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Channel Sales Data Drives Revenue And Profitability

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FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY MODEL N | JANUARY 2021

Successful Channel Programs Depend On Reliable Data And Tools

Firms need to protect their margins and revenue streams. By integrating their channel technologies and processes through automated, data-driven programs, brands can safeguard margins and instill confidence among sales and channel partners in pricing, discounting, incentive, and rebating decisions. However, many find themselves unable to capitalize on this opportunity due to technology and data siloes and the lack of a common understanding of the problem.

Model N commissioned Forrester Consulting to evaluate the channel revenue processes at high-tech manufacturing and B2B software companies. Through our survey of 211 senior leaders who are responsible for revenue management and channel strategy, we sought to understand: the state of channel processes; barriers to optimizing sales and profitability decision-making; and the actions they can take to extend the effectiveness of their channel programs.

Key Findings



Clean, enriched, and consolidated channel data provides a vast source of insight for managing channel revenue, uncovering high-value opportunities, and improving the partner experience.



Firms are struggling to stitch together a myriad of channel tools and manual processes, resulting in low-quality channel data that fails to provide a clear and timely view of performance.



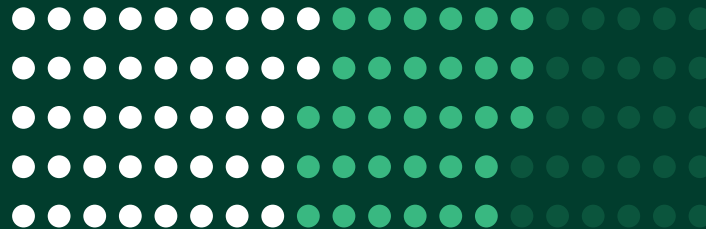
Decision-makers place a high value on solution features that provide a more automated and unified way of managing their channel processes and data from end-to-end.

Accurate Channel Sales Data Drives Sales Operations And Profitability Success

As high-tech companies look to grow their revenue and operational efficiencies, so too grows their reliance on partners and resellers. Indirect channels account for 40% or more of sales for over half of the surveyed firms. The sales data associated with these transactions can be a rich source of insight for optimizing inventory, reducing overpayments/fraud, empowering high-performing partners, and surfacing high-value opportunities. But the size and complexity of partner networks make channel data accuracy challenging to attain. The average technology program has upwards of a dozen or more partner types. Forrester predicts the number of partners will multiply by 10x over the next few years.¹ This may explain why respondents rate improving channel sales data accuracy as their most important sales and profitability objective.

73% describe improving the accuracy of their channel sales data as important to the success of their organizations' sales operations and profitability

● Very important ● Important



Sales data refers to the data an organization uses to make sales and revenue management decisions. Examples include list prices, invoice prices, final deal prices, upfront discounts, post-deal incentives, inventory levels, distribution sales-out, distribution sales-in, etc.

Most Are Using Unreliable Channel Data

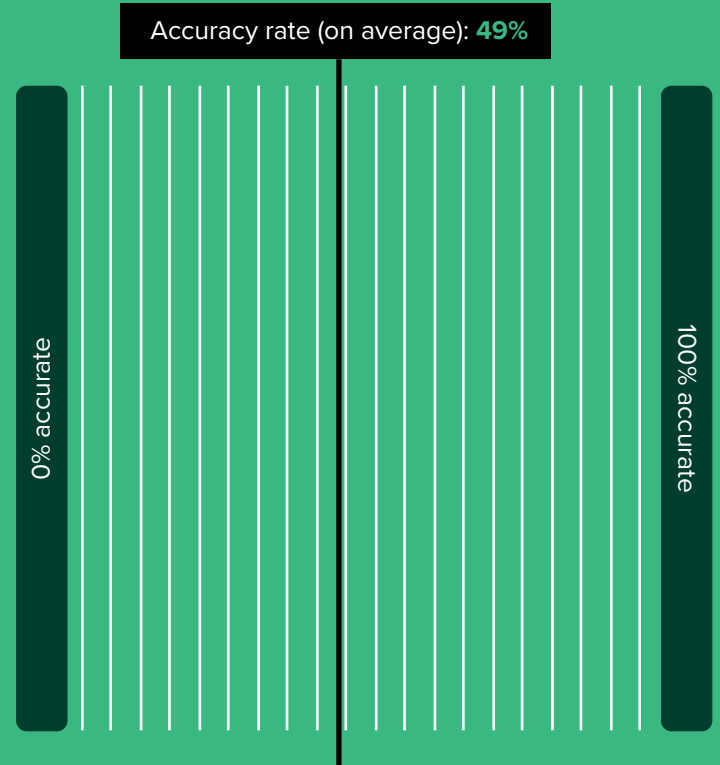
Considering that sales can flow through multiple wholesale and distribution levels, channel data can be delayed, incomplete, and prone to errors. While organizations can enrich this data with various sources, forming a consolidated view that internal and external sales teams can trust requires careful and active management. This is due to the fact that each source may have inconsistent availability cycles, sequencing, and quality levels.²

