BEST PRACTICES
for Managing Channel Data

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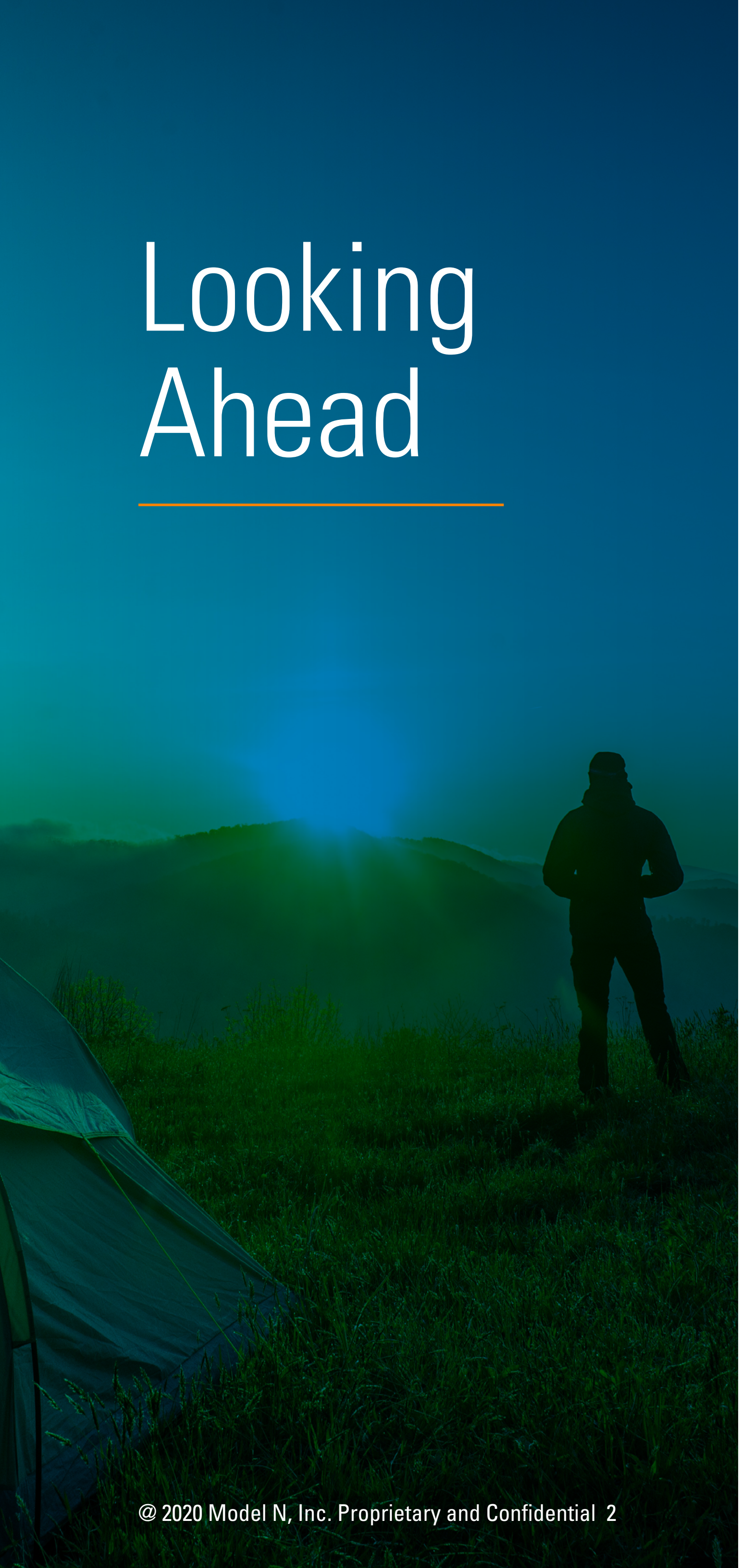

Looking Ahead

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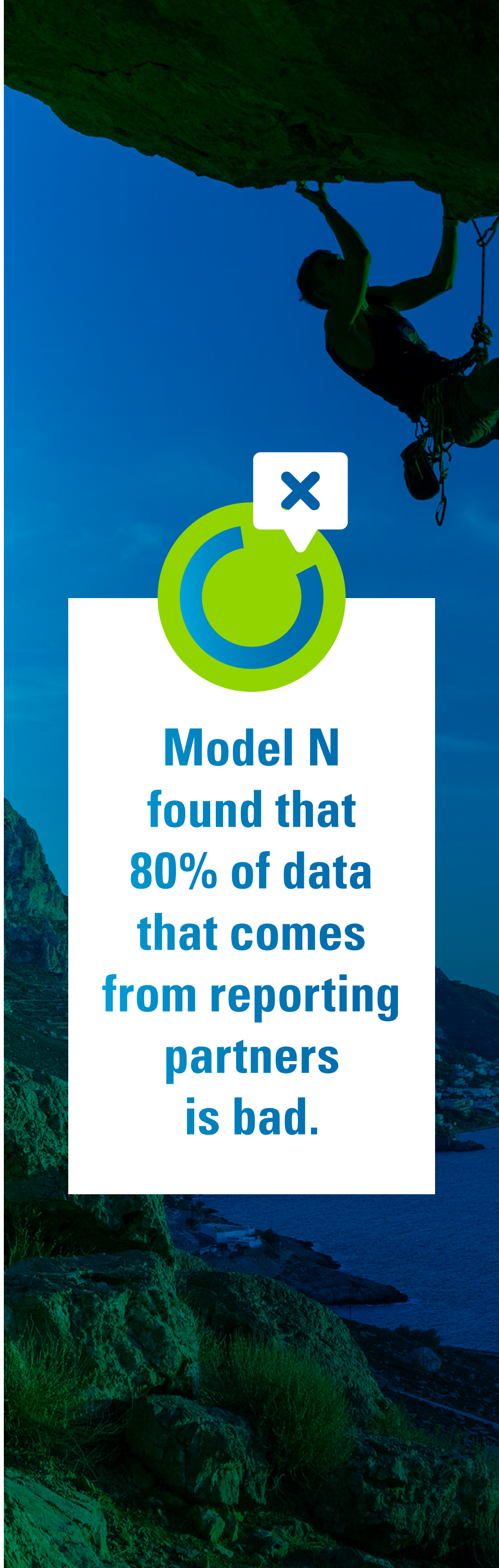
Channel Data Management (CDM) is gaining rapid acceptance as a way to grow business in multi-tier distribution organizations in a wide range of industries. And the starting point for any effective CDM system is data collection.

