

2014 Channel Data Management Survey Results

Using Channel Data to Manage Partner Programs



Introduction

Technology manufacturers command visibility into every element of channel operations, ranging from sales and marketing to finances and inventory status. Using this information to improve channel partner program management and profitability is both challenging and concerning for vendors lacking the necessary channel data management capabilities. At the same time, effective channel data management empowers manufacturers to execute channel strategies based on insightful and easily manageable information to drive long-term profitable relationships with new and existing channel partners.

This white paper presents a high-level overview of Baptie and Co. and Model N's recent survey among 85 respondents from leading manufacturers who provided their insights on critical challenges associated with using channel data to manage partner programs.

The Most Important Channel Data Management Capability

Technology vendors are not immune to significant financial losses in terms of lost revenue from inadequate channel marketing practices and overpayments of channel incentives. Channel Data Management empowers these companies with the visibility they need to ensure recurring profitability. The prevalent data deluge and legacy data management solutions have emerged as primary barriers to optimizing incentives, accurate revenue recognition and maintaining compliance. The recent survey results point to a common consensus among respondents regarding the importance of visibility into channel marketing practices and channel performance. 56 percent of the respondents rated Channel Performance Visibility as Extremely Important. This capability directly leads to improvements in Returns on Investments (ROI) measurement according to the survey.

This information includes sales operations data, exact sales performance of each product for each target market segment, with accurate information on sales profits, quantities and scheduling. For this reason, accurate measurement of sales commission and partner incentive rebates were also ranked as extremely important by around one third of the respondents. Determining Partner Inventory Levels was rated as the least important by 44 percent of the respondents.

Satisfaction with Existing Channel Data Management Capacities

Manufacturers and their channel partners face profound challenges and opportunities fueled by advancements in our data-driven world. The explosion of data, complex supply chains, proliferation of physical and cyber threats, and a diverse target market prevents these companies from reaping the promised rewards of their channel data investments. The survey demonstrates how the end-results of these challenges impact satisfaction rates with the ability of vendors to process channel data for critical channel marketing operations.

Failure to calculate program ROI and sales commission accurately were also ranked as significantly concerning by 45 percent and 31 percent of the respondents respectively, as manufacturers and channel partners look to improve visibility into the actual financial information and operations. The ability to process incentive rebates was regarded low to moderately satisfactory, whereas most of the respondents were slightly more satisfied with current visibility into channel performance.

Around one third of the respondents also expressed extreme satisfaction with their ability to process channel data for all of the mentioned objectives, suggesting there is a significant room of improvement with the right strategies and solutions in place.

Biggest Challenges to Channel Data Management

Many Manufacturers address problems with channel data and partner compliance by leveraging channel data integrity and management solutions. While end-goals range from increasing sales and improving partner satisfaction to reducing financial exposure, vendors and channel partners first need to tackle challenges inherent with channel data collection and data integrity.

The survey suggests these challenges are related with manufacturers' ability to collect and analyze channel data, with the top three issues surrounding cleansing channel data for end-customer identification, analysis using dashboards, and encouraging channel partners to submit Point of Sale (POS) data. And, even when automation tools are intended to enable effective channel data management, automating the process of data collection itself poses significant challenges.

Cleansing submitted channel data was regarded most challenging by 32 percent of the respondents, and automating the collection process was rated as second most challenging by 23 percent of the respondents.

Manpower Involved in Collecting and Validating Channel Data

The collection, processing, validation and verification of channel data are the core constituents of effective channel data management initiatives. These apparently mundane manual processes consume valuable financial and human resources that channel partners and technology vendors could otherwise put to better use. The survey suggests almost every company employed at least two or more individuals to perform manual data collection and validation, whereas advanced channel data management solutions with appropriate functionalities can perform these essential but tedious operations efficiently, accurately and at a lower cost.

Forty-two percent of the respondents said they dedicated more than three individuals for these tasks, and less than 4 percent said they use only one individual, automated solutions or third-party services for this purpose.

Partner Participation in Submitting Channel Data

Accessing relevant channel data is the first step toward yielding valuable insights and visibility into channel marketing efforts. The survey suggests channel partners are inclined to provide this information to service vendors as an essential regular channel data management effort. This trend is significantly different from last year (as seen in the same survey conducted in 2013) when only one third of channel partners supply this information to the vendors.

