



## Channel ROI

### How we do it: a step-by-step approach

Providing proof of program impact and ROI can be difficult amidst the rising number and complexity of channel programs. In this eBook, we share strategies to determine the true lift of programs through proper data evaluation, to identify program modifications that work for specific partner segments and to ensure programs drive your Go-to-Market objectives.

Many technology and telecommunications vendors find themselves in the predicament of being unable to apply sound data driven management to optimize channel spend. Contributing to this challenge is the ever-increasing channel spend and complexity indirect sales programs have experienced over the last decade. Channel chiefs and their teams are under pressure to provide proof of program impact and ROI but most do not have their data in the right state to do so in a compelling manner.

With both the complexity and number of programs on the rise, it has become progressively more difficult to get a clear picture of whether partner programs, and the corresponding channel spend, deliver true revenue lift and ROI. There are multiple factors causing this dilemma:

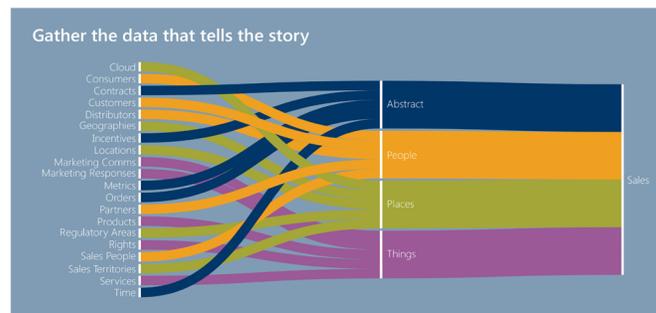
- A trusted, clean and integrated source of actionable data is often missing. Channel managers are faced with a higher velocity of transactions through the channel, while having to deal with a more complex set of partner programs. Getting a handle on all the different data elements needed to manage this dynamic can be daunting. Without it there is little capacity to provide the foundation for data-driven management decision making, leaving channel managers in a run-and-gun mode.
- Gaps exist in evaluating channel program effectiveness, resulting in poor execution. Data is critical for making smart investment decisions, but evaluating the data properly can be challenging. We often see certain partner programs incorrectly correlated with higher revenues without the necessary data to identify if they are truly causing those revenues. For example, it may look like rebates are causing higher sales but this is not necessarily the case: instead of truly causing higher sales, they happen to appear in higher volume during periods of increased sales because more product is moving. Determining the true lift of program incentives is required to maximize return on incentive investment so that the channel manager has the credibility to increase or decrease program funding depending on their success.
- Misapplying practices from one partner segment and/or geography to different areas. Performance varies by partner, region and program so it is a mistake to assume that a successful program from one geographical area or segment of partners will yield the same results in all geographies or for all partners. It is vital that programs be tailored by geography and partner type or segment to meet the unique needs of the target audience.
- Partners expect more from channel programs wanting to collaborate on their go-to-market strategies. This ideally leads to the rollout of programs with a balanced mix of pre-sales enablement plus incentives plus post-sales rewards. However, the ability to jointly measure and evaluate the outcomes of these programs has not kept pace with their adoption.

At Vistex, we have an analytics team dedicated to helping clients solve the many issues caused by the growing complexity of channel programs. This is accomplished by integrating and analyzing critical data to inform data-driven decisions and thereby improve partner and program performance.

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### Step One: Data Cleansing

We scrub, structure and aggregate the disparate data sources to lay the foundation for analysis. This data quality exercise delivers clean, trusted data that is not only easy to work with, but can be readily analyzed to identify prescriptive measures and actions to optimize program performance. This is the most important building block upon which the rest of our analysis can be carried out. It is worth noting that data quality work often consumes up to 60% of the effort, when based on raw data sources. We work collaboratively with clients to develop our own in-depth data understanding, including domain-specific data elements, definitions, hierarchies and aggregation levels so they can gain immediate value from our work.



#### Dynamic Analysis

Start with as much data as possible. Sales data and incentives data are key. Cast a wide net and draw from many sources. Establish the links between that data and try to hang everything off sales.



