ITA GROUP WHITE PAPER

Evolving Partner Program Levels & Tiers to Modernize Your Channel Program

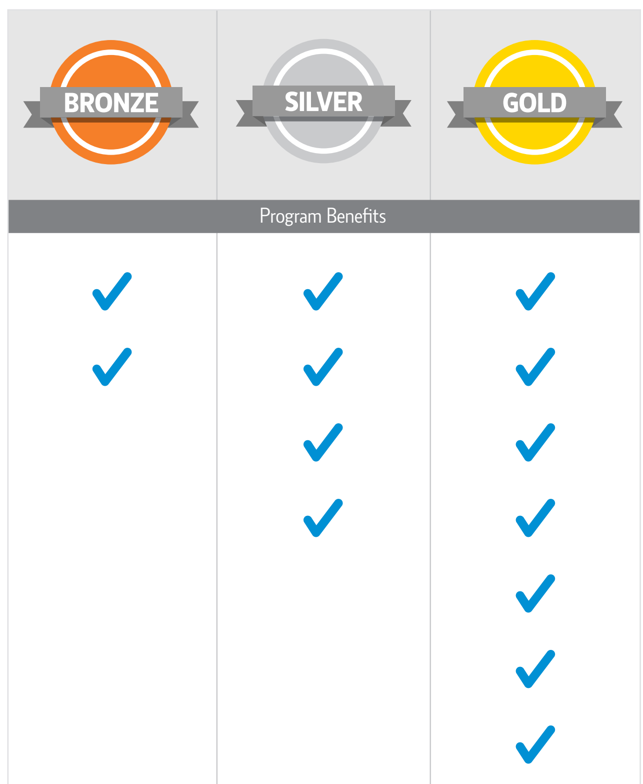
"Is tiering still relevant for my channel? Is it the strongest approach for my audience or are there better options I should be considering?" These questions are top of mind for many channel leaders who are looking to build the best partner program for their brands. **To answer the questions, dig deeper into:**

- How Partners Use the Program
- The Focus of The Program Now & Into The Future
- The Mechanics Of the Tiers
- Existing Tools & Technology to Support Change

What Is Tiering?

Tiering (program levels inside a vendor channel program) dictates the requirements, awards and benefits partners can earn based on their performance. Historically, program creators used easy-to-understand labels to denote tier levels (e.g., types of metals: bronze, silver and gold).

Tiers help easily manage and prioritize partners in your ecosystem.



Using tiers and levels allows channel leaders to productively scale things like rebates, margins, service levels, support levels, marketing tools, training, enablement and vendor resources. To unlock higher levels, partners must meet a transactional revenue threshold and/or complete training criteria.

Building Credibility & Branding

Partners can showcase their tiers to gain market credibility. Many tiering programs use badges (determined by revenue) as a highly visible way for partners to display their status. It's an effective way to also tie partners to your branding.

Are Tiers Right for Your Channel?

Traditional tiering has its benefits. Tiers and levels work well for product resellers. These partner types represent the brand, put products in customers' hands and help reach new markets. Program tiers are an easy way to manage straightforward investment levels based on reseller revenue and profit.

If your channel is only reselling, tiers can be a great option. Use the questions below to determine how complex your channel ecosystem currently is. You might find there are additional partners you need to account for.

SELF-ASSESSMENT: SHOULD YOU REEVALUATE TIERING?

1

Do you have partners in your channel ecosystem who aren't traditional resellers?

YES NO

2

Are resellers supporting renewals, cross-sells, upsells or maintenance?

YES NO

3

Do different roles inside partner organizations support the sale of your solutions?

YES NO

4

Are you working with resellers that serve vastly different markets, buyers or industries?

YES NO

If you answered "yes" to any of the questions above, tiering might not make sense for your channel program in the future.

If you have more than one partner type in your program, then there's a good chance the tiers and structure you currently have in place aren't able to support additional audiences, roles and partner types. The tiers could be limiting your ability to communicate your program's value to new recruits.

On the surface, tiering seems like a valuable tool, and the goals of easily managing and prioritizing partners are good things to strive for. However, as you dig deeper into how traditional tiering works you may find it inadequate for more complex modern channels. For these channels with a lot of role variety, it might be time to move away from tiering.

Potential Tiering Shortcomings in Many Modern Channel Programs

Most modern channels are outgrowing tiers in such a way that their usefulness comes at the expense of a more user-friendly channel program structure that can accommodate the more complex partner types and roles identified in the self-assessment. When working with vendors, partners are looking for ease of doing business, relevance to customers and meaningful awards.