Gathering accurate, consistent and granular point-of-sale (POS), inventory, claims and SISO data from the channel is a challenge for even the best of companies. The potential for error is widespread with incomplete records, misplaced values, lack of integration from disparate sources, conflicting inputs from siloed systems, and the list goes on. In an internal review of channel data, Model N found that 80% of data that comes from reporting partners is bad.

Manufacturers who tackle this challenge in-house devote countless human and financial resources to collect, classify, clean, and standardize their data to convert it to useful information to make strategic business decisions about channel performance and products. That's why many of these manufacturers have turned to outside channel data management vendors to manage this process.

> ***In this eBook on Best Practices for Managing Channel Data we'll share lessons learned about how to gather information from channel partners in the most effective and mutually beneficial manner possible.***



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The Challenges

The challenges involved in better managing channel data are:

1. Getting partners to provide all the data requested by the manufacturer
2. Incompatibilities in the data sources themselves that make transmission between vendors and partners difficult

Channel Data Management solutions can effectively deal with the second challenge of integrating data from various sources, such as ERP and CRM systems.

Channel Data Management solutions and services can accommodate any number of computer languages, file formats, networking protocols and standards, including for example:

- XML (Extensible Markup Language)
- CSV, XLS, SLSX
- Opentext Trading Grid (for exchanging supply chain and financial transactions)
- AS2 (a networking protocol)
- EDI (Electronic Data Interchange)
  - EDIFACT (an EDI standard)
  - EDI-INVRPT (for inventory data reporting)
  - EDI-SLSRPT (for sales data reporting)
  - EDI 852 (Retail)
  - EDI 844 (Claim)

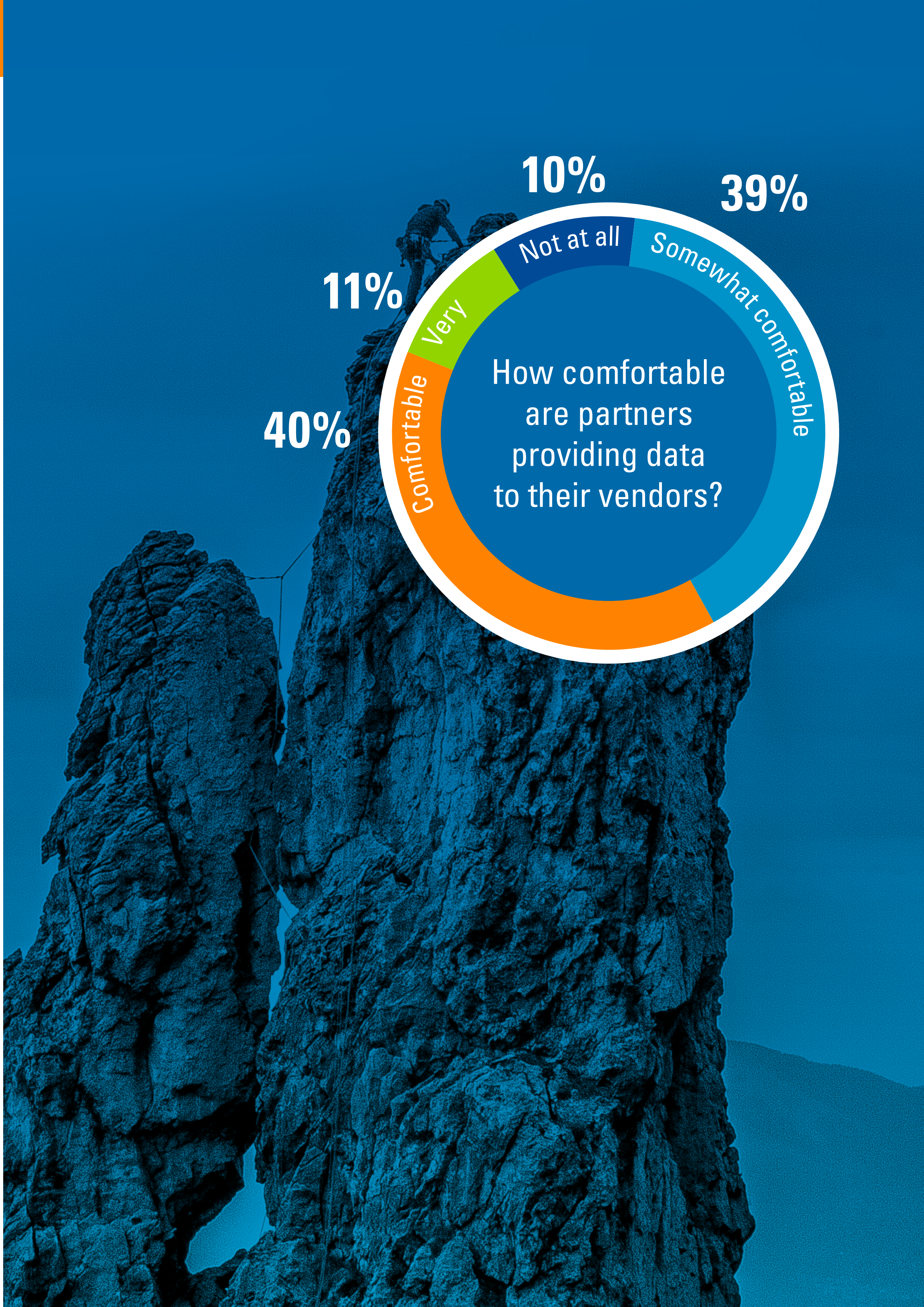
Channel data management solutions automatically unscrambles all the diverse data and turns it into usable information. Using a portal and dashboard, data submissions can be viewed in real time, so vendors and partners can monitor progress and make adjustments.

