CFO GUIDE:

Reimagine the Economics of Channel Marketing

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Innovations in technology have radically altered the economics of Channel Marketing to the point where finance leaders should question everything from budget planning to go-to-market strategy. In this e-book, we will break down traditional Channel Marketing budgets to expose crucial areas where new technologies could decrease OpEx and increase ROI.

In this article, we will discuss:

- How cloud-based technologies can eliminate administrative work and decrease OpEx.
- How centralizing vendor management reduces human capital costs.
- How new funding models can displace existing Co-Op programs and amplify the power of your marketing spend.
- How Channel Marketing automation tools can decrease waste and drive more leads.

Breaking Down the Marketing Budget

Channel Marketing has often been a source of frustration for financial operations leaders. Every business leader knows that the keys to financial success are simple: efficient processes and tight controls on spending. But if your marketing strategy includes Channel Partners, you know that simple and controlled are two words that don't get used very often.

The very nature of Channel Marketing is highly complex because you go to market with hundreds or thousands of Independent Partners.

Developing and distributing campaigns, funding Co-Op or MDF programs and tracking execution of thousands of campaign tactics make Channel Marketing OpEx an intensive and highly complex business to manage.

But if we break down the Channel Marketing budget, we will find that recent innovations in technology have made it possible to simplify campaign execution, amplify the power of marketing spend and accelerate local Channel Sales. Let's take a look at how money is being spent across the Channel Marketing ecosystem.

Channel Localization Fees

Great Marketing is about clearly telling a compelling story directly to your target audience. Taking these stories and developing them into assets that can be used for everything from Newspaper Ads to Social Media Content requires a lot of work. Whether your business has dedicated resources in house to build these assets or uses outside advertising agencies, the fact is that every month you are spending significant budget to create marketing campaigns.

Building assets for national campaigns is costly. But if you market through Channel Partners, these national assets must be customized to include the Partner's contact information, web address and location. This is usually accomplished in one of two ways:

1) The Partner will spend their budget to pay a local agency to build the custom content.

2) The Partner will ask your team to create custom content.

Either way, this customization requires that some resource touches the ad, which means spending OpEx dollars every time. Now, multiply this by hundreds of Partners and dozens of campaigns per Partner, and you start seeing that localizing content for your Partners is a significant drain on your overall marketing budget. This is in addition to all the hours that both your Brand team and your Partner spend managing this administration intensive process.

How the Cloud and Automation Impact Localization Fees

The good news is that there are new technologies which allow Partners to customize and deploy Brand campaign assets for their local markets without incurring agency fees. The next evolution of Digital Asset Management (DAM) is cloud-based dynamic templating with last-mile execution. This new technology allows Brands to utilize a centralized Channel Marketing platform to deliver assets to Channel Partners.

- Assets are created in dynamic templates allowing Partner customization according to preconfigured, Brand-compliant options.
- Partner information is pre-loaded in the platform, which makes adding location, contact information and photographs easy and highly scalable.
- All program and asset customizations are pre-approved, so no headcount on the Brand side needs to manage an approval queue.

With pre-configured dynamic templates, simple last-mile execution functionality and a cloud-based platform, your organization can reduce agency fees, free Brand headcount from administrative work and get more campaigns into market faster.

The Complexity of Digital Marketing

There has been more innovation in marketing in the past five years than in the previous 100 years. Digital marketing techniques are allowing us to reach customers with more precision than ever before. But these bold new techniques are adding to, not replacing, traditional advertising. To be successful in an oversaturated marketing environment — where Partners are getting bombarded by messaging everywhere they turn — Brands must give their Partners access to both digital and traditional tactics. According to recent research, Partners believe in the need to do both: 67 percent of local businesses believed that Social Media and Websites were the best ways to drive sales for their business.[1]

BRANDS ALLOCATE MOST MONEY TO TRADITIONAL TACTICS LIKE TV AND PRINT

BUT LOCAL BUSINESS OWNERS BELIEVE SOCIAL AND WEBSITE IS MOST IMPORTANT

If you have seen chiefmartech.com's 2016 supergraphic, you will get a sense of how overwhelming the marketing technology atmosphere has become. And it's almost doubled from the previous year to now include 3,874 vendors in about 50 different categories — all promising that they have the right solution to solve your marketing needs. This horde of vendors includes some heros and some hucksters. Finding, evaluating and choosing the right vendors takes significant time and resources for the Brand. For Channel Partners, picking the right vendors is even more difficult.