#### Data Cleaning

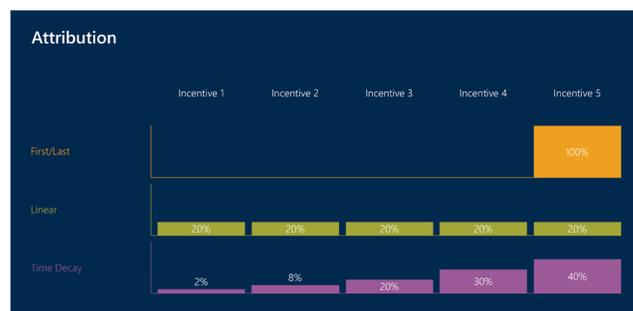
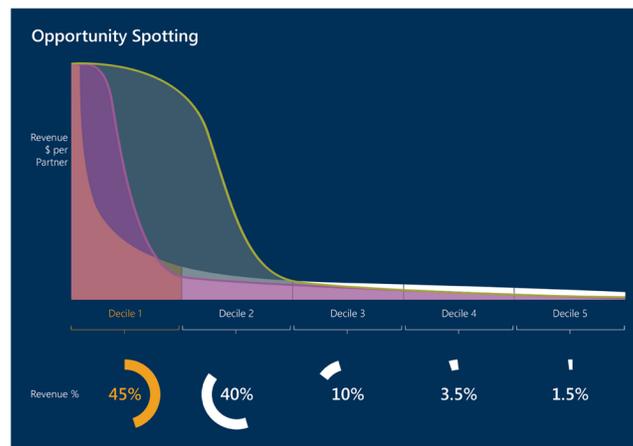
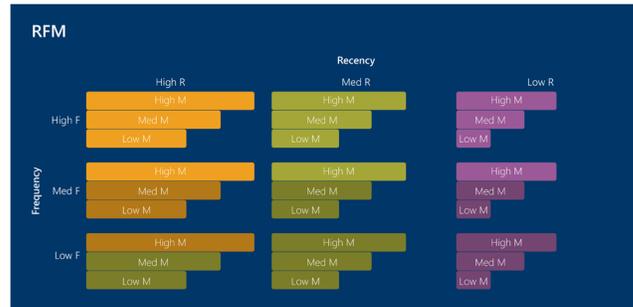
Once the data is entered, it is important to go through and make sure everything is correct. Clean up the data by fixing, removing, and combining entries that cannot be automatically filed or connected to each other.

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### Step Two: Segmentation and Distribution Evaluation

This is followed by a multi-step analysis beginning with Recency-Frequency-Monetary (RFM) segmentation and a Pareto revenue distribution evaluation. These analysis first rank-sort partners from most to least valuable then group them into sets representing 20% increments of revenue contribution (20%, 40%, 60%, etc...). Once this is complete, the ranked partner

Matched Control Methodology identifies to what degree program participation actually moves the needle on partner performance.



**Step Three: Matched Control Methodology**

We then apply matched control methodology to identify the true sales lift generated by channel programs (individual and in aggregate). This isolates a single variable then splits a sample into two different groups: the analysis group that participated in the incentive and the matched control group that did not participate in the incentive. This is used, for example, to evaluate partner performance related to a rewards program, comparing two groups of similarly valuable partners – one that participates and one that does not. We compare the results for incentive participants and non-participants to identify the incentive programs that are the most effective and to what degree program participation actually moves the needle on partner performance.



**Step Four: Program Optimization Calculator**

Lastly, we develop a “program optimization calculator” based on the model that enables clients to set up and run “what if” scenarios to test out strategic changes or modifications. Scenarios can be broad, covering a wide range of partner types and regions, or narrowed down to identify the likely outcome from a specific change to one region or program. This knowledge helps clients gauge the results of their programs before they are launched so potential issues can be identified and modifications made to maximize channel investment.

**Conclusions: Actionable Insights**

Our analysis provides clients the clean, actionable data needed to design simple, elegant, and scalable models to help them to gain consensus to move forward program enhancements and extensions to additional regions and partners. This is enabled by the ability to present compelling “what-if” scenarios sharing the forecast performance and financial impact of program modifications. The process described here can serve as a guide to management teams, showing them how to achieve increased profitability, and positioning them to generate growth while capitalizing on the changing nature of channel program demands.

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- Rights & Royalties
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Vistex provides enterprise solutions that manage pricing, incentive, rebate, royalty and channel programs to enhance business performance while reducing labor and infrastructure costs. The industry-optimized Go-to-Market Suite® provides end-to-end solutions for design, management and administration of the complete spectrum of programs. With an unparalleled offering of software and services, enterprises are empowered with unprecedented visibility into program performance, gaining deeper insights to better enable fact-based decisions that drive revenue, control cost, minimize leakage, and streamline processes.

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