The bigger challenge is getting partners to submit the data in the first place. A successful campaign to collect POS and inventory data begins with proper preparation and a great deal of communication between vendor, partners and the channel data management solutions provider. This is where best practices come into play.

Building Trust

Persuading channel partners to provide POS and inventory data comes down to a question of trust. Partners must be convinced that providing this data to the vendor is in their best interest. At the least, they must believe that doing so will not be detrimental to them.

In an independent study with more than 100 channel partners, a large number of partners expressed discomfort with providing POS and inventory data to vendors. When asked,"How comfortable are you providing data to your vendor?" about half the respondents replied "Comfortable" or "Very Comfortable" (See Figure 1) The remainder expressed reservations about providing the data.



Obstacles to Trust

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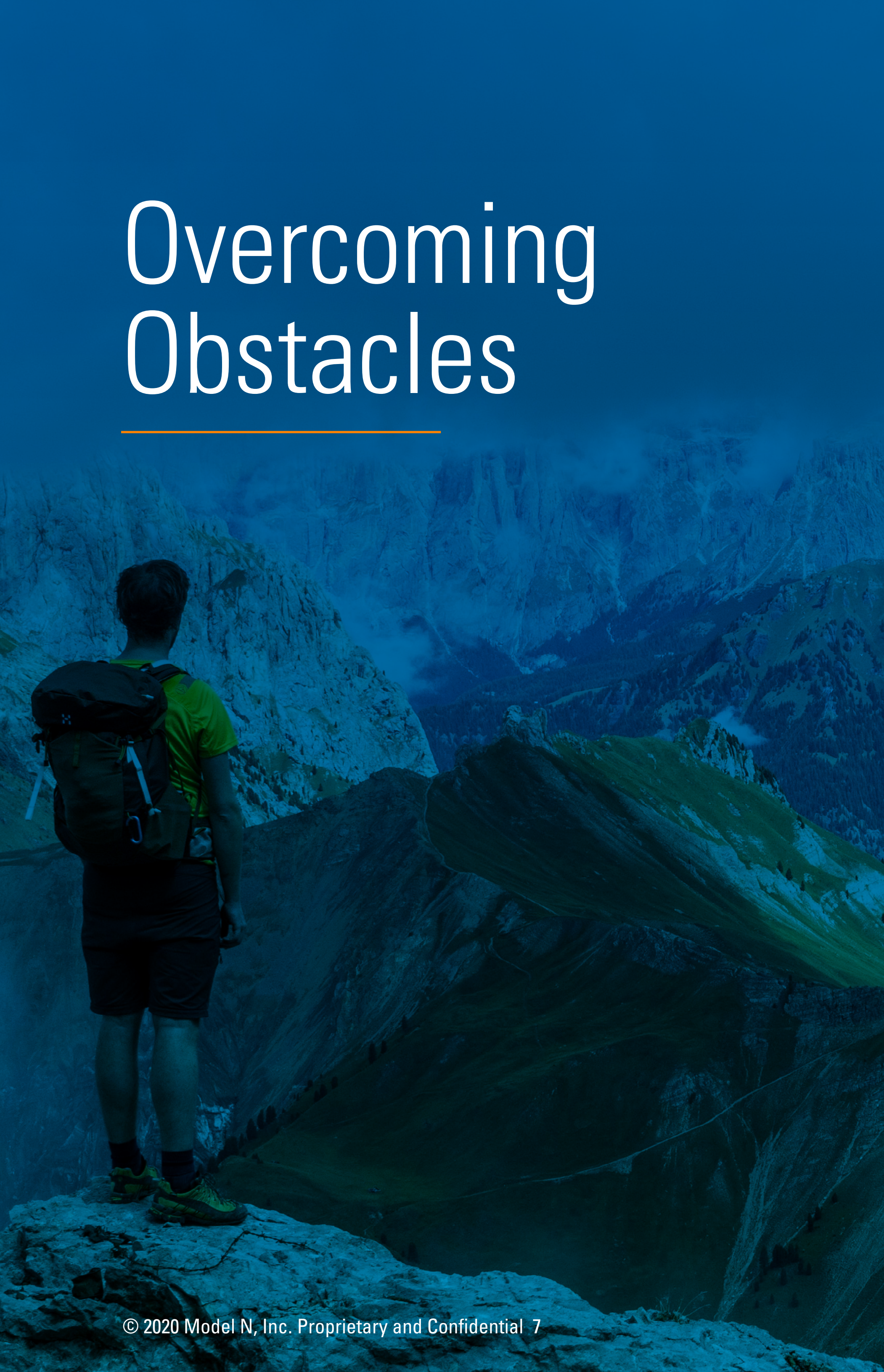
When asked,"What are the reasons that make you uncomfortable sharing POS and inventory data with vendors?" a number of concerns came to light. The Following are some common responses:

- Lack trust that they would not share the information
- Too much paperwork
- I do not like to give client information to anyone. It could fall into competitors' hands
- The loss of important data and trade secrets
- I like to hold some of the power by having the information



Overcoming Obstacles

Respondents were then asked, “What could a vendor do to make you more comfortable sharing POS and inventory data?” Following are some of their comments:

- Need to build a certain level of trust
- Be more open and transparent about the use of information and how it is protected
- Promise incentives to guarantee security
- Show willingness and eagerness to learn and accept privacy practices

Trust issues vary by partner, but some overriding concerns include vendor sales reps poaching deals from channel partners, sensitive data falling into the wrong hands, and loss of control over the information provided. Unfortunately, these concerns are often based on experience.

