers**

   Intermediaries have many options, and are more willing than ever to exercise them if they are not benefiting as they wish. Treat intermediaries as individual customers, according to relationship marketing principles, including:
   - assessing the current state of relationships with intermediaries, including calculating the differences in lifetime or long term value and researching what the intermediary wants and thinks of you.
   - determining your best, average and worst intermediaries, based on their current financial and future strategic and business value to your company.
   - developing a plan for and with each intermediary.

3. **Innovate Together**

   Relationships, as in a more personal way, depend on the creation and sharing of new business value – in short, innovation. Intermediaries should be closely engaged here or any transition to the vendor's vision could be difficult.

4. **Take Out Costs from the Entire Demand Chain**

   Vendors have re-engineered processes, as have intermediaries. Sometimes this has been done in isolation. Most companies recognize that the total demand chain (not supply chain, as customers now initiate the purchase and production cycle) can only be made more efficient if the channel is included in any improvements.

5. **Align Processes with Customers**

   Relationship marketers not only triage certain types of end-customers into best, average and worst. They identify engagement processes and consider how best to engage with each level of customer, sometimes firing the worst ones. Then each intermediary is linked with specific components of engagement processes. Thus, the partner might surface leads, the vendor might identify solutions and both work together to implement them, with revenues shared according to an agreed-upon formula for value-add.

6. **Bundle Services with Products**

   Vendors have typically produced fairly standard products and services. Intermediaries have provided much of the customization and personalization, ranging from solutions integration to financing. An opportunity often exists for vendor and intermediary to modify their traditional roles. They can instead work together to create more tailored services and intangibles of value to customers, sometimes in areas unusual for both vendor and intermediary. Examples include managing the customer's inventory, *initiating* the customer order and offering products and services made by others. This is what competing on scope is all about.

7. **Establish and Own a Process for Relationship Development**

   Both vendor and intermediary want good customer relationships. Each sees the customer as "his", as though a customer can really be owned. In the process, the potential exists for neither vendor nor intermediary to develop the ties that bind or bond.

   Perhaps both should start somewhere else, such as treating the customer jointly as "ours" and developing mechanisms to manage the relationship together. This could include governance planning to describe the relationship mandate and processes for working together. Importantly, trigger points and resolution mechanisms should be identified to ensure that relationship difficulties are identified before becoming out of control and terminally damaged.

8. **Be Consistent**

   Inconsistency can lead some intermediaries to believe vendors favour their competitors, the case when inventory is believed to be on hand but the order desk says it is not, or when competitors are thought to benefit from lower prices from the same supplier. Have standard policies and communicate them widely to intermediaries. Codify the policies as business rules for capture in technology. Set

up "Partner Councils" for advice, guidance and interaction. In ways such as this, perceptions of favouritism can be better managed.

9. **Shift culture and attitude**

   With power shifting from the vendor to the customer and intermediary in most markets, few companies can any longer think in terms of who "owns" the customer. And few should be talking in terms of "our channel". No-one owns either the customer or the channel. For companies with a different view, a culture and mind shift may be needed. Which brings us back to point 1.

— Ian Gordon

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