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Integrating a Multichannel Strategy

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The Rhythm of Business®

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The Promise of a Multichannel Strategy

In today's environment, customers are empowered to purchase and consume what, where, when, and how they want. Companies are implementing multichannel strategies to present the customer with the desired choices and to reach the customer via its channel of choice. In this multichannel environment all must be tightly aligned, with key points of intersection among them. Otherwise the seamless omnichannel experience won't exist – nor will the increased revenue from retaining and growing existing customers and reaching new ones through multiple routes to market.

To achieve these outcomes, all of the activities required to support multichannel product placement and distribution must be "baked in" (integrated into) strategy development, resource allocation and strategy execution. This includes the critical ability to collaboratively work with third parties – to partner successfully.

In a multichannel environment, all channels must be tightly aligned, with key points of intersection among them to ensure that together they offer end customers the proper choice of where, how, and when they want to purchase and consume.

Channels are often thought of in terms of retail channels – for example, a bank may have branch, ATM, web, and mobile channels. A multichannel distribution strategy offers customers convenience and choice; these are foundational elements in the customer experience, increasingly the basis of competition. It also should reduce the company's cost to acquire and serve customers while improving retention rates because it delivers a buying and consuming experience tailored to the customer – thus increasing lifetime customer value and overall market share.

In a business-to-business setting, multichannel strategies are typically deployed through a combination of direct and indirect channels. The direct channels likely look similar to retail channels (in-person direct sales, telesales, and online web/mobile). Indirect channels use third parties to reach customers in segments that are too costly to service directly or may be otherwise unreachable – and to provide additional value-added products, services, and solutions. These relationships range from transactional resellers who may or may not provide additional value to highly collaborative co-development and co-promotion partners. Regardless of the specifics of the channel, the result should be increased profit and increased market share.

Multichannel strategies allow a company to align its distribution methods with its customers. Smaller customers requiring simpler products may be served through a telesales channel. Telesales increasingly is also a highly analytical lead generator for more sophisticated sales, with those leads passed to both internal direct sales and to partners' sales teams. Digital channels both produce revenue and deliver product to customers regardless of the channel through which it was sold.
When leveraging partners, someone else's salespeople are calling on end customers and incurring the costs of doing so. In many instances these

customers would have been far more costly to reach otherwise. Your "last mile focus" as a vendor or originator of product becomes more about ensuring that there is a robust solution for the partner to deliver, tailored to its end customer. This requires that the third party or partner has the technical means to fulfill for its customer; that its salespeople know how to (and are accountable for) selling your product and/or joint solution; and that there are appropriate demand generation and customer service vehicles in place.

With an indirect channel, the third party or partner must have the technical means to fulfill for its customer; its salespeople must know how to (and be accountable for) selling your product and/or joint solution; and appropriate demand generation and customer service vehicles must be in place.

Frequently, different customers have a propensity to choose certain channels, possibly with a little help to steer them to the most cost effective. In some instances, the same customers are presented with multiple channels, possibly both direct and indirect. When that is the case, there should be a clear differentiation between the value propositions the relevant channels offer. In all cases, the investment in multichannels represents a robust and holistic strategy that results in more customers buying more.

A multichannel strategy that includes partners requires the ability to collaborate successfully within a range of relationships from reseller to co-development and co-promotion – with a decided shift towards the latter in order to provide the customer experience the partner's customers require.

Succeeding at partnering requires creating a three-way value proposition among the end customer, the channel partner, and the vendor. In reality, there could be multiple channels within the vendor that need to be engaged and aligned. Companies that figure out how to succeed at partnering often beat competitors on key financial metrics. Think Cisco, Intel, IBM, Philips, Novartis. Of course, as with any aspect of business, success one day doesn't guarantee success the next. Even though these giants have been successful, they are always rethinking their partnering efforts and how they align and integrate with their native business. One thing they know – indirect channels cannot be "bolt-ons." They must be "baked in," part and parcel of how a company does business.

A Framework for Aligning and Integrating Channels

Most companies today have introduced indirect channels into their go-to-market strategies and, increasingly, into their approach to product innovation. Considering how the channels should interface, align, and intersect requires one to think about the entire business, end-to-end, top-down, and bottom-up. Companies that all along have had indirect channels as part of their strategies and business models start by thinking how partners are going to play a role in customer acquisition and retention, service, and support, as well as in the innovation and production of new products and solutions. They design their systems, governance, and information infrastructure to support the role that these third parties play in their businesses. Partnering factors into organizational structure, management objectives, employee goals and development, as well as compensation.