Traditional tiering doesn't always align well to those needs. It is heavily tied to revenue, and so it can't reach audiences that are focused on service, renewals, retention, growth, increased product adoption or even referrals.

Yet tiering is still often used for program portal creation, communication, value propositions, enablement and incentives. Using tiering as a foundation creates layer upon layer of misalignment in a program.

Base: 104 US final decision-makers/business owners and channel partner sales reps who are responsible for or have insights into channel partner relationships and/or incentives
Source: A commissioned study conducted by Forrester Consulting on behalf of ITA Group, November 2020

Limits of a Vendor-First Mindset

By their very structure, tiers impact how benefits are earned by gating them behind revenue walls. Many partners are inhibited by this structure and can't get the things they need because they'll never hit those revenue walls. Benefits aligned with tiers can also feel overwhelming to communicate if any additional perks are tacked on to appease specific ecosystem partners.

Earned benefits are often thought of as a reward, so leaving behind partners who want to grow and work with you can feel disheartening. Not to mention it deprives partners of benefits they need—benefits that tiering only offers to top-level partners.

Tiered benefits are usually hard set, which means it's an all-or-nothing approach used for a diverse set of partners who are in different stages of their business, growth cycles and sophistication levels.

Tiering favors vendors—it was designed by vendors from their perspective to help their internal teams. For partners, however, it can feel inflexible and irrelevant.

Evolution of Products & Services

Business channels are more complex than ever before, and the simplicity of tiering often isn't flexible enough to handle the challenges of the not-so-simple world.

Consider, for example, some of the common ways that channels have changed in recent years.

1

Industries are adding recurring and service-based revenue. These recurring revenue streams take many forms, including XaaS, SaaS, MROs, consumption or premiums.

2

There's been a decline in relationship-driven sales. Companies now need to market themselves as a brand, have a strong digital presence and sell on quality or price.

3

Technological solutions are getting more complicated. Technology is changing how people do business, adding complexity and new roles to channels. Buyers want niche expertise. With so many ways to buy products, competition is fierce.

What might have been previously considered your indirect channel is now part of a multi-layered partner ecosystem that encompasses all the ways you go to market. These people are critical to helping you maintain market share in an economy that's now built on recurring sales, plenty of choices and free-flowing access to information that's no longer gated behind a salesperson.

All these changes have shifted vendors from focusing strictly on product sales to focusing on sales and service levels as the line between who "owns" the customer gets blurrier. Incorporating service levels in programs requires more finesse than in the past.

Because the modern channel structure is so different and encompasses so many differing roles, traditional tiering programs can seem outdated instead of rewarding. They feel like they were designed in another era—because they were. Channel leaders don't want partner programs that feel irrelevant or only significant to a small fraction of partners.

Complexity of Adding New Programs & Partner Types

Vendors often tack on additional programs specific to the new roles and partner types in their ecosystems as a way to fix outdated tiers. They feel prompted to build new tiers inside of a new program or additional tiers in their existing program to try to address the unique needs of the new ecosystem partner types and roles.

Adding additional programs means partners have more tracking, numerous logins to manage and extra rule structures to navigate.

The extra programs also increase workload for the internal teams who must maintain the systems. The amount of work participating partners and internal teams face is compounded. In the end, programs become too cumbersome and complicated to be effectively used.

Segmentation: The Answer to the Problem

Focus on segmentation as a starting point for how partner roles engage with your program. Tiers may come into play inside of that segmentation, but by changing the focus from **gatekeeping** to **enabling** you can keep your program relevant and motivating for your whole partner ecosystem.

How to Move Away From Tiering

If your or your partners struggle with the program because it's inflexible, complicated or built for a different kind of partner, the next question would be "How do we fix it?" The solution isn't simple, but it can be tackled in steps. The trick is to focus on segmentation instead of on tiers.

Evaluate Where You Are

Before moving forward, you must get a grasp of where you currently are. **Consider the following questions to collect intel on your current program:**

- How many programs do you have in place?
- Who is eligible?
- What are the requirements to participate?
- What benefits are available?
- How are benefits earned?
- What benefits are being used and by whom?
- How many partners do the programs reach?
- What roles inside the partners are you focused on? (e.g., partner owners, sales reps, marketing, service reps, technicians, engineers, etc.)
- Are there top-level financial earning opportunities? If so, what are they, how much and what's the criteria to earn them?
- Are there additional incentives and promotions? If so, what are they, how much and what's the criteria to earn them?
- How do your internal field and administrative teams feel about the programs?
- How do your partners feel about the programs?
- What are your competitors doing?