For a financial leader, this vendor intensive approach should be cause for alarm. The human capital associated with finding, evaluating and selecting these vendors is significant. Contracting and legal costs will be part of every vendor deployment. There will be some level of technical integration with every vendor. Creating assets that fit the vendor's requirements will increase agency fees. Finally, the day-to-day management of these vendors to assure consistent, Brand-compliant performance requires a lot of headcount. And in most organizations I speak with, there is very little visibility across divisions regarding which vendors are being used. This means all the costs above may be multiplied by the number of divisions or product groups you have.

[1] "The State of Co-Op and MDF: Benchmarking the Success and Failure of Co-Op and MDF Programs," Gleanster Research, October 2015, p. 14.

Eliminating the Vendor Costs

Reduction of the OpEx associated with vendor management must be a core focus. The first step is to look for a way to offload the burden of vendor management and to centralize execution. To solve these problems, financial leaders should be focused on one thing — integration.

Finding a solution that integrates the asset development function with the execution of tactics is the key. By centralizing these two functions together, your Brand can eliminate significant OpEx associated with vendor management:

- Brand assets are available in dynamic templates through a cloud-based platform.
- An ecosystem of execution Partners is integrated with the platform.
- Vendor contracting, integration and management are handled by the platform.

By integrating the marketing vendor ecosystem into a single platform, the Brand effectively "outsources" the day-to-day management associated with a robust vendor ecosystem. No contracting or IT integration of vendors means more dollars can be focused on customer-facing campaigns. Integration eliminates the need for excessive customization costs. And because all day-to-day vendor management is handled through automation, the headcount that was dedicated to that administrative work now can be focused on customer-facing activities.

Increasing the number of tactics at your Brand's disposal while decreasing OpEx may seem like an impossible task. But modern marketing automation and integration is making this dream a reality.

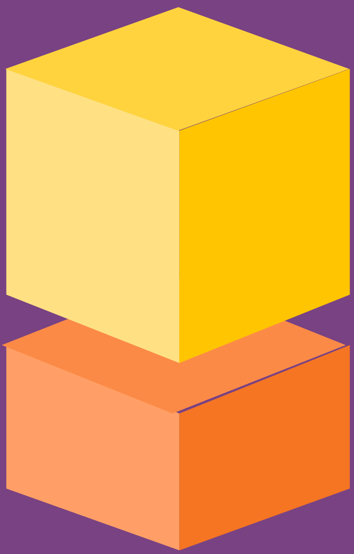
The Opportunity Cost of Unused Marketing Funds

Only about 52 percent of the estimated $70B of Co-Operative or MDF funds gets used every year, according to a recent report by Gleanster Research.[2] Signing up for Co-Op or MDF programs, customizing the materials and getting reimbursed are the top three problems Local Partners list in dealing with a Brand's marketing funds.

For Partners to access Co-Op or MDF funding, they must create ads that adhere to complicated Brand guidelines, front the full cost of the advertisement themselves, fill out complicated reimbursement claims and then wait up to three months to get the money. This is why 75 percent of businesses that don't participate aren't sure whether these programs are good investments.[3]

The impact to a Brand's financial operations is huge. First, each year the Brand budgets based on the potential usage of funds instead of the actual usage of funds. This means that huge sums of money that could be put to better use are stuck in limbo creating no value for the Brand. This has become so commonplace that some financial leaders anticipate this breakage and count it as margin on the bottom line.