For a company that has long operated mainly as a direct company, perhaps with some resellers or outsourced operations, the decision to implement a multichannel strategy requires retrofitting

For a company that has long operated mainly as a direct company, perhaps with some resellers or outsourced operations, the decision to fully implement a multichannel strategy requires retrofitting. And like renovating an old house, once the wall is open, there will be a cascade of things needing to be "fixed" that were never contemplated in the original decision making.

The how-to aspects of implementing a multichannel strategy into an existing business of course depend on what each channel is supposed to do. Direct channels are often organized by the value of the customer, and/or the complexity of the product. Resellers, value-added resellers, and distributors take a product and resell it, usually with the originator's brand attached. The originator sells into the channel at a discount, the channel marks it up and perhaps adds some additional service or value-add. Sometimes it is a different line of product than what is available directly. Companies such as Cisco, IBM, EMC, Motorola, and many others use this model to reach smaller business customers that are too expensive to serve through a direct sales model. Often it is used to reach geographies where the barriers to direct entry are too high to make it worthwhile. In these instances there is a clear demarcation between the channels, making it easier to ring-fence what is essentially a wholesale business.

It becomes more complicated when a similar customer base is pursued by multiple channels. While the intent is to give customers more choice and increase overall revenue, the channels must complement each other. Key considerations range all the way from thinking about segmenting the market and customer opportunity to the design and development of product and to customer awareness, education, engagement, and support models. Channel partners must be enabled through training, incentives, campaigns, and programs. If more than one channel is expected to engage with the same partner, a higher level of coordination both internally and externally is required.

Once the strategic decision is made to fully leverage both direct and indirect channels, and the role each plays in overall corporate and individual business unit strategy[1] has been determined, then one can begin to design how the channels align, intersect and diverge; the processes, systems and competencies required; how partnering will impact counting and measuring revenue and profit; and how salesforces will be compensated.

[1] See *Orchestrating Success in the Era of Connected Ecosystems* *http://rhythmofbusiness.com/articles/2015/2/27/smart-partnering-orchestrating-success-in-the-era-of-connect.html, for a discussion of partnering strategy.*

Integration Dimensions

To align and implement a multichannel strategy, it is helpful to think about what must be done from multiple dimensions, including both integration and capability dimensions. Integration dimensions address operations, whereas capability dimensions address culture and competencies.

Figure 1 presents a framework that is helpful to organize the integration dimensions and think about how they impact the business.

Start with the five bubbles in the center of the diagram.

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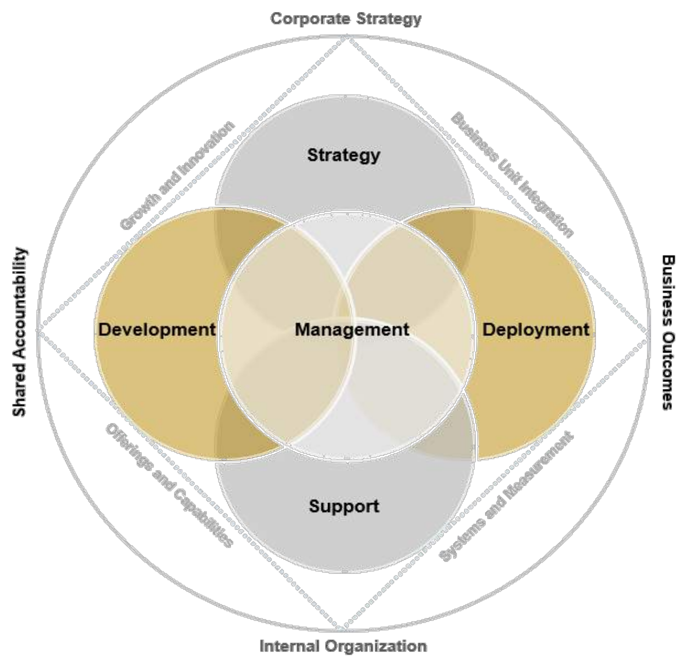