Once you have these answers, compare them to see where you have overlap. Then add partner and internal feedback about what partners liked, disliked, tolerated or missed altogether in the current program. Use this data as a foundation for what's worth keeping and cutting.

Here are three examples of how ITA Group uses data to support channels as they move toward segmentation.

Journey Mapping

Clearly define where to update and re-align your partners' experience based on their work and your understanding of their current path within your programs. Use assessment, research and documented visuals of their paths.

Discovering New Intel

Know exactly how partners and internal teams feel about your channel program and what matters to them moving forward. Use expert-designed surveys, focus groups, interviews, studies and bespoke research.

Gathering Competitive Intel

Learn where you might be losing market share or fighting to keep up with competitors. The right mix of research on competitors, buyers' journeys and customer segments will show how to evolve, innovate and invest in your program.

Align Your Current State to Future Goals

With foundational information in hand about your existing programs, begin to layer in your business goals. Ask big-picture questions like “Where are we trying to go as a company?” and “What specific goals do we have for the channel?"

As clients look to the future, we hear the following common goals (which aren’t always reflected in their existing channel programs):

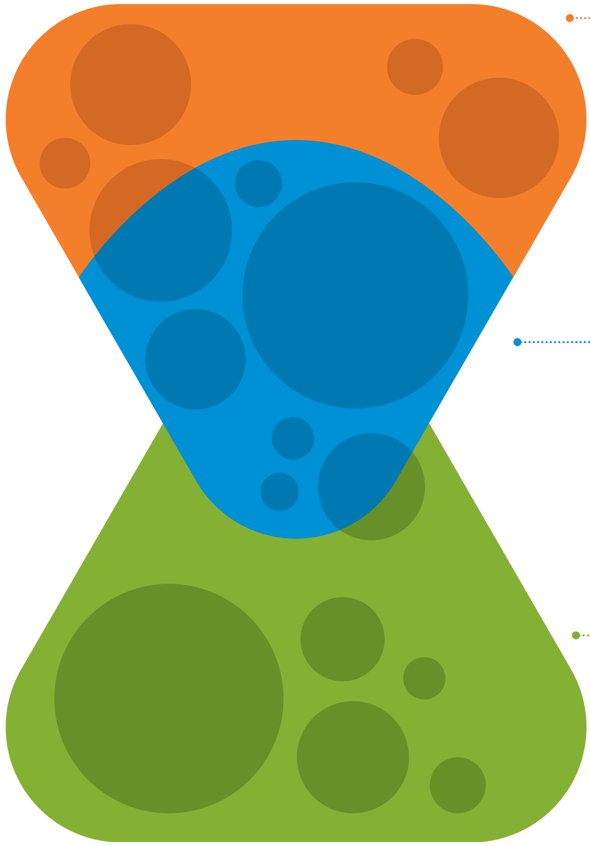
> Growing revenue in new product areas
> Growing revenue in specific high-margin products
> Growing revenue for services
> Growing revenue for different payment types (recurring vs. one-time investments)
> Measuring success, growth, revenue and eligibility in new ways (e.g., dollar amount vs. quantity, volume vs. lifetime value, etc.)
> Increasing brand consistency across independent dealers, retailers, reps, franchises, agents, etc.
> Increasing service and satisfaction metrics
> Growing loyalty (measured by repeat purchases)
> Simplifying the partner experience to increase engagement
> Positively impacting the customer experience through the channel
> Growing partner capabilities and competencies
> Growing influencer channels to gain referrals and be top of mind for those who recommend solutions

Knowing where your business is headed will help determine how to re-structure your channel program successfully for more relevance. It’s useful for identifying partner types, coverage gaps and alternative roles to focus on inside your program.

Mapping Your Future Goals

Another way to think about the future state of your program is to map your business goals to the point in the buyer's journey where you need your channel partners to make an impact.

Imagine your channel as the funnel on the right, then map your current programs where they would fall in the funnel based on business goals . Objectively place your partners within the funnel so they're aligned with their current business focus. This image will end up showing your whole channel partner ecosystem, giving you a holistic view of where you're driving performance (or where you need to drive it).



Influencer

Someone with the ability to influence a potential buyer by promoting, recommending and referring a product or service either online, in person or some other way.

Transactional

The segment of your partner ecosystem that plays a role in sourcing, producing, distributing and selling your products and services.

Retention

A retention channel is helping you retain, reactivate, renew, upsell, utilize and cross-sell your brand.