Building trust with partners requires an open, ethical approach on the vendor’s part. One solution is to put the vendor’s commitment into writing in a “Channel Partner Bill of Rights” a document that can be created, discussed and executed with channel partners.

Another solution is to clearly communicate to partners how the data will be used to benefit them, including:

- Sales and marketing support
- Improving incentive and discount programs
- Improved partnership programs
- Sharing performance analytics

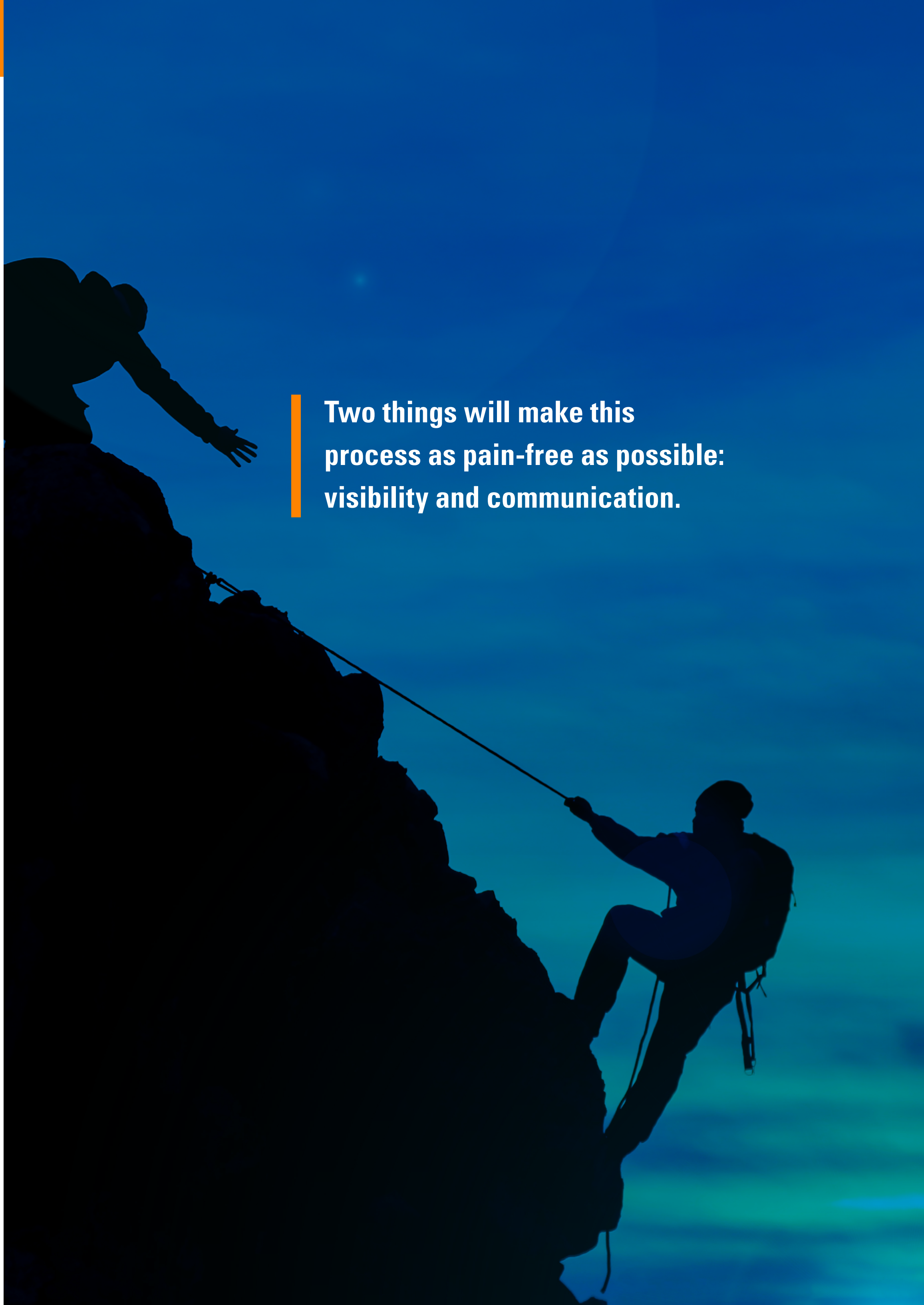
Partner On-Boarding

The process of onboarding channel partners involves a lot of heavy lifting. It includes:

- Sending out requests for the desired information
- Standardizing feeds from all global partners
- Following up with channel partners to obtain the information
- Ensuring all the data is complete and up-to-date
- Keeping partners and vendors informed of progress and performance

Two things will make this process as pain-free as possible: visibility and communication. Visibility via a dashboard is a vital step in helping vendors and partners see and monitor progress. This is especially true during the initial stages of collecting and managing a new channel data program while under scrutiny to prove value.