According to the latest survey, almost all responding channel partners reported POS data (98.5 percent) and inventory data (100 percent), even though exploiting the available information for effective channel data management remained a challenging process. For vendors struggling to gather this information, it is advisable to improve the data gathering and reporting process with a focus on end- user convenience, as well as accurately identifying the parties holding relevant information. Treating data reporting and submission as a regular and automated process goes a long way in achieving these goals.

Satisfaction with Partner Channel Data Quality

Effective channel data management prompts quality and consistent channel data from various sources, including cloud-based and on-premise IT deployments. The lack of high-quality data also prevents organizations from optimizing channel operations with the available data sets, which limits the ability of service providers to drive significant improvements in their offerings, promotions, customer service, and enhance accounts coverage.

According to the survey, most respondents opted for a neutral stance on this question and none reported they were “very satisfied” with the quality of the supplied channel data. Vendors therefore need to work with channel partners to ensure adequate data quality. 37.6 percent agreed they were somewhat satisfied, 35.3 percent took a neutral stance, and 22.4 percent said they were somewhat dissatisfied.

Preferred Channel Data Cleansing Mechanism

In order to compensate for the lacking data quality, service providers employ internal and third-party solutions to find the missing patterns and values in the data, merging duplicated information and converting the data into the desired format. Leveraging third-party data cleansing tools is the most popular solution at 42.2 percent according to the survey results, whereas 36.1 percent of the responding companies banked on traditional manual data cleansing processes. The use of automated solutions on-premise remains significantly less popular due to the inherent complexities and budget concerns, whereas third-party cloud-based data cleansing solutions remain a viable option considering the inherent cost advantages and ease of maintenance. Yet, over 7 percent said they don’t cleanse their data at all.

Channel Sales Data Visibility in CRM or PRM Systems

Service providers acknowledge the importance of high visibility into channel operations, and therefore consolidate and integrate channel sales data into existing CRM or PRM systems. As a result, they are able to process sales transactions to appropriate channel partners efficiently and accurately. This reduces payment delays and revenue losses due to overpayment of sales incentives. Without these capabilities, vendors will lack control and insights into channel sales operations.

Around 60 percent of the respondents said they did have channel sales data visibility in their PRM or CRM solutions.

Preferred Partner Incentives Programs

Technology vendors continue to invest in various Partner Incentive Programs to accelerate profitable channel growth. The survey found MDF/Co-op as a leading vendor choice at 70.7 percent, whereas Ship and Debit programs were the least popular at 23.2 percent in encouraging distributor loyalty and develop long-term relationships across all sales channels. Other programs included Special Pricing, Product-Based, and Sales Goal Attainment offered by around 50 percent of the respondents, though not considered highly rewarding by many service providers.

Most Complicated Payment Calculations and Validation Program

Technology vendors offer an array of service and product programs, ranging from on-site IT deployments to cloud-based solutions delivered with various tier-based plans that suit a diverse customer- base. These offerings ultimately add to administrative challenges in managing and maintaining accurate financial information from recurring periodic transactions. Among the common payment tiers and programs, the survey suggests payment calculation and validation for product-based programs was considered the most difficult by 44.4 percent of the respondents, whereas as only 10 percent regarded MDF/Co-Op and Ship and Debit Programs as complicated.

Average Turnaround Time to Process Incentive Claims

Credit availability and cash flow for channel partners is critical to maintaining profitable channel partnership. Even though vendors tend to focus extra efforts on issuing payments and credit claims efficiently, the overwhelming volume and complexities of channel sales and financial information continues to push payment-processing schedules. The survey finds this time frame ranges from two to four weeks on average. 34.6 percent offered turnaround times between one and two weeks and 28.4 percent took two to four weeks to process incentive claims for partners. Vendors leveraging automated solutions to process claims can further shrink this gap while avoiding overpayments and inaccuracies inherent with paper-based manual claims processing.

Estimated Error Rate on Incentive Payments

Inadequate quality of sales data and financial information submitted by channel partners often leads to financial losses to service providers in the form of incentive payment errors. The survey found that these errors start from five percent and average around 11 percent. Around 33 percent of the respondents said they estimate errors between one and five percent, and over 34 percent said this value ranges between five and 10 percent. Multiply the figure to multi-million dollars of incentive payments and the error along with incentive overpayments totals to the tune of a few million dollars annually. Affordable subscription-based information management solutions enable vendors to reduce these losses with accurate calculations and management of incentive payments that lead to long-term partner satisfaction while reducing the incurred losses.