Influencer: Are you trying to grow at the top of the funnel by increasing how often your brand comes up in searches? Are you trying to grow leads, referrals and advocates? These are influencer-focused programs and partners.

Transactional: This is the area where we tend to see a heavy emphasis. These are traditional resellers, VARs, distributors, wholesalers, independent representatives or agents. Programs and partners focused on sales, sourcing, producing and distribution fall here.

Retention: This bottom-of-the-funnel area has seen large growth. These programs and partners focus on increasing recurring revenue, growing existing customers; improving service and support levels; increasing customer satisfaction; etc.

The overall funnel visual is the most useful in helping identify different partner types, coverage gaps and alternative roles you should be focusing on inside your program and levels.

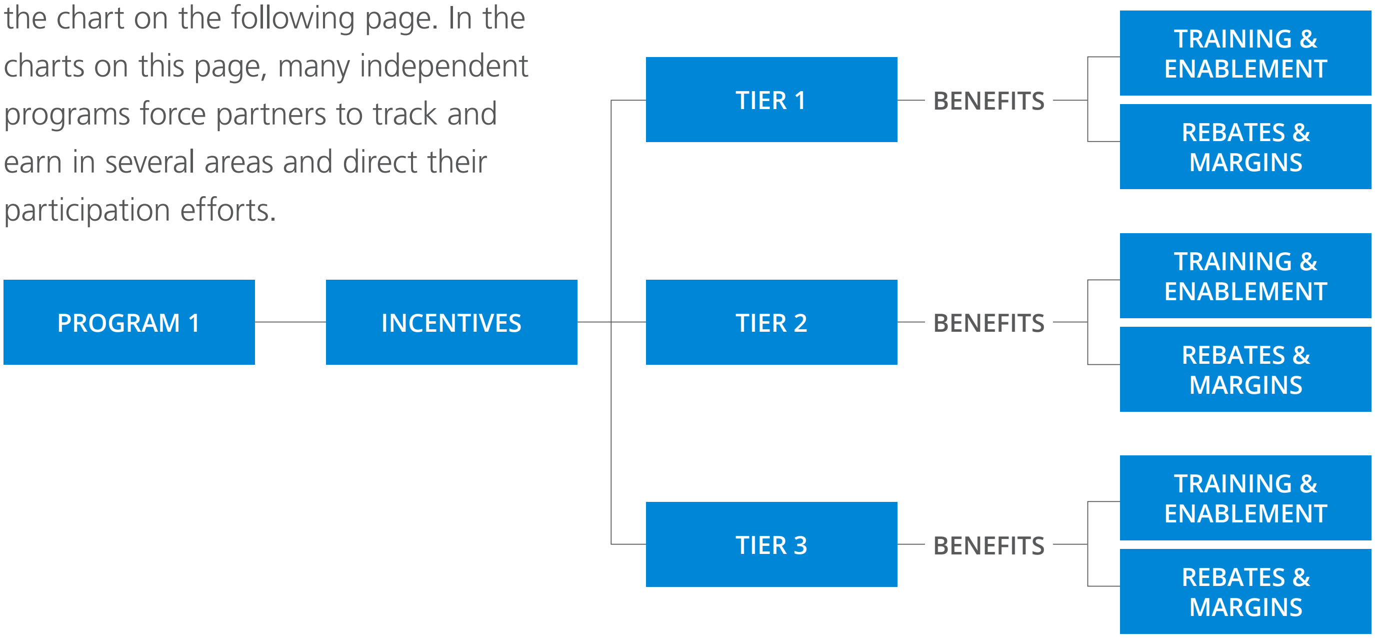
The process of mapping partners into the funnel visual and looking for gaps might create the impression that you need even more programs to meet your needs, but as discussed previously that will increase administrative headaches. Encompassing these different goals and partner roles inside a single program requires more than tiers alone.