Communication is just as important as visibility. Progress reports, proactive reminders and post-event notifications are some of the ways to keep all parties informed, not just during the onboarding process, but during quarterly or annual business reviews.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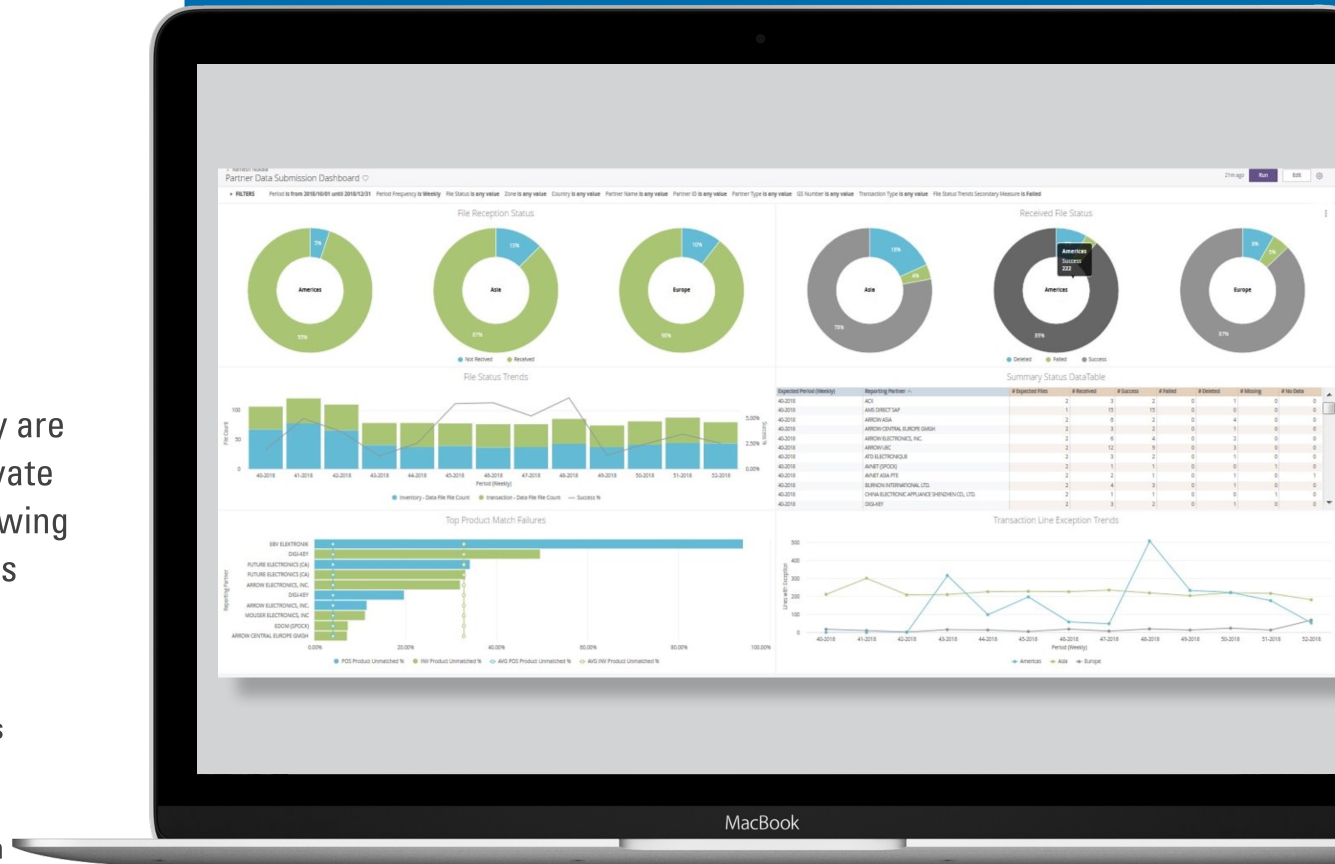
PARTNERS WILL BE MORE LIKELY TO SHARE DATA when they see tangible benefits such as prompt order processing, accurate and timely incentive payments, and a reduced paperwork burden.

Distributor and Reseller Partner Portal



Providing reporting partners with a portal gives them visibility and provides how they are reporting. This is an effective way to motivate partners to contribute their data. The following are several reasons why reporting partners would want to log in to their portal:

- See their orders processed in real-time
- Check available inventory from various distributors
- View distributor and reseller discounts applied in real-time
- Understand what incentives they are being paid on

One of the keys to an effective portal strategy is to allow partners to see how they are performing toward the attainment of sales goals and incentives (e g , rebates, market development funds (MDF), SPIFFs). Providing this information accurately and in real time allows partners to address any problems as they arise and correct them.

Customer Collaboration and Active Partner Management

Automating the collection of channel data works well from a technology point of view, but it takes active participation and collaboration by people to make it happen. Your CDM provider should take an active role in the onboarding process, to include:

Managing the partner on-boarding process end-to-end from data requirements to weekly submission

Conducting scheduled calls with vendors to review data gathering statistics and progress

Contacting reporting partners who are experiencing confusion or having technical issues with the onboarding process

Reviewing reporting partner score-cards for reporting issues, such as:

- Processed sales-in and sales-out transactions
- Processed inventory transactions
- Identifying late or non-reporting partners

Identifying partners with file failure issues

Identifying partners who are using tools incorrectly to submit reports

Reviewing partner data integrity and working with them to resolve file failure issues and validation exceptions

Automatically escalating issues for partners who do not respond to on-boarding requests, notices or data related issues

Identifying and correcting recurring issues using root cause analysis

Ensuring that processing and channel information results are correct

Keeping partner/contact relationships current

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Think Ahead

Companies need to consider what data is needed near-term and long-term, and ask for it in the beginning. Adding data sets later in the program is more difficult than getting everything up front. Make a list of required vs optional data.

If some of the optional data is something that a partner does not usually provide, work with them and your CDM provider to explain its importance and motivate them to comply.