Most Desired Channel Data

Technology vendors sell through a variety of indirect sales channels and therefore rely on channel sales data including POS reports, claims data and inventory reports submitted by channel partners. This information is further required to set up formal analytics and data management processes to yield high-level intelligence to enhance revenue generation. Vendors are keen on extracting valuable intelligence on channel sales, incentives and partners with their channel data, and the survey points to two primary goals for data management capabilities: access to detailed, insightful and accurate channel data, and improved cleansing, aggregation and analysis of the available information.

Key Takeaways from the Survey

- Vendors need better visibility into channel performance to measure ROI performance accurately
- Manufacturers are not entirely satisfied with their ability to process channel data and require effective channel data management capabilities to realize improvements in this area
- Accessing POS data, analyzing the available deluge of complicated and inconsistent channel data, and ensuring regular data submission from partners remains the most challenging data management processes
- Automating data collection and validation is a widely accepted practice to ensure effective partner utilization, although some vendors are stuck with the traditional manual approach
- Automation in data cleansing also emerged as a viable alternative to resource-intensive manual data cleansing operations
- Automation in incentive claims processing ensures efficient and accurate claims payment, which leads to improved cash flow for channel partners and better partner relationships
- Data quality remains a concern to vendors, even when channel partners comply with data submission and reporting requests
- Integrating channel data in CRM and PRM systems is critical to maintaining desired levels of visibility into channel operations, but is still a challenge for many vendors
- MDF/Co-ops are considered the most profitable Partner Incentive programs, despite the low level of satisfaction with calculating program ROI and processing incentive rebates
- Calculating financial information for product-based programs is significantly complicated and makes it difficult to manage payment calculations and validation processes
- Overpayments and errors associated with incentive payments cost vendors millions of dollars and average between five and eleven percent
- Vendors generally wish to achieve two critical channel data management capabilities: access to accurate and insightful channel data, and improved data management processes for analytics

Appendix: Survey Results Data

2014 Channel Data Management Survey Final Results:

1. Please rate how IMPORTANT it is to you to do the following using channel data:

Visibility into channel performance stands out, with nearly 60% of respondents rating it extremely important. Measuring channel program ROI is secondary, but still ranks high, with 71% of respondents ranking it highly or extremely important. Also highly ranked is calculating sales commissions and partner incentive rebates, ranked extremely important by 34% and 37% of respondents respectively.

Please rate how IMPORTANT it is to you to do the following using channel data: (1 = Not Important / 5 = Extremely Important)						
IMPORTANCE						
Answer Options	1	2	3	4	5	Response Count
Report Channel Performance Visibility	3	17	4	12	48	84
Calculate Sales Commissions	13	5	28	8	29	83
Calculate Partner Incentive Rebates	10	7	27	8	30	82
Calculate Channel Program ROI	4	6	13	31	31	85
Calculate Partner Discount Claims	28	8	16	13	19	84
Determine Partner Inventory Levels	38	6	13	12	16	85
Load Channel Data into CRM or PRM	5	19	13	17	30	84
						Question Totals
						answered question 85
						skipped question 0

What kind of visibility into channel performance do manufacturers want? The responses to question #13 (What channel data do you wish you had, that you don't currently have?) provide some insights. Essentially, manufacturers want to know what products are selling, to whom, at what price and in what quantities—the same kind of information they have about their direct sales operations. With this information they can make better informed decisions regarding the channel.

2. Please rate how SATISFIED you are with your ability to process channel data to do the following:

Satisfaction with calculating channel program ROI (45%) and sales commissions (31%) ranked lowest among respondents. Respondents were only moderately satisfied with their ability to process incentive rebates, with 63% expressing low to moderate satisfaction. Visibility into channel performance ranked slightly higher, with 63% expressing moderate to high satisfaction. Few respondents expressed extreme satisfaction with their ability to process data in any of these categories, which suggests room for improvement.