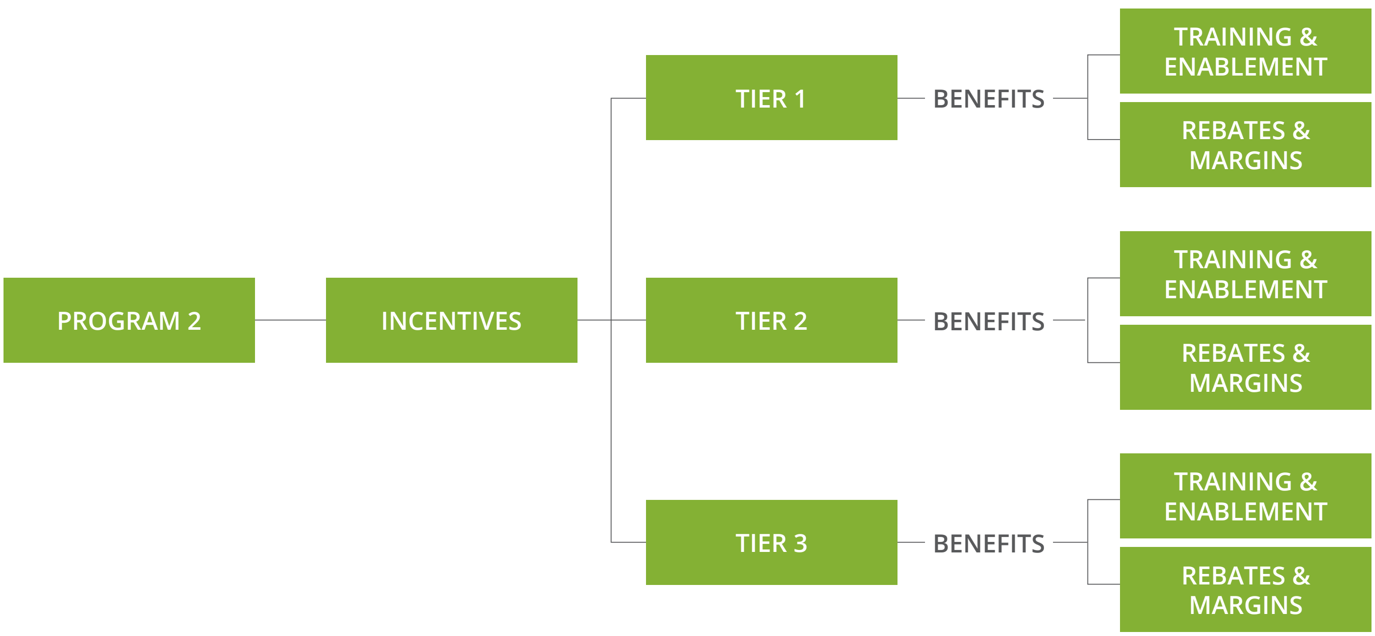
Redefine Tiering & Levels

The previous steps of evaluating your current programs and mapping them against your business goals will inevitably leave you with a lot of information (and ideas) about how to change your programs for the better. How do you revamp the tiering and levels to account for all the variety in just a handful of tiers? **Kick tiers to the curb in favor of segmentation!**

Advanced segmentation accounts for all the variation in a single program. In a consolidated partner program, segmentation flips complexity on its head. It makes the program simpler for partners to use and internalizes the rest of the details.

For example, compare these charts to the chart on the following page. In the charts on this page, many independent programs force partners to track and earn in several areas and direct their participation efforts.





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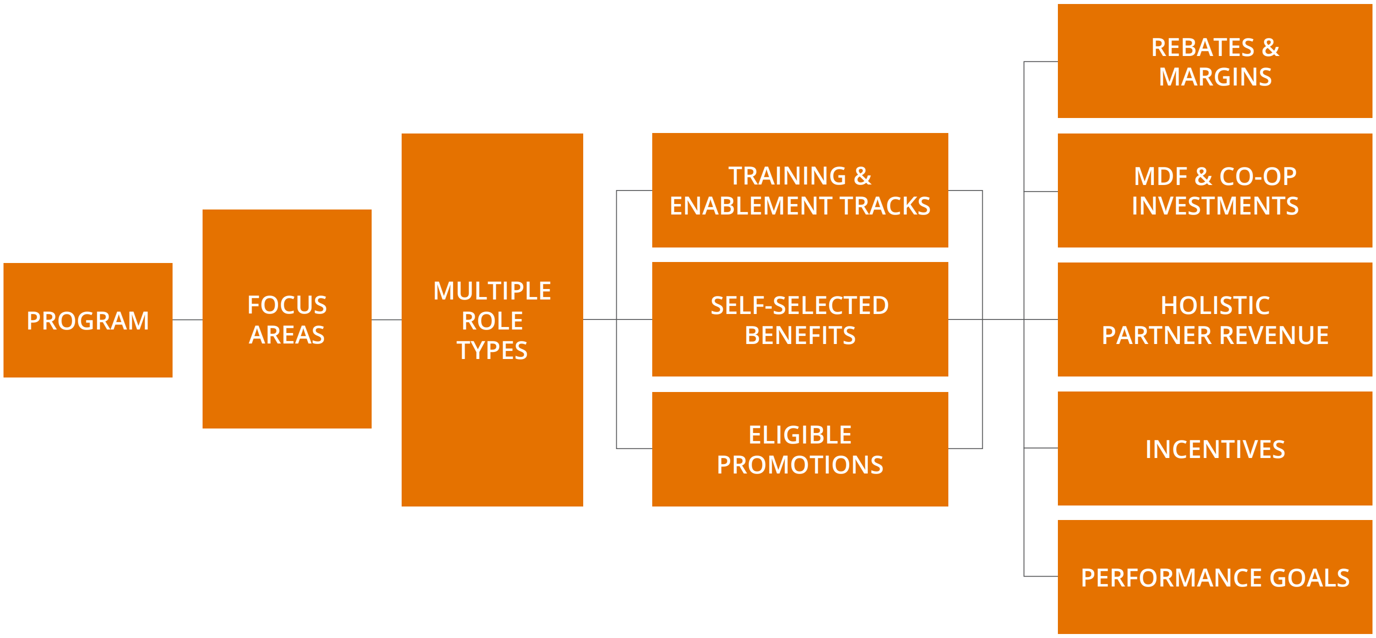
In the second (below), partners have increased flexibility, relevance and scalability across multiple roles. Your team will cover some of the complexity in favor of making the partner experience simple and customizable to specific focus areas.