So, how accurate is channel data? On average, it's 49% accurate. Put differently, if a decision-maker at a high-tech company is basing a critical sales decision on information gleaned from their channel data, the odds — that that data reveals the true state of affairs — are about the same as flipping a coin.



Fifty-eight percent of decision-makers admit that the accuracy of their indirect data falls below the level they need to support sales and profitability decisions.

“Using your best estimate, what is the accuracy of your sales data coming from your indirect channels on a 0% to 100% accurate scale?”



With Channel Revenue Management, More Tools Do Not Equate To More Insight

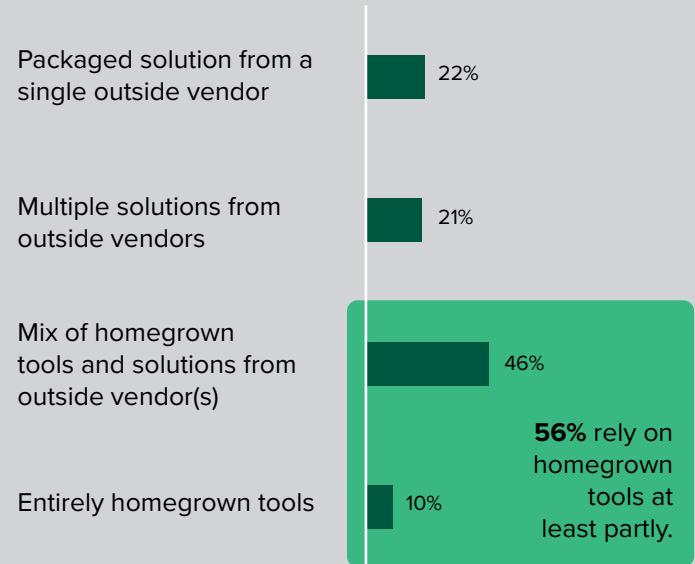
To succeed in a competitive market, high-tech vendors need reliable channel performance visibility. But rapid channel growth has forced many companies to hastily adopt a reactive technology implementation approach just to keep up. The result is an abundance of channel tools with overlapping functionality, which means disconnected data that is prone to duplication, errors, and inefficiency, causing the vendor-partner relationship to suffer.³ Not only are multiple outside solutions the norm, so too are homegrown tools, which 56% of respondents rely on at least partly to support the breadth of processes that underpin channel revenue management.



While modern channel solutions exist, Forrester has found that channel leaders lag on appropriate investment and implementation.⁴

“Which of the following best describes the tool(s) your organization uses to manage channel revenue processes?”

By channel revenue processes, we mean discount rebates, pricing, performance rebates, market development fund programs, and the process to collect sales and inventory data as well as pay claims.



A Host Of Issues Obstruct Decision-Making

Leaders face an uphill battle when it comes to untangling their web of channel tools and data. They say that their organizations' reliance on manual tools and processes and a disjointed view of channel activities are two common barriers to sales and profitability optimization. These issues are made worse by organizational silos and inconsistent sales data entry or taxonomies. In this environment, it's no wonder that 27% struggle to get ahead of fraud or overpayments.