Figure 1 –Integration Dimensions

Strategy

The strategy dimension defines the path for achieving objectives through multiple channels and creating a win for the customer, the company, and partners. When thinking about the strategic decisions that have to be made, you should consider:

- The markets or verticals the company has chosen to be in and how to optimize and align the different channels with the customers' needs, the way in which they buy and utilize your products, as well as how you service and support them
- The nature of the relationships different customer segments have with third parties
- The degree of product customization required for different customer segments

- The costs to serve per channel, across markets, segments, and products
- How to differentiate the value proposition among the channels

When thinking through the strategic implications of a multichannel strategy, keep in mind all of the embedded strategic decisions that each go-to-market unit must make to develop and utilize each channel. While those decisions are made within the units as they are put into practice, it is within strategy that the guiding principles and criteria used to make these decisions are established. This includes the framework for determining whether to build, buy, and/or partner for necessary capabilities to carry out the strategy. Regardless of the business structures (units, divisions, affiliates, verticals, etc.) via which the company goes to market, these units should be channel agnostic as they begin to determine the best routes to market. Using multiple channels is likely the best option to deliver the range of experiences that different customers seek and the value shareholders require.

The development dimension encompasses the process for defining and structuring channels, including the external relationships required to be ready to operationalize any indirect channels. It also includes making choices about which products are in which channels – based on how the channels align with customer preferences.

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Building and enabling an indirect channel requires an overarching partnering strategy, including defining characteristics of desired partners, who has them, the value they are expected to generate, and how the company intends to recruit, engage and contract, enable, and support them through focused marketing, training, and business processes. If you are co-creating with the partner or embedding your product into theirs, this activity is also included in this dimension. There are many detail decisions and considerations in selecting and developing partners, including critical factors such as:

- **Build/buy/partner –** The decision to build, buy, and/or partner to create or complete a product or solution; access a capability the company does not have or want to build; and/or access customers it cannot currently reach is based on decisions made within the strategy dimension
- **Process/governance –** Having a truly cross-functional, multistep process and governing body to vet and make decisions about new partners (whether initiated through inbound or outbound activities) and the types of relationships that are established with them. This should incorporate a thorough risk assessment from financial, legal, compliance, operational, and cultural perspectives
- **Unintended impacts –** Understanding if and how engaging with the potential partner could impact relationships with other partners or other activities of the business. Restrictions such as exclusivity or

rights to reuse should be evaluated very carefully – and be appropriately compensated and communicated. Consider the degree of overlap with the customer base of other partners and the direct channel. Will it cannibalize or provide new growth opportunities? What is the value proposition from partners' perspectives? How important are you to the growth of their businesses and their ability to provide the experience their customers seek?

- **An executable plan –** Developing a realistic business plan that is adequately resourced and recognizes the time and effort it takes on the part of both parties to be open for business, ready to deliver, service, and support the new offering, and generating significant revenue and profits to keep interest and focus high

When companies expect to drive significant growth through partners, a programmatic approach is generally taken to provide scale and consistency. Designing and developing the program is part of this dimension.

Increasingly, companies are finding that to deliver an appropriate solution for customers, they must engage with multiple partners in a network arrangement, adding significantly greater complexity to the development process.

Deployment describes the process for methodically aligning and providing points of intersection among the channels, within go-to-market units, and within functions to deliver value to the customer, partner, and company through multiple routes and experiences

Deployment

This dimension describes the process for methodically aligning and providing points of intersection among the channels, within go-to-market units at all levels and functions, to deliver value to the customer, partner, and company through multiple routes and experiences. In cases where there is sales coverage overlap, designing how each channel goes to market cannot be done in isolation and has to be deeply understood by all concerned. The strategic decisions regarding how the market is best served guides how the customer is educated and informed to make the best choice. Elements to consider in this dimension include:

- **Customer engagement models** – Describe when each channel engages independently, when there is interaction – such as inside sales generating leads for direct sales or partner; when there is a co-sell with a partner; and when the partner needs support from a technical specialist. In a sell-with model, identify what determines who should lead
- **Rules of engagement** – Simple guidelines and directives for each customer segment, defining which channel and role leads, also pricing and compensation, established in advance
- **Partner agreements** that contemplate and include relevant customer engagement models, as these have implications for the economic modeling of the partnership

In go-to-market partnerships, the deployment dimension is the most critical one in which all assumptions must be identified and how they will be validated determined before engaging with customers. It is the customer-facing dimension, so getting it right is essential. However, it is equally important that it have the ability to develop, evolve, or even iterate as customers and their needs change.