Tackle the variety of partner roles by focusing on segmentation vs. tiers.



Letting partners join the program and choose their focus areas gives your brand powerful insight into partners' go-to-market strategies and alignment to corporate vendor goals. Focus areas could be:

Customers

(who they sell to)

Industry or Vertical

(what they specialize in)

Go-to-Market Strategy

- Selling (they want to sell products only)
- Servicing (they want to sell and service clients)
- Intellectual Property Creating (they want to create joint market strategies)
- Advising & Consulting (they want to council)
- Referring (they want compensation for leads)

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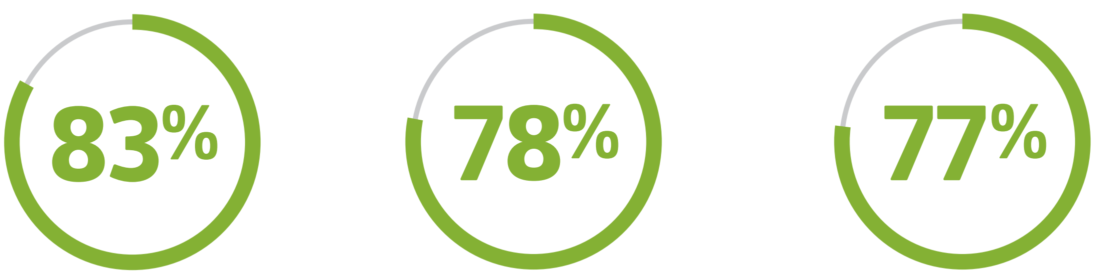
Segmentation Allows for Personalized Channel Programs

Collecting partner information (either upfront or over time) can help deliver relevant benefits, enablement and promotions by allowing for personalization. With more personalized channel programs, partners are more inclined to increase sales and influence the purchase of your brand's products and services.

As partners continue to grow their business to add new products, services and capabilities, segmentation gives you flexibility to grow with them (or even help them grow into the competencies you need) without an entirely new program.

"How would personalized marketing and incentives based on the factors below impact the amount our organization influences/sells that vendor's products and services?"

● Increase/Significantly Increase



My company's industry

Routes to market (e.g., direct, e-commerce, subagents)

The services, products and solutions my company sells

Base: 208 US channel partner owners and channel partner sales reps who are responsible for or have insights into channel partner relationships and/or incentives
Source: A commissioned study conducted by Forrester Consulting on behalf of ITA Group, November 2020

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Shifting Tier Benefits to Reward Choice

This method of segmentation helps you move away from tiered benefits to earned rewards that focus on giving partners choice.

Use the revenue thresholds and the combined value of the benefits and perks offered in your established tiers as a starting point for where, when and how to offer benefits.

If you break tiers apart into individual benefits with specific revenue needs, then you can offer ways for partners to use points to earn toward their most relevant perks.

Partner choice could be used with *any* of the benefits previously gated behind tiers, enabling partners where they need it most.

At a macro level, small partners may need more turn-key marketing packages while larger partners may need extra support or access to knowledgeable resources. At a micro level, participating sales roles (like reps) might prefer a selling course whereas serviced-focused roles might prefer merchandise or tools.