Two pain points complicate matters further. Short product life cycles — which are driven by customers' appetite for a continuous stream of new products that are cheaper, faster, or smaller — require careful analysis and management of pricing and discounting for new and existing offerings. The second, and most concerning, pain point is a culture that fails to understand or appreciate the opportunities that are missed due to poor quality data.

“Which of the following are obstacles in your organization’s efforts to optimize sales decisions and profitability?”

(Select all that apply; showing top options)



Short product lifecycles **(53%)**



Lack of recognition/appreciation that sales data quality is an obstacle **(52%)**



Reliance on manual tools and/or processes **(33%)**



Lack of a unified view of channel sales data and activities **(32%)**



Technology silos **(29%)**



Inconsistent sales data entry **(28%)**



Poor data integration/merging capabilities **(27%)**



Challenges identifying/preventing fraud or overpayments **(27%)**

The Path To Revenue Growth Is Through The Partner Journey, And It's Paved With Data

Savvy revenue and channel pros recognize that improving the partner experience (PX), much like improving the customer experience (CX), is an essential avenue for revenue growth. And in order to do so, decision-makers need data to understand, guide, and improve the range of activities a partner might undertake along their selling journey.

The access to clean, enriched, and consolidated channel data better informs each partner journey phase. It also boosts vendors' ability to act on insights related to pricing, discounting, incentives, and rebating quickly, collaboratively, and profitably.⁵

The Partner Journey

	Strategy & planning	Recruitment	Onboarding	Incentives	Sales/marketing enablement (co-selling)	Measuring & monitoring performance
Objective	Design programs that map the company's needs to partner capability, capacity, and will.	Find the best partners based on their specialization, coverage, and expertise.	Define and execute on an individualized partner development path.	Guide, power, and reward partners with personalized incentive programs.	Work collaboratively with partners to find and convert sales opportunities.	Monitor and control progress to improve partner interactions and workflows.
Activities	GTM, RTM, competitive analysis, objectives and goals, product and pricing ²	Competitor coverage, distribution strategy, budgeting and staffing, partner portal	Onboarding process, education and training, lead passing, competitive battlecard	Tiered program, rebates, MDF and SPIFs, deal registration, loyalty planning, social promotion	Marketing metrics, partner mentoring, through-, to- and with-partnering, deal central and bids, RFP support, competitive intelligence	Program management, benchmarking, conflict management, predictive analytics, supporting software and tools

A Minority Of Organizations Have Conquered The Partner Journey, Regardless Of Phase

While decision-makers understand that they must optimize PX to enhance channel operations and programs, most firms have ample room to improve integration and information flow across their partners' journeys. Fewer than half of decision-makers believe their organization is very effective at optimizing any single stage of the partner journey; and only about one-third or less have mastered recruitment (34%), incentives (30%), or sales/marketing enablement (co-selling) (29%) phases.

“How effective is your organization at optimizing the following stages of the partner journey?”

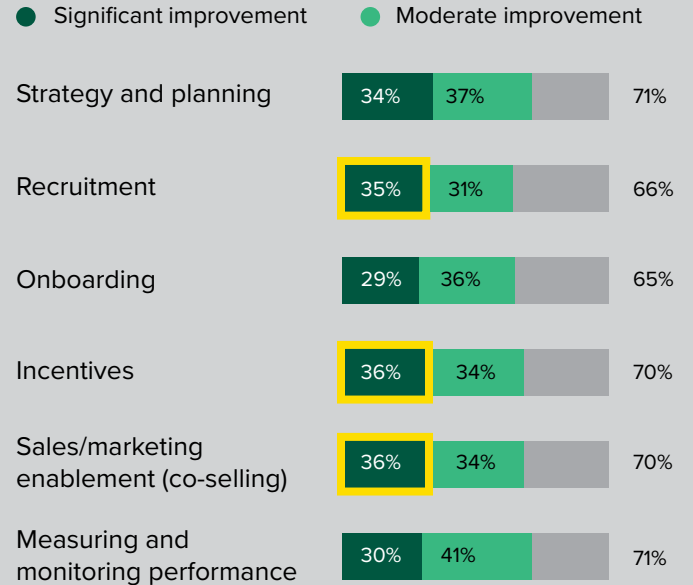
(Showing “very effective” options only)