Please rate how SATISFIED you are with your ability to process channel data to do the following: (1 = Not Satisfied / 5 = Extremely Satisfied)						
SATISFACTION						
Answer Options	1	2	3	4	5	Response Count
Report Channel Performance Visibility	11	12	25	28	9	85
Calculate Sales Commissions	25	14	18	11	13	81
Calculate Partner Incentive Rebates	8	23	29	11	10	81
Calculate Channel Program ROI	38	19	12	10	6	85
Calculate Partner Discount Claims	13	10	23	23	9	83
Determine Partner Inventory Levels	18	10	31	14	8	81
Load Channel Data into CRM	14	25	20	14	10	83
						Question Totals
						answered question 85
						skipped question 0

3. Please select your top 3 challenges with channel data management and rank them accordingly:

Please select your top 3 challenges with channel data management and rank them accordingly:

Challenges	Getting partners to submit POS data	Getting partners to submit inventory data	Automating the collection of POS or inventory data from partner	Cleansing the submitted channel data for end customer name	Cleansing the submitted channel data for product SKU	Enhancing POS with discounted pricing	Loading the cleansed channel data into your data warehouse	Analyzing the channel data using dashboards	Loading channel data into your CDM system	Cleansing the submitted channel data for reseller name	Response Count
1	11	2	10	32	1	2	3	13	5	5	84
2	5	3	20	11	6	2	5	10	10	10	32
3	7	3	6	20	2	9	5	13	7	6	78
Other											4
											answered question
											skipped question
											84
											1
No Response											
Date											
Other											
Categories											
1 Oct 28, 2014 4:03 PM											
2 Oct 17, 2014 4:14 PM											
3 Oct 7, 2014 9:52 PM											
4 Oct 7, 2014 3:10 PM											

The top 3 challenges all have to do with data collection and analysis:

1. Cleansing the submitted channel data for end customer name
2. Analyzing the channel data using dashboards
3. Getting partners to submit POS data

Automating the data collection process shows up as another significant challenge.

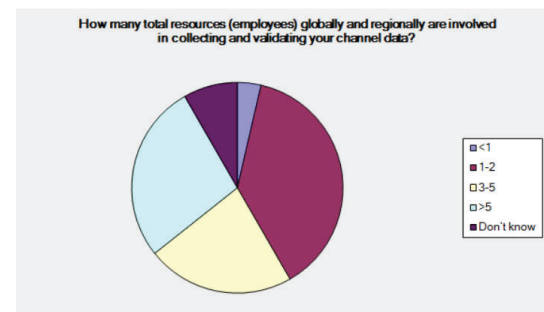
CDM (Channel Data Management) solutions that can effectively gather partner POS data, cleanse it, and make it available for analysis using dashboards would go a long way toward addressing these major challenges.

4. How many total resources (employees) globally and regionally are involved in collecting and validating your channel data?

Approximately 60% of respondents devote 2-5 employees to this task. Another 28% devote more than 5 employees. Manufacturers should consider how many of these human resources could be reassigned to more important tasks if the relatively mundane job of collecting and validating data could be automated using a third party commercial CDM company.

How many total resources (employees) globally and regionally are involved in collecting and validating your channel data?

Answer Options	Response Percent	Response Count
<1	3.6%	3
1-2	38.1%	32
3-5	22.6%	19
>5	27.4%	23
Don't know	8.3%	7
	answered question	84
	skipped question	1

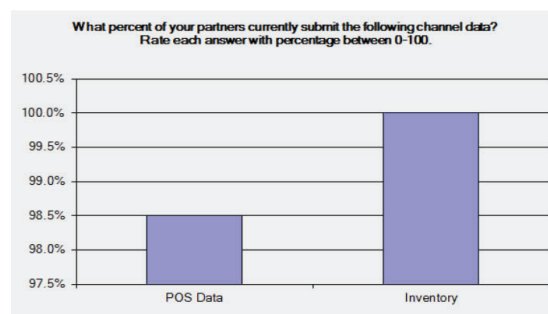


5. What percent of your partners currently submit the following channel data?

Respondents reported that all their partners (100%) reported inventory data, and nearly all (98.4%) reported POS data. Getting the data reported does not seem to be an issue, but rather automating the process, then cleansing and analyzing the data so it can be put to effective use.

What percent of your partners currently submit the following channel data?
Rate each answer with percentage between 0-100.

Answer Options	Response Percent	Response Count
POS Data	98.5%	64
Inventory	100.0%	65
<i>answered question</i>		65
<i>skipped question</i>		20

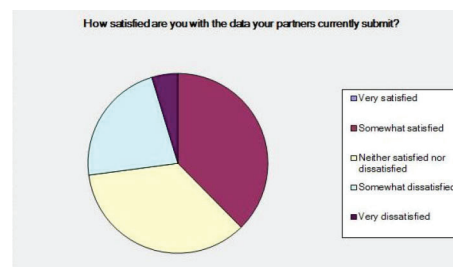


6. How satisfied are you with the data your partners currently submit?

Most respondents were neutral on this question, with none reporting that they were “very satisfied.” It suggests that there’s lots of room for improvement in terms of the kind and quality of data submitted by partners.