Studies show that people are more motivated to achieve self-selected goals. Instead of locking partner owners into predetermined benefits earned on revenue, break down awards into milestones so participants can select goals they're working toward. Incenting these goals motivates partners to grow with your brand as they work toward their self-selected milestone benefits.

The reward structure allows you to account for revenue thresholds to ensure benefit offers make fiscal sense and provides more relevance to partners and their employees.

Let partners select what they need most, and they'll remember how you helped them meet that need.

Balancing a Single Program vs. Multiple Programs

If you decide to keep your independent programs, ensure the partner experience isn't suffering because of it.

Here are some questions to think about as you evaluate how independent programs and the partner experience are connected:

- Can you consolidate some programs?
- If your current programs are brand or product line specific, is this because you don't have overlapping partners and customers? Or is it because of siloed budgets and marketing teams?

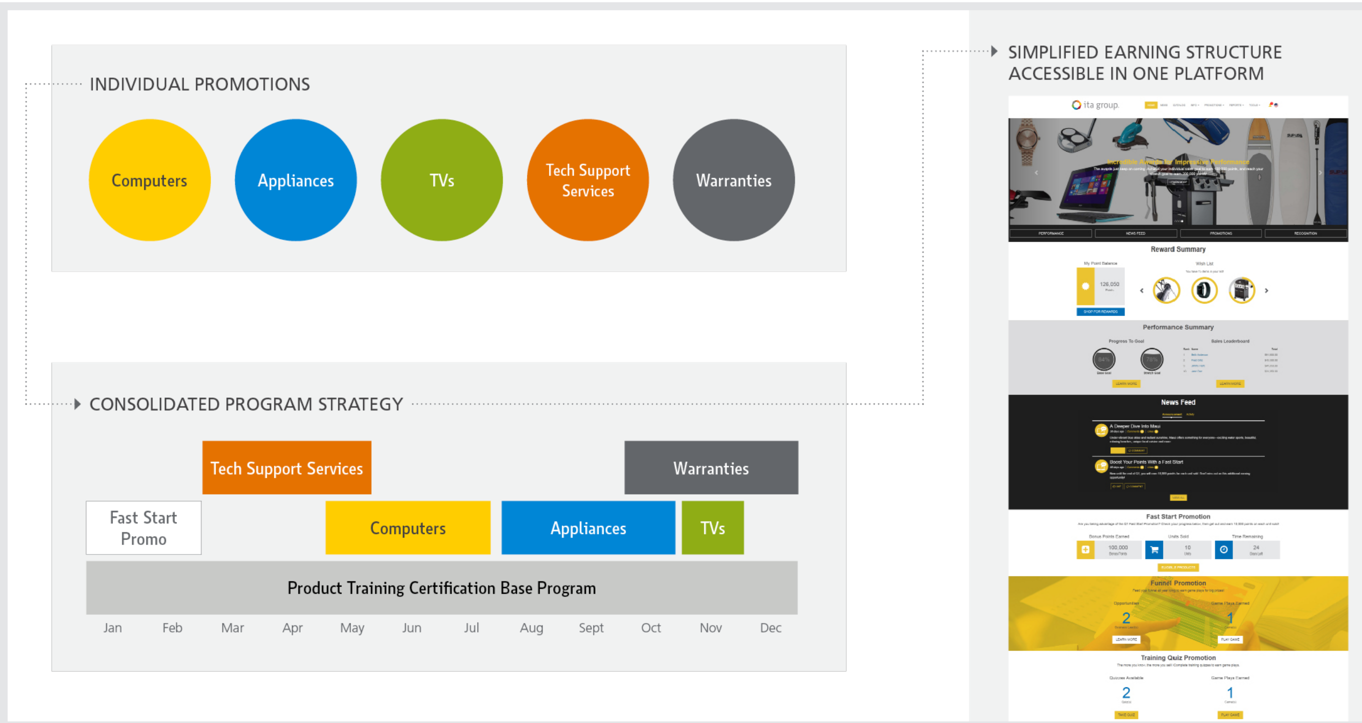
If you can consolidate details for partners and handle complexity internally, it can greatly simplify (and improve) the partner experience.

By flipping the complexity of your program on its head, you make it easier for your partners to do business with you.

Adding or Limiting Competencies

Internally you can limit or add competencies as it makes sense based on partner coverage, revenue and/or volume. Scalability, ease of experience, and growing revenue are ultimate goals. Consolidating to one platform will help do that.

Here is a simplified example of what it can look like:



A manufacturing company running multiple programs, SPIFs and certification tracks faced confusion with multiple logins, items qualifying for multiple promotions on the same invoice and constantly changing training requirements.