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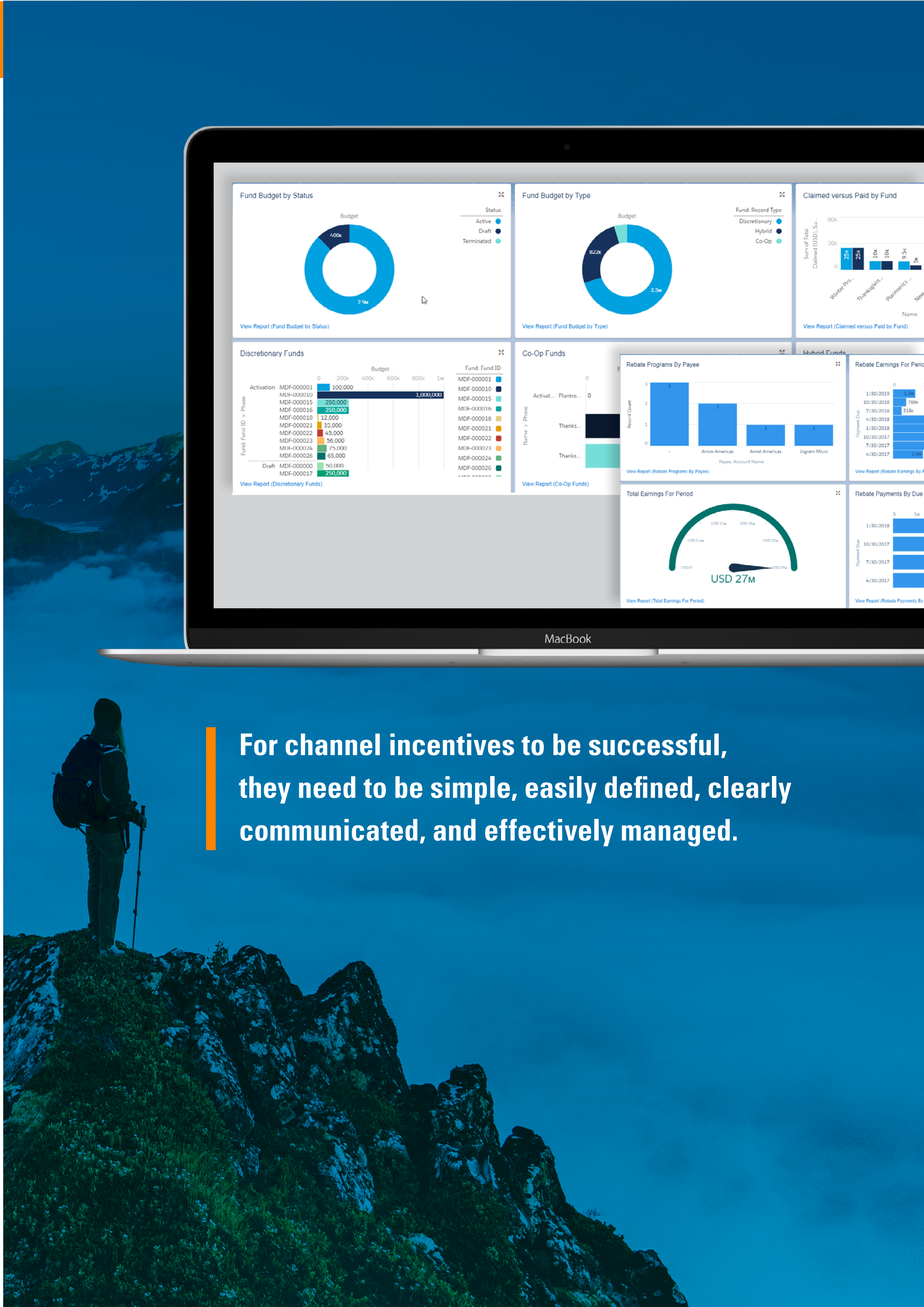
Use Incentives

Well managed rebate and incentive programs can have a positive effect on channel relationships, and revenue and are a powerful way to gain loyalty from partners. With a wide variety of performance and non-performance-based programs available, they help align channels with company sales goals.

For channel incentives to be successful, they need to be simple, easily defined, clearly communicated, and effectively managed. Rebates and incentives should offer straightforward support to channel partners.

Most importantly, channel sales data and incentive program data need to be seamlessly integrated to ensure revenue leakage caused by incentive overpayments is eliminated. With a clear understanding and commitment from channel partners in place, they can realize the benefits of receiving payments more accurately and consistently.



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Accelerate Momentum

Once existing or new channel partners have been brought on board, it’s important to maintain momentum. There is usually a flurry of activity and a high level of communication that takes place during the initial phases of program startup, setup, configuration, testing and acceptance. To prevent this activity from tapering off, it is critical to provide feedback and monitoring to correct missing or incorrect information.

Proactive notifications and reminders are key to maintaining the pace and frequency of reporting. Your channel data management provider has tools and processes to make this happen. Online tracking enables vendors to check data submission status (on time, late, pending) by partner.