Support

Many components of supporting infrastructure are required to enable the channels to deliver in an efficient and effective manner. Think about support as including marketing, information systems, team development and training, as well as other essential systems and business processes. It also includes the critical incentive and compensation models, especially for salesforces, but also goals and objectives for people not involved in sales. For example, people are often required to take part in channel and partner planning and governance processes – but it doesn't count towards achieving their objectives and thus towards their bonus. The result – it isn't a priority and governance suffers. Key components in building the underlying support for a multichannel strategy include:

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- Providing a robust omnichannel marketing competency that supports each go-to-market business unit's channel strategy throughout the lifecycle of customer engagement. For indirect channels, the marketing competency must enable partners to drive customer awareness of the value the company's offerings provide and ensure the partner has the ability to easily sell its customers. Typically, this means providing education, training, collateral, customized campaigns, and incentives (including funding) to motivate the partner's sales team to keep the company's offerings in front of their customers
- Indirect channels often require the technical enablement of partners so that they can actually deliver to their customers
- Customer service and support mechanisms sometimes specifically designed for each channel
- Ensuring all channels are adequately informed about the other's offerings and activities. Multichannel strategies are intended to give customers choice. They won't get it if the internal organization responsible for one channel doesn't understand the other's offerings and how they are different yet complement each other in fulfilling the customers' needs and in achieving the strategy of each go-to-market business unit
- Determining the behaviors desired of each role within the multichannel strategy and ensuring that compensation and incentive systems encourage that behavior. The business plan and economic model developed with indirect channels determines how players within it benefit, thus that must be clearly designed with an eye to how internal personnel will benefit from multichannel customer engagement

- Providing an information infrastructure to capture and measure relevant data so that credit can be appropriately assigned, performance evaluated, and compensation awarded. Too many well-considered multichannel strategies fail when their impact cannot be assessed in a way in which all believe is accurate – and accurate assessment contributes to learning about how to improve

The support dimension is the infrastructure of a multichannel strategy. Like the highways, bridges, and tunnels that are the backbone of commerce, these systems are essential.

Management starts with the process described under “development” to govern channel design and structuring, partner acquisition and get open for business. It also manages the interfaces with go-to-market units and internal functions once up and running, and addresses regular planning, measurement, evaluation and review, as well as securing resources, identifying and managing risk and conflict, and finding opportunities for growth

Management

Management is what brings everything together and ensures that the implementation of a multichannel strategy happens as intended with appropriate adjustments along the way. It includes processes for planning, implementing, governing, and providing resources to support the multichannel strategy. Management starts with the process described under “development” to govern channel design and structuring, partner acquisition, and getting open for business. It also manages the interfaces with go-to-market units and internal functions once up and running, and addresses regular planning, measurement, evaluation and review, as well as securing resources, identifying and managing risk and conflict, and finding opportunities for growth. Accordingly, key components of management include:

- A dedicated, corporate governance body, bringing together products, channels, and go-to-market units to ensure strategic alignment and leverage of opportunities across silos
- A dedicated indirect channel management group, responsible for all aspects of the partnering lifecycle and overall partner portfolio. Depending on resourcing, day-to-day management of individual partners may be handled within the businesses, in accordance with processes, guidelines, and standards established by this group. Additionally, it always retains responsibility for those few relationships that are truly strategic, often crossing business units

The management function ensures that all of the dimensions operate together as a cohesive unit – that they aren’t islands. Thus, the intersection of strategy and development produces growth and innovation; of development and support creates the offerings and capabilities; of strategy and deployment defines much of the customer-facing activity and integration with go-to-market units, taking those offerings to customers; and the intersection of deployment and support produce systems and measures to control activity and report outcomes.

Taken together, these components will integrate a multichannel strategy into operations; however, successful implementation also requires an organizational capability for working in a multichannel environment.