Next, because Brand funds are not being used, the Partner is marketing their business in an ineffective way. This means fewer potential customers are seeing the advertising that could drive more traffic, leads and sales. The potential revenue impact is underwhelming in the short term and drives more Partner dissatisfaction and churn in the long term.



48%

of Co-Op or MDF funds goes unused

[2] Ibid., p. 4.
[3] Ibid., p. 9.

75% of businesses that don't participate aren't sure whether Co-Op or MDF programs are good investments.

The Next Evolution of Funding

New innovations in funding are solving the major challenges that Brands and Partners see with marketing together. There are solutions available that tie Brand funds directly to the campaign assets that are available to the Partner and makes those funds available immediately when the Partner decides to participate:

- The Brand provides funding specific to a campaign tactic or asset.
- The Partner selects the tactic.
- The funds from the Brand and the Partner are instantly applied.

Models like the above completely change the game for Brands and Partners. By tying funding directly to pre-approved campaign assets, Brands know that every dollar they invest is going to the right type of message. Because the funds are available instantly, Partners are more likely to participate with their portion which increases the total dollars pointed at a Brand campaign.

And best of all, because funding is tied directly to the execution of the marketing assets, very detailed performance data becomes available as part of the program. This eliminates the need to rely on Partners to self-report on performance data. Standardizing the collection of data points that truly matter, in a much deeper and more profound way, drives accountability back on your marketing department for every dollar they spend. And more importantly, this data allows them to learn what is actually working and shift dollars more intelligently.

Less breakage and more Partner dollars working for the Brand mean that every dollar financial leaders invest in Channel Marketing will return a higher ROI than national campaigns.

Throwing Money Out the Window

While Partners are incredible at building relationships in their community and closing customers, marketing may not be their strong suit. The complexity of new digital technologies make it hard for Partners to select the right vendors in their local community. For example, two of your Partners choose to participate in a paid search campaign, and one selects a top-notch vendor while the other doesn't. In this case, the Brand would see two totally different results for ROI.

This often means that even if a Partner is going through the pain of participating in a Co-Op program, they may actually be spending money on tactics or vendors that are not the best use of Brand funds. And, although it is never nice to talk about, there has always been an element of fraud in Co-Op marketing, when a Partner presents fake proof of publication and pockets the Brand's investment.

The Integrated Way to Effective Execution

The solution to this challenge is to give Partners choices in how they execute campaigns while ensuring that those choices will drive results. Channel Marketing solutions that integrate best-in-class marketing vendors directly into their platform give Brands that ability to tie assets, funds and execution together in one seamless package:

- The Brand selects which tactics will be used for each campaign.
- Preconfigured dynamic templates are loaded for Partners to select and customize.
- Funds are applied at the point of execution.
- Execution is auto-routed to integrated, best-in-class marketing vendors.