How satisfied are you with the data your partners currently submit?

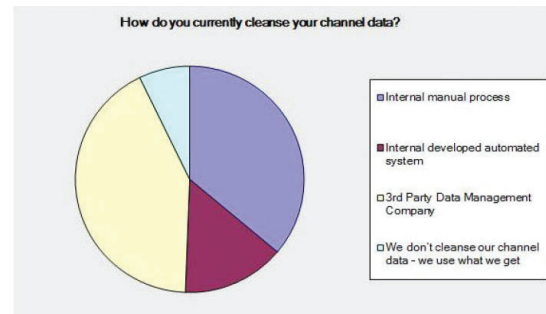
Answer Options	Response Percent	Response Count
Very satisfied	0.0%	0
Somewhat satisfied	37.6%	32
Neither satisfied nor dissatisfied	35.3%	30
Somewhat dissatisfied	22.4%	19
Very dissatisfied	4.7%	4
<i>answered question</i>		85
<i>skipped question</i>		0



7. How do you currently cleanse your channel data?

Half the respondents' process channel data internally, either via a manual process (35.4%) or an automated system (14.6%). Less than half (42.7%) use a third party data management company. Manual processing is resource intensive, slow, cumbersome, and prone to error. Internal automated systems are difficult to build and maintain. This argues in favor of using third party data management companies.

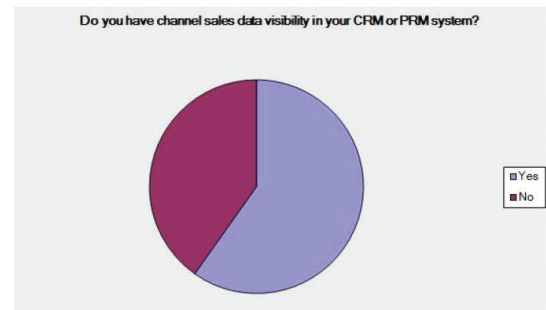
How do you currently cleanse your channel data?		
Answer Options	Response Percent	Response Count
Internal manual process	36.1%	30
Internal developed automated system	14.5%	12
3rd Party Data Management Company	42.2%	35
We don't cleanse our channel data - we use what we	7.2%	6
<i>answered question</i>		83
<i>skipped question</i>		2



8. Do you have channel sales data visibility in your CRM or PRM system?

More than 60% of respondents reported having channel sales visibility in their CRM or PRM systems. Third party data management companies generally are capable of integrating partner data into these systems, which improves the accuracy of assigning sales transactions to the right partner. Doing so ensures that sales commissions and incentive payments are correctly allocated.

Do you have channel sales data visibility in your CRM or PRM system?		
Answer Options	Response Percent	Response Count
Yes	59.8%	49
No	40.2%	33
<i>answered question</i>		82
<i>skipped question</i>		3

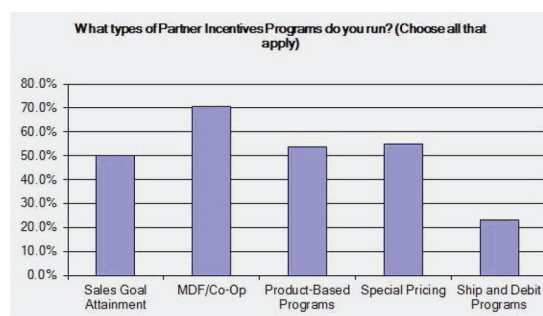


9. What types of Partner Incentives Programs do you run?

MDF/Co-op incentive programs topped the list, with 71.6% of respondents indicating that they ran this type of program. More than half of respondents also ran other types of programs, including Special Pricing, Product-Based, and Sales Goal Attainment. Ship and Debit programs were the least popular, run by less than 25% of respondents.