Capability Dimensions

A multichannel strategy requires the ability to bridge boundaries and work both internally and externally. These capabilities usually are not in the DNA of companies that have gone to market primarily through direct channels. Indeed, many CEOs are concerned, as different forms of partnering become crucial to their strategies, that their management teams and workforces don't have the necessary skills. Business processes and supporting information infrastructure must be adapted to incorporate the challenges of working across corporate boundaries. Leaders also need to assess if their culture is one that is supportive of working externally. Partnering is conceptually simple, but operationally very challenging.

Figure 2 presents a simple framework to think about the components of a capability to fully integrate a multichannel strategy.

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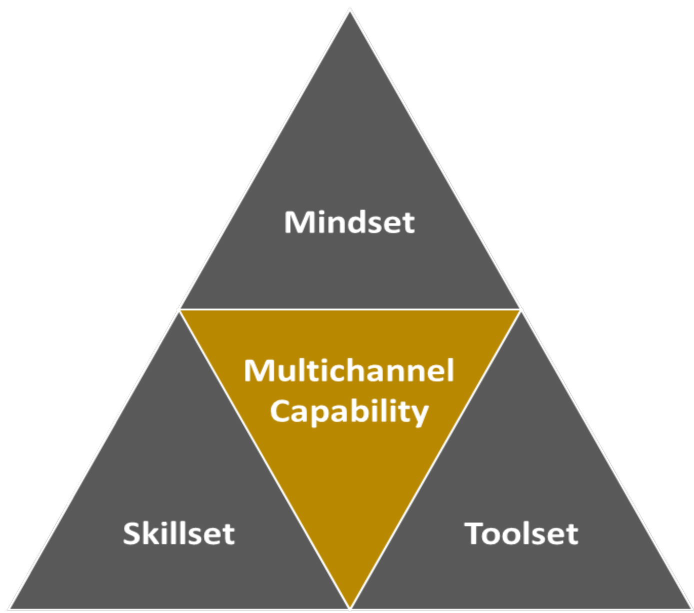

Figure 2 – Capability Dimensions

Mindset

How individuals think about operating in a multichannel environment is influenced by corporate culture and leadership actions. A well-thought-through and carefully implemented multichannel strategy still will struggle to achieve if the indirect channel is seen as something that is only utilized as an afterthought, or as a consolation prize. Rituals and routines within the company should treat all channels as equivalently valuable. Career paths should allow individuals to gain both direct and indirect experience. Anyone in a senior management position should be required to have such exposure to appreciate the unique challenges of each channel.

Working with indirect channels requires leadership to demonstrate and model good partnering behavior by:

- Speaking of we, not us and them
- Embracing and developing specific paths for ideas from outside the company to be heard
- Emphasizing that not all the smart people work for our company
- Incorporating partners in planning, including building joint goals, objectives, and go-to-market plans
- Expecting channel-based P&Ls and other financial reporting

Senior leaders should also speak publicly of partners and their importance to the organization, look for opportunities to bring partners to company product launches, speak at partner events, and co-author thought leadership pieces with partner executives, for example. There are many opportunities to tangibly demonstrate the importance of partnership to the success of a multichannel strategy – and these are essential activities.

In a multichannel environment, the ability to collaborate internally and externally is required universally. Collaboration is the ability to coordinate activities and exchange information in a trusting and transparent manner so that resources can be leveraged to achieve mutual benefit

It is also important to be aware of the specific legal, business, operational, and cultural risks inherent in any indirect channel that don't exist in a direct channel. Part of the mindset is to understand what those risks are, recognize when they exist, and make a conscious decision about how to manage or mitigate them.

Skillset

In addition to leadership that models an appropriate mindset, effective strategy execution in a multichannel environment requires that, across the organization, people in all functions understand how to effectively work with third parties. Key skills the organization must develop include:

- Proactively segmenting target markets and aligning them with appropriate channels
- Designing appropriate experiences within each channel, including developing and making available the right product and solution for the respective channel – and ensuring that customers have the experience they desire across all channels within which they choose to interact
- The ability to appropriately shape messaging, collateral, campaigns, incentives, and training across all channels – and to deliver them to indirect channels in ways that make it easy for them to engage and represent the company and its offerings to their customers
- The ability to prioritize, select, activate, and monetize the optimal third-party partners
- Planning, measuring, and reporting disciplines that reflect the unique aspects of each channel and also allow comparisons across all channels. Data and analysis should reflect the ways in which a

channel is working well and how it is not – and suggest changes for improvement

In a multichannel environment, the ability to collaborate internally and externally is required universally. Collaboration is the ability to coordinate activities and exchange information in a trusting and transparent manner so that resources can be leveraged to achieve mutual benefit. Collaboration is not compromise. In compromise, the parties settle, leaving value on the table. In collaboration, the pie grows. The distribution of value is fair relative to resources committed and risks assumed. Collaboration is also efficient, working to find innovative solutions that give each party as close to 100% of what it wants as possible. Thus joint planning and account review are essential skills to develop.

