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Selling Services Through the Channel is "Simple"

By Jim Payne, President, S-Market Strategies



This article is the first in a series exclusive to SSPA News that will concentrate on the strategies and tactics needed to be successful in selling services through channels. The articles will feature brief excerpts from a book on channel marketing by Jim Payne that is scheduled to be available in the fourth quarter of 2006.

Easy vs. Simple?

The title of this article may seem contrary to anyone who has actually experienced the challenges of selling services through the channel. However, the idea is that selling services through the channel is not easy, but needs to be simple for the channel to be successful. Simplification needs to be the primary consideration of all channel strategies and the ensuing tactics.

In working with thousands of channel partners of all sizes and business models throughout the years, the one common element that they share is the need to make the sale simple to be competitive. The nature of the channel is to offer their customers a variety of options to create the best solution for their needs. A typical product line card will include dozens or even hundreds of different manufacturers and potentially thousands of different products. With this kind of complexity, it is difficult for the channel to learn the unique benefits, features, configurations and pricing of each product. Consequently, with all else equal, the channel will most often revert to the sale that is simplest.

What Drives the Channel?

When selling your products or services requires a learning curve because of the unique features or complex pricing, your chances of the channel embracing your offerings becomes diluted. In today's times with commoditized hardware and standardized services offerings, the channel finds it hard to define the unique characteristics that differentiate what you have to offer. Consequently, they will revert to the products and services that require the least investment of their time to sell.

Surprisingly enough, it has been my experience that manufacturer's discount rates to the channel are not the primary driver for the channel to sell a

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"Optimize the Customer Experience! How Novell Extends CRM with Search,

particular product or service. Ease of sale allows the channel to spend less time on preparing for or closing the sale and consequently increases their sales potential. More sales, more money, it's that simple.

So how do you begin making your services simple for the channel and start reaping the benefits of your efforts? First and foremost, spend time to understand your channel, their business model and real needs. The investment in talking to your channel can provide much of the information that you need to build a successful channel strategy, but will also create the side benefit of improved credibility and trust with your channel.

Simplified Pricing

Initially, you need to evaluate your services pricing structures and consider how difficult it is to price a typical service offering. Complex accessory pricing with multiple catalog numbers means that that it will take more time to figure out and leave more room for errors if misunderstood. One solution for maintenance pricing that the channel will embrace is a very simplified configured price structure that eliminates separate pricing of accessories.

As an example, a product that is sold with various options is most often priced in an itemized fashion. Traditionally, the service corresponds to the hardware options with an itemized pricing structure to take advantage of the additional revenue the options provide.

However, the service pricing doesn't have to follow the hardware. A standard configured price can be developed no matter what accessories were purchased that creates the same revenue potential as itemized pricing. By simply taking the total expected services revenue from the entire base if itemized and dividing by the number of units, a configured price can be defined. At the same time, it has been my experience that the configured pricing actually increases the revenue potential through the channel due to the ease of sale created by the simplified pricing.

What's Next?

Simplification needs to be the driving strategy for your services model through the channel and it doesn't stop at pricing. In future columns, I will discuss a series of proven strategies, techniques and tools to make your services more attractive and competitive when selling through the channel. These techniques were initially designed to sell services, but they can also be beneficial to your hardware and software counterparts, so feel free to share with your non-service peers in your company.

About the Author

Jim Payne is the President of S-Market Strategies of Rochester, New York. With more than 25 years experience in all aspect of services management and marketing, he has found that selling services through the channel can be a highly profitable way to touch a larger marketplace. His innovative strategies, programs and tactics have provided increased market penetration, growth, revenue and profits for businesses such as consumer, IT, healthcare, entertainment, graphics and government for both direct and channel sales.

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For more information, to sign up of the S-Market Strategies newsletter or to be notified when Jim's new channel marketing book is available contact Jim Payne at jimpayne@smarketstrategies.com or visit smarketstrategies.com

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