Even A Small Improvement In Channel Data Accuracy Can Pack A Powerful Punch

If optimizing the partner journey is a company's goal, then channel data which is 50% accurate is not sufficient. However, 100% accurate data may not be feasible nor necessary. While organizations do have more work ahead of them to wrangle their channel revenue processes, simply getting started with improving channel data reliability can move the needle in the right direction. Decision-makers say that even a small improvement in channel data accuracy can enhance their ability to optimize the partner journey. That impact is most likely to be significant in the partner journey phases which organizations struggle with the most, e.g., recruitment, incentives, and sales/marketing enablement.

“Imagine you could improve the overall accuracy of your channel sales data by a small increment (between 1 and 5 percentage points). What impact would that have on your ability to optimize each phase of the partner journey?”



Effective Channel Solutions Are Automated, Integrated, And Data-Driven

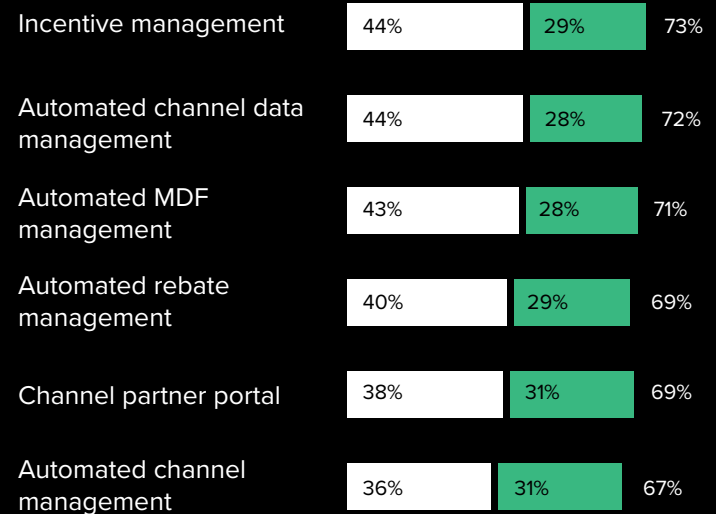
Decision-makers place a high value on technology features that can interoperate across data and organizational siloes and provide a more unified view of channel activities, including:

- Incentive management capabilities to motivate partners and build loyalty (e.g., sales performance incentive funds (SPIFs), loyalty points).
- Automated channel data management capabilities to collect, aggregate, and clean channel data (e.g., POS, inventory).
- Automated market development fund (MDF) management capabilities (e.g., to aid the entire fund-to-claim process).
- Automated rebate management to help with the design and execution of rebate programs (e.g., calculations, payments).
- Channel partner portal for monitoring partner performance and providing self-service tools (e.g., quoting).
- Automated channel management capabilities to streamline channel processes (e.g., ship and debit, stock rotation).

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“How valuable would each of the following solution capabilities be in your efforts to optimize your channel revenue processes?”

● Extremely valuable ● Very valuable



Base: 211 revenue management and channel strategy decision-makers at high-tech companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Model N, November 2020

