



Using Channel Data Management to Improve Channel Performance

Channel leaders face increasing pressure from management to demonstrate measurable results from investments in channel resources and programs

Improving sales-out reporting is the first step to increasing the accuracy of data used to measure and pay supplier sales compensation and partner incentives

Developing a comprehensive channel data strategy can provide additional visibility into partner capability and performance

For more than a thousand years, people have been putting messages in bottles and tossing them into the ocean in hopes that they will wash up on some far shore. The first documented bottle launch was an experiment during the time of Aristotle to see if large bodies of water were connected. More than two thousand years later, the United States released scores of bottles into the ocean to study water currents.

Suppliers often lack reliable information about where their offers land once they are released into the channel. For products that require physical distribution, this data is necessary for everything from supplier revenue recognition to crediting field compensation and, ultimately, paying partner benefits. Without trusted information, suppliers err on the side of overpaying their own sales reps and their partners. They also lose their line of sight into the customer base if visibility ends with the channel. In this brief, we explain how channel data management can be used to improve channel performance.

Improving Sales-Out Reporting

Sales-out or point-of-sales (POS) reports are designed to track product that moves from a supplier's physical inventory through the channel and to the customer. Distributors are required to provide details on the partner to whom they sold an offer as well as basic information they collected on the partner's customer (e.g. company name, install location). Tier-one partners, who purchase directly from the supplier, provide information on the customer they sold to. This data is then used to pay supplier sales teams, both direct and indirect, by giving quota and/or compensation credit based on the customer sale to a specific location. It is also used by publicly traded companies to report revenue so that shareholders are assured that channel-held inventory is not being used to calculate results. Partner incentives are paid on the basis of this data as it provides details on their sales activities and revenue performance. Improving sales-out data can have substantial impact on supplier profitability by removing errors that produce overpayment of sales compensation and channel incentives.

While collecting sales-out information is a well-established practice, suppliers struggle when they receive outdated, incomplete and inaccurate reports from their partners. The emergence of channel data management (CDM) platforms



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enables suppliers to improve how this data is collected, normalized and validated. CDM platforms focus on improving four key areas:

- **Collection.** Usually submitted via spreadsheets, sales-out reporting can be a burdensome process for partners that are required to provide information in a supplier-designated report template. This can be especially troublesome for partners who must perform this task for multiple suppliers, each of which uses a different format. Suppliers can increase efficiency by standardizing and automating the data collection process via a CDM Web portal that accepts the report in any format. This improves ease of reporting for the channel and can increase partner participation rates while reducing supplier efforts to collect reports. This process also eliminates the need for the supplier to put time and effort into aligning multiple channel reports into a common usable data file. Reducing the time between data collection and data usage means that the supplier's channel team receives current information that can drive responsive actions that may affect short-term sales performance.
- **Completeness and coverage.** Submitting a report in a timely manner and consistently providing complete data are different things. Suppliers often fail to capture the transactional information they need the most. Data completeness means that a given data column is populated with a value that is consistently included in the report (e.g. the report column requiring customer name). Has the distributor or partner identified all of the customers that bought the product? Coverage represents the number of columns populated across the report. For example, in addition to providing the customer name, did the distributor and/or partner also provide information on the installation location? Including minimum completion and coverage targets in channel program requirements can drive better reporting. CDM platforms can be further leveraged to address missing information through the addition of enriched data fields.
- **Validity.** Once the sales-out report is complete, the next step is to cleanse the data. This means removing duplicate entries to ensure that each transaction is counted only once. Numeric values must be cleaned up so errors are identified. It also means adjusting for inputs of multiple partner and/or customer names. For example, "ACME Incorporated," "ACME Inc." and "acme corp" must be investigated to determine

if they represent the same organization or two or three different ones. Should multiple entries be considered one sales transaction or two or three different ones? If it's one transaction, what is the correct location for Acme? When in doubt, suppliers err on giving credit to the field or partner for a sale. Validated data improves accuracy and reduces overpayments.

- **Inventory.** Effective inventory reports differ from sales-out reports in that they reflect the product that has not been sold. However, accurate sales-out data enables accurate inventory reports. Improved product information fed into the inventory report process helps the supplier's supply chain teams and distribution partners optimize product mix and availability. Getting the right product to the right location at the right time reduces supplier costs for returns and stock rotations and also maximizes the probability of closing a sale.

Expanding Visibility

Suppliers can further leverage CDM platforms to provide missing or incremental data across key customer attributes that they have found difficult to capture accurately from partners. This data can include standard industry classification codes for vertical markets, other company locations and size of business (i.e. small and medium-sized vs. enterprise). This enriched data can be more reliable than partner-provided data simply because the partners may not know the right information but still include it in their reports. Combining these customer attributes with partner transaction information can improve visibility into channel execution in three ways:

- **Segmentation.** Accurate sales-out reporting with enriched customer data can be used to analyze both the partners and the customers they serve. It can identify customer trends to determine if there's an opportunity to replicate or scale a new or existing market segment through the channel. It can help quantify ideal customer profiles. Combining this with additional partner profile information (captured and maintained in the partner relationship management system), such as partner program level, competencies, specializations and organizational design, can help identify the partner attributes that drive sales execution.
- **Channel planning.** Accurately linking the partner to the customer location provides details on geographical or



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territory coverage, vertical markets served and accounts covered by the channel. This data can be used to determine the need for new partner recruitment or to expand the footprint of the partners already in place. It also can support deeper channel segmentation to determine which partners are reaching which customers.

- **Partner sales execution.** Data that links specific partner transactions to specific customers also can be used to support channel governance. One example that drives a great deal of supplier energy is managing non-standard pricing requests. Validated sales-out reports can show if the approved price exception resulted in a deal with the identified customer. Additional analysis can provide an understanding of customer attributes linked to these requests, which provides insight into broader market dynamics.

The Sirius Decision

The channel enables reach, coverage and growth, but a sell-through partner strategy also can distance the supplier from the customer. This tradeoff means that suppliers may lack key information about the very markets they are trying to access. Regardless of the offer type, suppliers must address this challenge by defining a data management strategy that connects to partners and customers. A CDM platform can address the needs of suppliers that move actual boxes and inventory. Suppliers with cloud, software-as-a-service or other offers that don't require physical distribution may need to connect multiple data sources to meet the same data profile requirements. An initial step would be to investigate whether an existing master data management system may deliver similar support. In all cases, better data can improve supplier margins while delivering actionable insights. Partners' participation can be viewed as counterproductive because one of the uses of the data they supply is to decrease their incentive overpayments. The benefit to partners is that supplying them with accurate and actionable data and the right tools to access it provides real value in increasing their sales effectiveness.