The organization chose to consolidate their program into a base-earning platform that housed training and enablement, and then layered in segmented special promotions and SPIFs. The new program consolidation and targeted segmentation allowed them to account for cross-product earnings, simplify the partner experience and offer more sophisticated SPIF opportunities.

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Making Effective Changes

Five other elements to consider before restructuring your channel program include technology, timing, reputation, resources and communication.

1

Technology

Determine if your current technology can sustain this type of change. Can you provide the flexibility and scalability needed inside a single (or a few) programs? If not, you may need a newer platform, designed specifically to meet sophisticated segmentation and personalization needs around engagement, enablement and incentives.

Ask if your current technology can:

- Allow each sales record, submission, invoice and receipt to be submitted once across all current promotions
- Support a single sign-on platform for all partners, while also providing personalized, relevant experiences for each segment
- Consolidate earnings into a single pool so participants can redeem them for larger benefits
- Integrate with any necessary elements to improve user access to marketing, enablement and training tools
- Maintain hierarchical reporting and viewing
- House multiple layers of administration, regionality, reporting structures, etc.

2

Timing

Be aware of the timing for the changes you're making. How quickly you make changes depends on how partners feel about the current program. If your partners have negative feelings toward your current program, then a faster replacement and rollout may be in order.

For an effective replacement program to re-launch, you need to show sweeping changes based on their feedback to create buy-in for the new program.

If partners have good feelings about the current program, then you'll need to incorporate changes slowly, so they know their favorite elements are being kept in place and improved.

Regardless of partner feedback, don't rush a program re-launch. Giving partners a consistent, quality program builds a stronger brand connection than giving them an inconsistent one that changes frequently.

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3 Reputation

Focus on where to improve the partner experience while maintaining elements to keep partner relationships and reputation top of mind.

When you're evaluating what to keep and cut, ask, "How will making these changes help or hurt those relationships?"

Be sure to invest in some sentiment research or partner surveys to understand what is broken and what partners need from you to be successful.

4 Resources

Crunch the numbers! Make sure you model the impact of these decisions, investments and financials.

Do you have the right incentives and enablement in place to motivate your partners and individual participants to meet their goals? Do you have the resources to build those out? Consider outsourcing some tasks if you need to augment lean channel teams.

Know what elements you're consolidating and how different partners will interact with your program. Do you have the capacity to create elements for different segments? You may be in a situation where you need to start with a few core competencies and add additional tracks or segments slowly over time. It won't (and probably shouldn't!) happen all at once.

5 Communicating

When you're ready to make changes, you must over communicate. Share your message early and often. Explain how you decided on changes, when you'll implement them, and what they mean for partners and your internal stakeholders.

Keep in mind the messaging could (and should) change depending on the roles and focus areas of the partners and stakeholders you're sharing it with.

Don't forget your field teams either. These CAMs/PAMs/Territory Managers (whatever your brand prefers to call them) are on the front lines with partners. You need to sell the changes to them first so they can create excitement and engagement with hard-to-reach teams in your channel. With them onboard, you can go out and sell your partners on the updates.

Always remember to figure out what's in it for your partners and field teams so they can help you grow your channel business.

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The Value of Implementing Segmentation

Shifting from tiering to segmentation creates better relevance for partners and increases their engagement (as well as their performance) in your program. This can be a big change, but you don't have to do it alone. **Having a trusted partner by your side to guide you can help in areas such as:**

Program Simplification

A refreshed, consolidated channel program strategy helps activate new and existing partners by overcoming the limitations of complex, legacy or lagging programs. You'll feel confident knowing you're making the right changes and updates based on partner-centric behavioral analysis, program benefits research, and UX and PX assessments.

Program Innovation & Best Practices

You'll know where and how to invest time, resources and improvements effectively by using a combination of partner feedback, expertise and program data analysis. Innovative, proactive recommendations like earning structure, communication tactics, additional incentives and more will make the partner process as easy as possible.

Segmentation

Advanced segmentation helps you overcome channel complexity and lagging partner motivation. Industry-specialized analysts look at your internal data, third-party data and your business goals to identify key segments, including behavioral design tactics to motivate each group.

Modeling & Forecasting

No more guesswork. Sophisticated modeling and forecasting show exactly how promotions, SPIFs and incentives are performing. Channel data analysts run your historical performance data through thousands of iterative scenarios to accurately predict performance curves. The result leads to an optimal rule structure that turns budgeted dollars into maximum engagement.

Ready to move beyond tiering and take your channel incentive program to the next level? Let's talk!

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