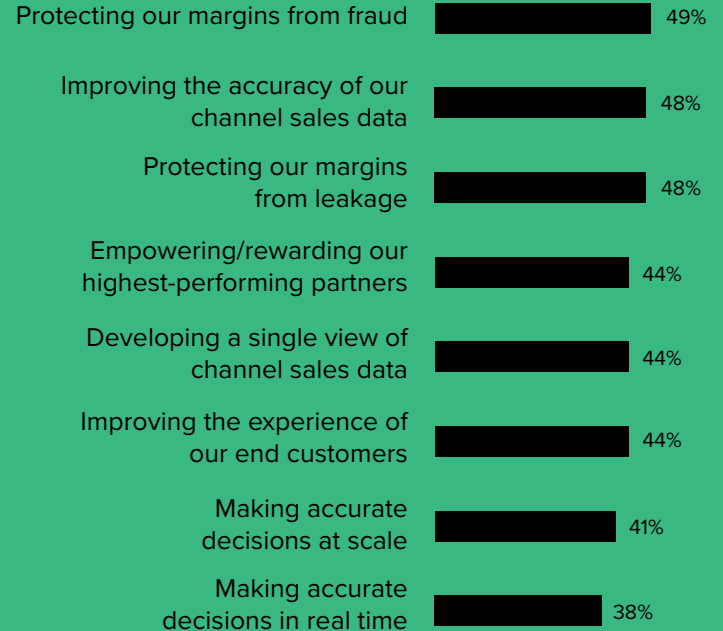
Improving The Level Of Integration And Automation Of Channel Revenue Processes Offers A Range Of Benefits

Companies that curate a channel solution that can bridge their complex tool and process pathways in a more automated, data-driven way are better positioned to safeguard margins and instill confidence among sales and channel partners.

Respondents report that improving the automation and integration of their channel revenue processes has already (or is expected to) help them achieve important sales and profitability objectives. This includes improving the accuracy of their channel data; protecting their margins from leakage; empowering their highest-performing partners; and improving their end customers' experience.

“Which of these objectives have you achieved, or do you expect to achieve, from improving the level of automation and integration of your channel revenue processes?”

(Select all that apply; showing results for top objectives)



Conclusion

Companies that execute a mature, automated, and data-driven channel program provide an enhanced PX, grow faster than their peers, are more profitable, and drive higher customer satisfaction and retention. Smart channel professionals look at data across the partner journey to differentiate themselves from the competition and accelerate faster in the market. They must:

- **Eliminate data silos.** Getting a full 360-view of the partner is critical to making effective pricing, discounting, incentives, and rebating decisions.
- **Improve data quality.** Channel data comes from multiple internal and external sources and formats, and it can be duplicated, error-prone, and time delayed.
- **Unify the technology stack.** A mix of overlapping systems and inefficient manual tracking needs to be replaced with a centralized, agile, reliable, and scalable platform approach.

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Market Impact Consultant

Contributing Research:

Forrester's B2B Marketing
research group



Methodology

Model N commissioned this Opportunity Snapshot. To create this profile, Forrester Consulting supplemented existing Forrester research with a custom survey administered to 211 director-level and above revenue management and channel strategy decision-makers. The custom survey fielding began in October 2020 and was completed in November 2020.

ENDNOTES

¹ Source: “New Partners Won’t Thrive In Current Channel Programs,” Forrester Research, Inc., March 23, 2020.

² Source: “Winning In The Channel Requires Data-Driven Program Innovation,” Forrester Research, Inc., January 2, 2019.

³ Source: Ibid.

⁴ Source: “Unlocking The Power Of Partner Ecosystems Demands Powerful Measurement,” Forrester Research, Inc., March 17, 2020.

⁵ Source: “Winning In The Channel Requires Data-Driven Program Innovation,” Forrester Research, Inc., January 2, 2019.

⁶ Source: GTM: go-to-market; RTM: route-to-market.

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester’s Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

Demographics

COUNTRY

United States: 79%

Canada: 21%

INDUSTRY

High-tech manufacturing: 75%

B2B software: 25%

ANNUAL CO. REVENUE (USD)

\$500M to \$999.9M: 54%

\$1B to \$5B: 30%

More than \$5B: 16%

ROLE

Finance/channel finance: 40%

Sales/channel sales: 23%

Sales/channel operations: 20%

Business/enterprise operations: 17%

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An aerial, top-down view of a rugged coastline. The image shows dark, layered rock formations on the left and right sides, with white, frothy waves crashing against them. The water in the center is a deep, dark blue-green color. The overall scene is dramatic and powerful, with a dark, moody atmosphere.

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