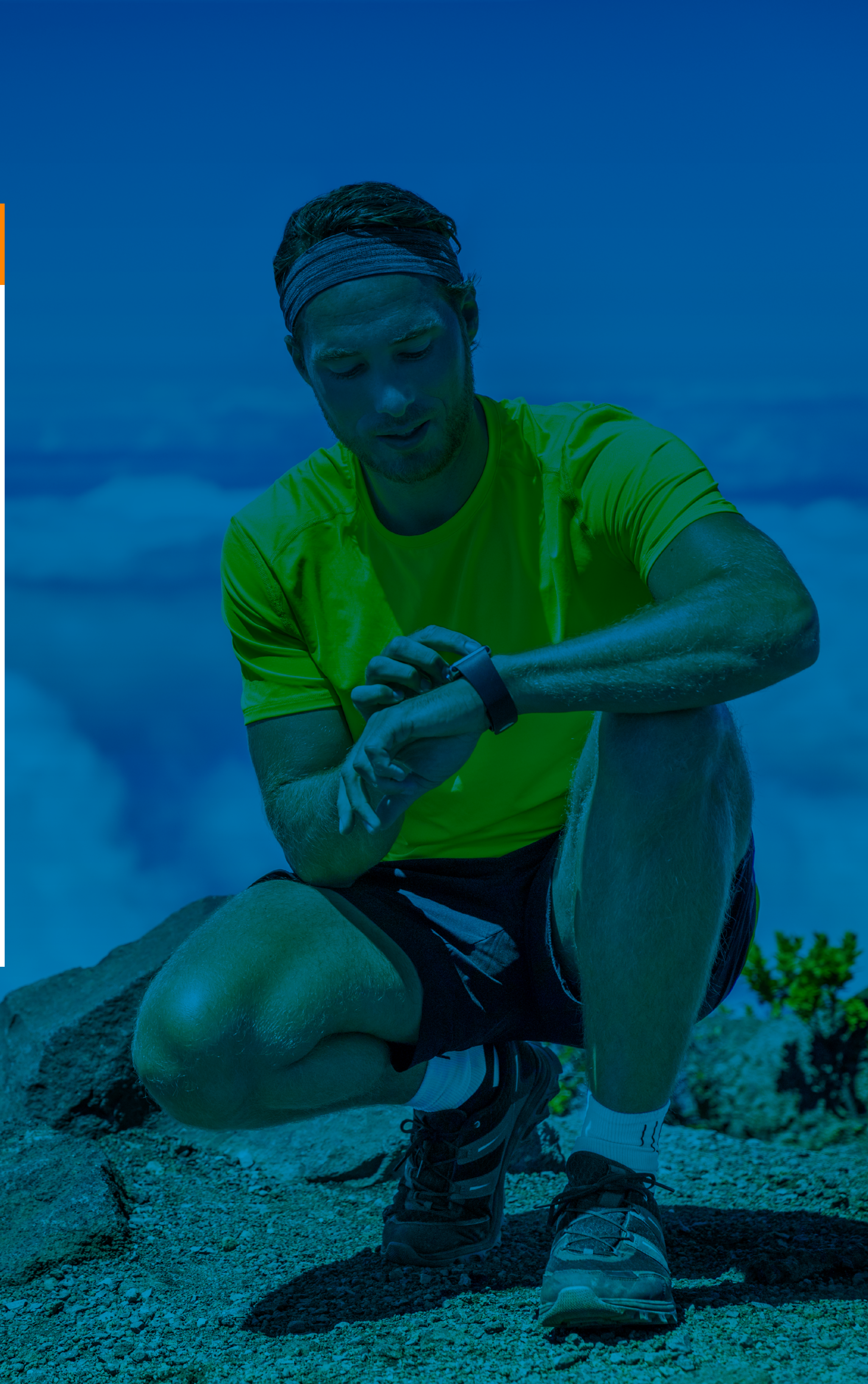
Automated notifications inform vendors and partners of the time and type of the next data submission.

Automated late notifications identify missing submissions by partner, thereby reducing the need for manual follow up. Data submissions are automatically tracked by submission date so vendors and partners can see what data has been submitted. Submission scheduling can be set up on an hourly, daily, weekly or monthly basis, depending on the needs of the partner.

Perform Tune-ups

Once the data collection process is established, it's imperative to keep it tuned. A vendor with different types of partners, multiple regions and complex product lines is often accustomed to receiving a collection of reports from disparate systems, in varying formats, and containing a variety of data elements.

Collecting, compiling, cleansing, normalizing and performing matching and calculations on this data can be time and resource intensive. Thus it's important to revisit what data is coming from whom, how often, in what format, and with what kind of completion and accuracy.



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Quarterly Business Reviews

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For many companies, quarterly business reviews (QBR) are one method to keep channel data performance tuned and partners operating at a high level. Manufacturers and channel partner teams should schedule regular meetings to have better insights into:

Performance Measurement

A well-defined partner performance analysis against plan provides a partner with a good understanding of where they are on their journey to growth. QBRs are critical to help partners confirm that they are achieving what is expected of them.

Partner Scorecards

Partner scorecards are designed to accurately track channel partner performance from the company's perspective, but are also for partners to assess sales and product performance.

Partner Commitment and Success

Participation in a well-defined QBR builds partner commitment and retainment by highlighting successes-to-date and mapping improvements for achieving greater growth.

Relationships and Retention

QBRs keep a company's product front and center and builds awareness. QBRs are a great way for companies and sales to demonstrate they care about the success of the partner and look for ways to incent partners with rebates and market development fund (MDF) programs.

> ***Vendor and partner teams meet to review progress and results, and to decide how to hone the process going forward.***

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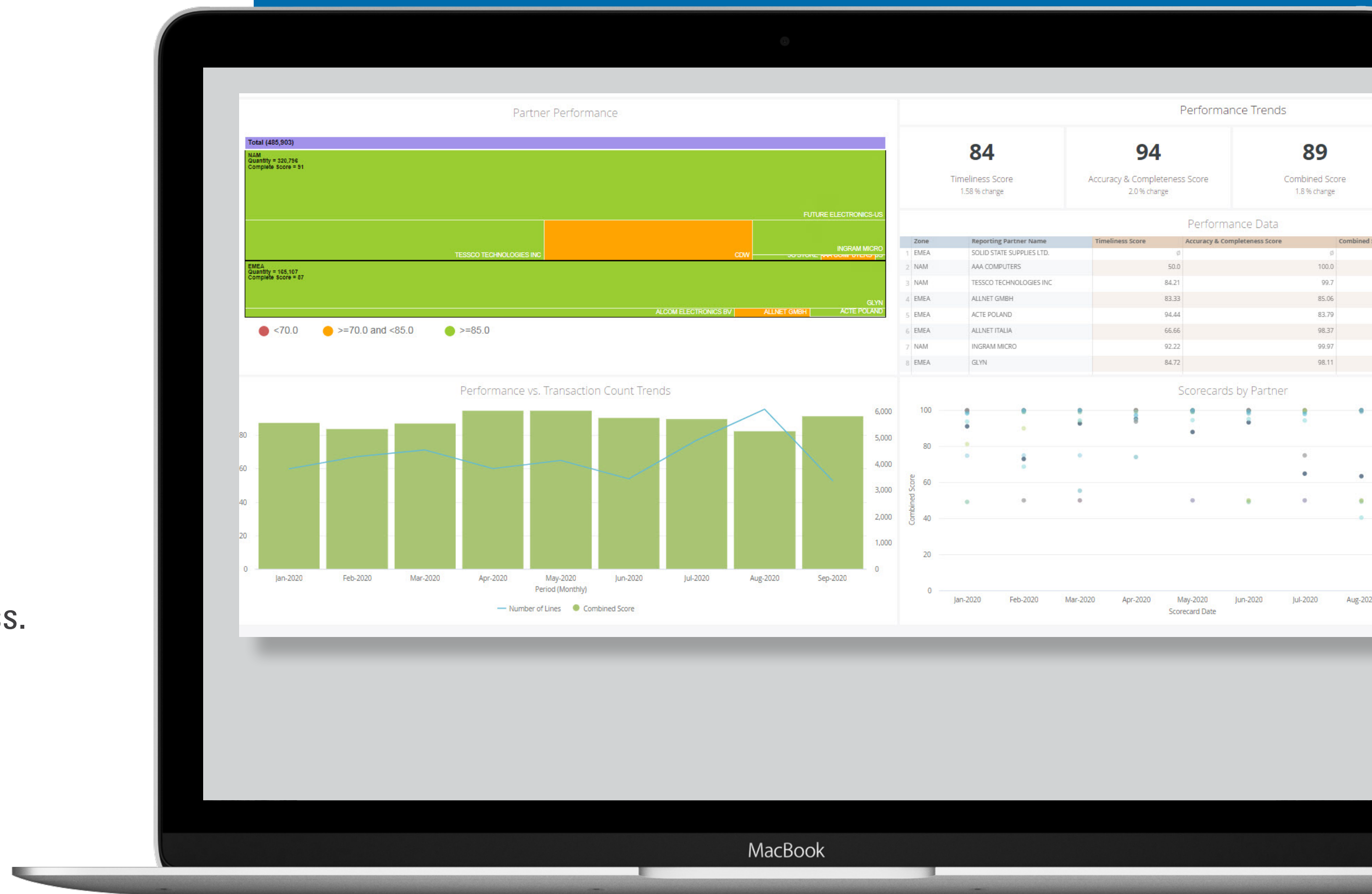
Partner Scorecards