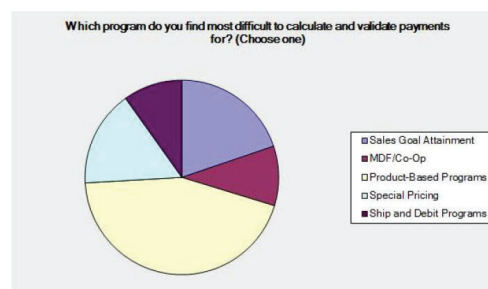
With the majority of manufacturers running MDF/Co-op programs, the low level of satisfaction with calculating program ROI and processing incentive rebates (see Question #2) takes on greater significance.

What types of Partner Incentives Programs do you run? (Choose all that apply)		
Answer Options	Response Percent	Response Count
Sales Goal Attainment	50.0%	41
MDF/Co-Op	70.7%	58
Product-Based Programs	53.7%	44
Special Pricing	54.9%	45
Ship and Debit Programs	23.2%	19
<i>answered question</i>		82
<i>skipped question</i>		3



10. Which program do you find most difficult to calculate and validate payments for? (Choose one)

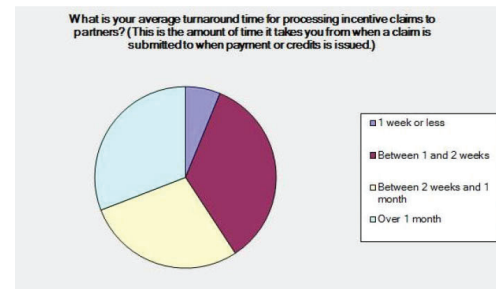
Which program do you find most difficult to calculate and validate payments for? (Choose one)		
Answer Options	Response Percent	Response Count
Sales Goal Attainment	19.8%	16
MDF/Co-Op	9.9%	8
Product-Based Programs	44.4%	36
Special Pricing	16.0%	13
Ship and Debit Programs	9.9%	8
<i>answered question</i>		81
<i>skipped question</i>		4



Product-based programs were the most difficult to calculate and validate payments for, according to nearly half the respondents. These types of programs typically require more complex calculations to determine rebate payouts, so timely and accurate transactional data is vitally important.

11. What is your average turnaround time for processing incentive claims to partners? (This is the amount of time it takes you from when a claim is submitted to when payment or credits is issued.)

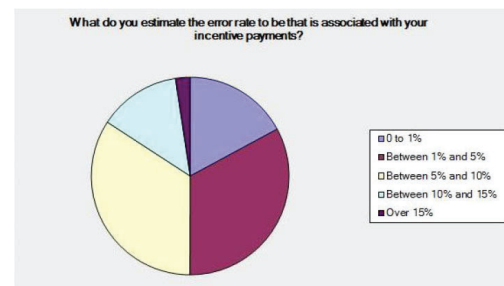
What is your average turnaround time for processing incentive claims to partners? (This is the amount of time it takes you from when a claim is submitted to when payment or credits is issued.)		
Answer Options	Response Percent	Response Count
1 week or less	6.2%	5
Between 1 and 2 weeks	34.6%	28
Between 2 weeks and 1 month	28.4%	23
Over 1 month	30.9%	25
answered question		81
skipped question		4



Approximately 40% of respondents processed incentive claims to partners within two weeks. However, nearly a third took over a month to process these claims. To partners, cash flow is critical. Prompt incentive claim payments go a long way toward building better partner relationships. Automated claim processing, especially paperless processing, is more accurate, avoids overpayments, and pleases partners. It's one of the benefits gained from using a third party data management company.

12. What do you estimate the error rate to be that is associated with your incentive payments?

What do you estimate the error rate to be that is associated with your incentive payments?		
Answer Options	Response Percent	Response Count
0 to 1%	17.1%	14
Between 1% and 5%	32.9%	27
Between 5% and 10%	34.1%	28
Between 10% and 15%	13.4%	11
Over 15%	2.4%	2
answered question		82
skipped question		3



More than one-third of respondents indicated error rates in the range of 5-10%. The cost of running channel incentive programs consumes an average of 11% of annual channel revenue, according to one study.¹ Add to that the cost of incentive overpayments, and the numbers can easily total millions of dollars. Overpayments strike a serious blow to the ROI of the channel marketing effort. Ensuring accurate and timely incentive payments is a must for making a positive impact on revenue and profit.

13. What channel data do you wish you had, that you don't currently have?

Comments ranged across the board, but there were two consistent themes. Several manufacturers commented that they would like more detailed end customer data. Several others commented that the data was sufficient, but that cleaning, aggregating and analyzing it was the larger issue.

¹ *Silicon Valley Research Group, 2012*

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