One of the most critical aspects of an indirect channel is enabling partners to sell your products. In essence all the tools that a direct salesforce and marketing team uses should be considered and appropriately adapted for the indirect channel. Different direct channels also require tools to be adapted for them, as well.

As was seen through the discussion of the integration dimensions, collaboration has to happen as much internally as with the partner so that conflict is minimized and channels optimally engage with customers to create, deliver and capture value, growing market share, customer value, and innovating customer-facing solutions.

Toolset

Informed decisions, robust communication, proper planning, and measurement are the linchpins of any multichannel strategy. Increasingly, the ability to collect, mine, and visualize rich data is enabling the toolset. In some instances, distinct systems are utilized to work with indirect channels; in others they are integrated with customer reporting systems. However, many financial systems have trouble segregating activity by channel. To determine the information required to support decision making and understand results, start with the economic model for the indirect channel and work backwards through the activities that have to occur, noting where data needs to be captured and reported to validate or invalidate critical assumptions.

One of the most important tools is the integrated plan that describes how the direct and indirect channels interact and intersect within go-to-market units, specific customer segments, and potentially individual customers, so that a coordinated face is presented by all channels. Of course, it won't make sense to develop an integrated and detailed account plan for anything but the largest customers. For other segments, rules of engagement governing them and the overall marketing and sales plans are essential tools.

One of the most critical aspects of an indirect channel is enabling partners to sell your products. In essence all the tools that a direct salesforce and marketing team uses should be considered and appropriately adapted for the indirect channel. Different direct channels also require tools to be adapted for them. Depending on how customer service and support is handled within the indirect channel, there may be specific rules and decision trees required to allow them to be effective.

Developing the Capability

The mindset, skillset, and toolset underlying a multichannel capability take time to develop and require constant nurturing. It is an ongoing learning process, always looking to improve and cognizant of the external environment, trends in customer behavior, and changes in partners' businesses. The companies that master it have a definite advantage in the marketplace that will only grow as increasingly no company can go it alone.

The Path to Gold

A bolted on approach to an indirect channel only sows conflict and sub-optimization. The path to the gold lies in baking a multichannel strategy into an organization's culture and way of working.

For years it has been said that customers are empowered and want choice to allow them to do things on their own terms. For many organizations, this reality is driving the adoption of multichannel strategies that offer the customer choice and also give companies the opportunity to ensure that they are growing new markets, introducing new offerings, managing costs, and better serving their customers.

Multichannel doesn't mean "this channel" or "that channel" – it means all channels. Thus a consistent omnichannel experience requires that all channels of activity complement and intersect so that organizational resources are optimized and leveraged. Aligning the channels requires a carefully thought-through integration program, touching all aspects of the business. It also takes an organizational capability – the mindset, skillset, and toolset to deliver the optimal multichannel customer experience. A bolted-on approach to adding channels only sows conflict and sub-optimization. The path to the gold lies in baking a multichannel strategy into an organization's strategy, operations, and way of working.

About the SMART Partnering Alliance

SMART Partnering is an alliance of partnering experts improving partnering success. Formed in 2013 by Atlanta-based Alliancesphere and Boston-based The Rhythm of Business, its combined methodology integrates partnering into strategy development, resource allocation, and strategy execution.

With more than 15 years of operational, consulting, and academic experience as pioneers in multi-industry partnering across the value chain and around the globe, the partners have combined forces to guide global companies to realize partnering gold in the gray of the era of connected ecosystems.

Offering repeatable methodologies, groundbreaking measurement frameworks developed specifically for the intangible value of partnering, and customized action learning to engage both senior executives and the next generation, the SMART Partnering Alliance offers an unmatched depth and breadth of expertise to help companies reject the status quo and realize breakthrough success in their partnering efforts.

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