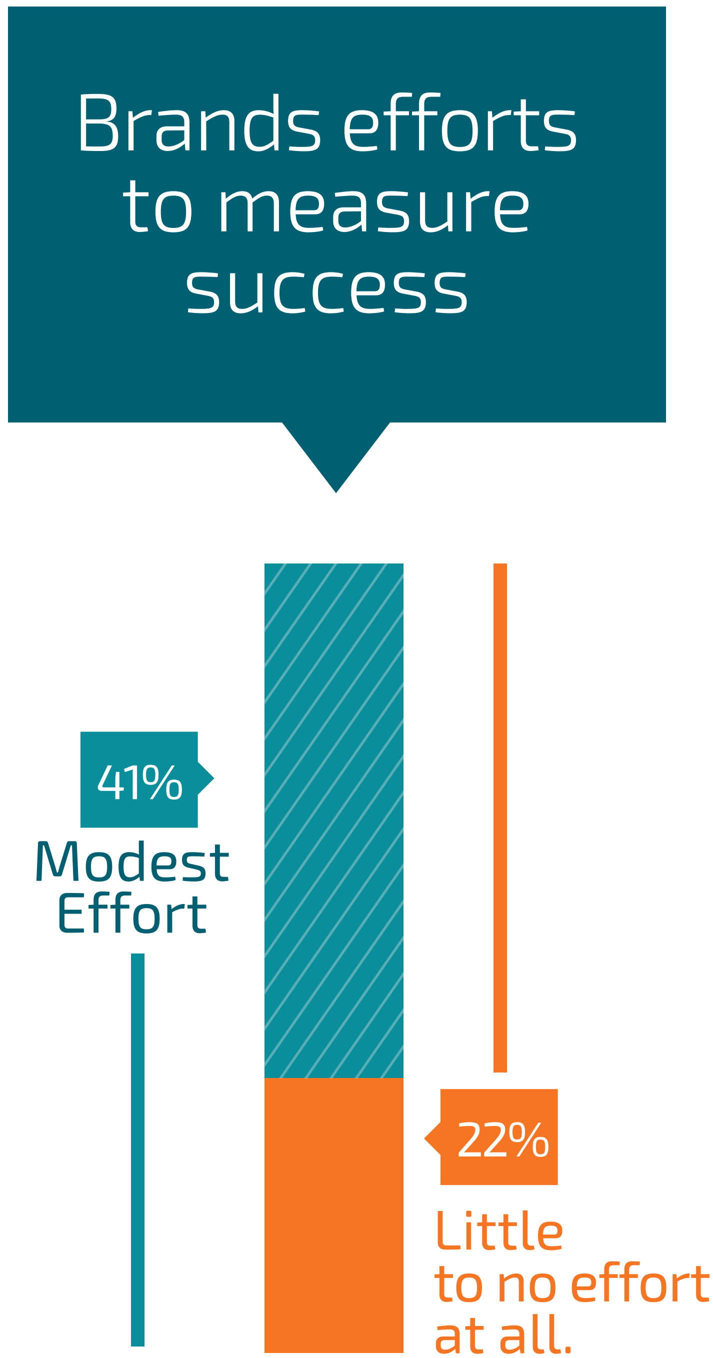
By eliminating local decisions on fulfillment vendors, Brands can be assured that all their funds are going to end up in the hands of highly qualified vendors. Because vendors are integrated into the solutions, Partners spend less time looking for and managing vendors while getting the better performance on every dollar they invest. Finally, because the universe of vendors is controlled, Brands can be sure that all their campaign funds are going toward driving more revenue and not in the bank accounts of unscrupulous Partners.

Bad Investments

In a fully decentralized Channel Marketing program, you have hundreds or thousands of Partners executing multiple campaigns through different vendors simultaneously. Pulling intelligence out of the system to define which marketing tactics are working and which aren't is almost impossible. In fact, Brands find it so difficult to measure success that 61 percent only put in a modest effort to measure performance while another 22 percent put little to no effort at all.[4]

As a financial leader, this means that you may be investing in unproductive marketing without even knowing it.

Most organizations are able to get intelligence out of their national marketing tactics. Digital and social campaigns provide even deeper analytics into performance. But if you have hundreds of Partners using hundreds of local disparate vendors to execute these tactics, then getting a consolidated view of what is working and what isn't becomes very difficult.



[4] Ibid., p. 11.

Pulling Centralized Insight from a Decentralized Channel

At the core of every financial leader's responsibility is to make sure every dollar spent is providing a greater return. To do this effectively in marketing, financial leaders need to have the data to make informed decisions. Fortunately, there are solutions in the market that are making marketing performance management easier than ever.

The key is centralization. Performance analytics is much easier to compile if all Partners are working from a single integrated console of tactics and vendors. This allows Brand marketing and finance to see the performance of every execution. Some solutions provide this for a class of tactics, like digital, but not others, like traditional and direct mail. This makes it crucial to find a solution that has a comprehensive inventory of traditional and digital tactics.

Call-tracking can even be integrated into the solution so Brands can see response rates on every type of tactic. And because the vendors are centralized, Brands can look at performance of email or direct mail across the entire Partner ecosystem.

This level of detail allows Brands to evaluate which campaign tactics are driving responses and even A/B test which messages are working better than others in the market.