Another effective tune-up technique is to use Partner Scorecards (right). Scorecards employ a quantitative measurement of the data being submitted by partners. Scorecards measure every reporting partner on their datasubmission performance by timeliness, accuracy and completeness.

They can also be customized to measure transactions and inventory differently by region, tier or division. These measures form the basis for an open dialog between vendor and partner, and set a baseline for improvement.



PARTNER DATA SUBMISSION SCORECARD

Benefits of Proper Implementation

As a first step in a Channel Data Management program, accurate data collection is vital to having the kind of information upon which to base sound strategic business decisions and grow business through the channel. Clean, accurate and timely channel data benefits all key business functions in a vendor organization in the following ways:

Finance

Recognize net revenue from channel partners on a daily basis

Increase sales bookings (up to 10%)

Avoid overpaying incentives (average overpayment is 6%)

Prepare financial reports with ease

Conduct financial analyses

Close the books on time, reflecting maximum sales, the lowest inventory needed, and accurate incentive payments

Channel Sales

Gain real-time visibility into channel partner, customer and industry performance

Increase service/ warranty sales

Identify and grow new channel customers and resellers

Quickly and easily forecast channel sales

Quickly and accurately calculate sales rep compensation

Improve partner loyalty and sales by quickly and accurately paying partner incentives

Automatically close deal registrations / calculate ROI

Sales Operations

Reduce IT and Operations time spent resolving data discrepancies

"Stocking" partners report POS and Inventory data daily

Support for multiple data formats reduce partner IT support

Accurate channel data available in downstream systems to accurately close the books, plan production, pay commissions and partner rebates and develop management reports

Identify and reduce grey market activity

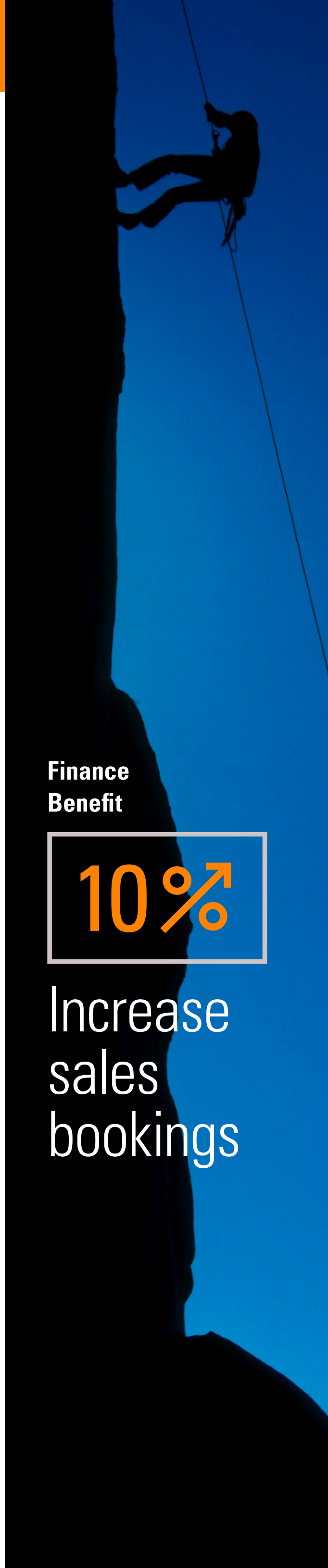
Marketing

Optimize ROI of channel rebate, co-op, MDF and discount programs

Target channel programs to the right partners for the right end customer verticals, improving the performance of programs while reducing program spend on the wrong partners

Effectively measure partner performance by tier (gold, silver, bronze) and reward appropriate partner correctly

Measure ROI on training and certification by measuring partner growth by certification tier



Finance Benefit

10%

Increase sales bookings

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CHOOSE MODEL N FOR MANAGING CHANNEL DATA

Designing, launching and maintaining a robust channel partner data collection and reporting process requires focus, energy and partnership with experts in the field. Getting off to a good start will ensure sustained momentum and increased performance over time, lending confidence to your channel decision making.

The content presented in this eBook is intended to provide foundational information to help with channel partner management, as well as provide best practices for channel data management.

Find out more by visiting
modeln.com/products/channel-data-management/