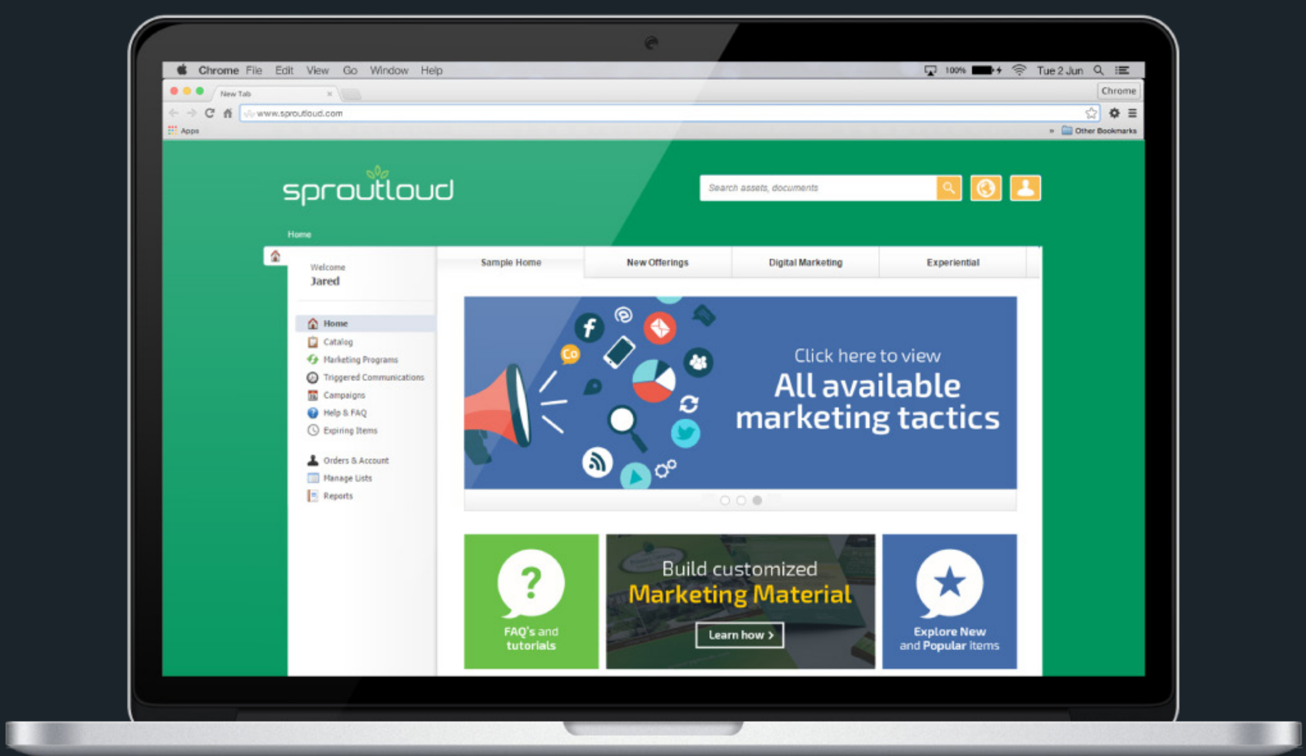
More access to meaningful analytics and aggregated reporting across all tactics means that Brands can optimize their investments and amplify the power of every dollar that they spend.

The Next Evolution of Financial Operations

Lower OpEx and higher ROI. That is the name of the game. Going to market through Channel Partners has always been a cost effective way of creating a wide distribution network. But as great as the distribution benefits have been, the cost of building and managing a Channel Marketing program has always been significant.

But by using new innovations in technology, Brands can lower OpEx associated with customization and vendor management while improving the performance of every dollar they spend through greater Partner participation in tactics that drive sales.

It's time to reimagine the economics of your Channel program and start driving amazing results.



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Learn more about Intelligent Funds Management

Read: Everything You've Been Told About Channel Marketing Is Wrong

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