



A BUSINESS-TO-BUSINESS (B2B) COMPANY'S USE OF INDIRECT CHANNEL PARTNERS IS A KEY DETERMINANT OF ITS OVERALL SUCCESS—OR FAILURE.

How those partners find, manage and serve customers impacts the entire business. One wrong move and the customer relationship crumbles.

With so much riding on their indirect partners, companies must transform partnership models into ecosystems that are not marriages of convenience, but meaningful relationships to which all parties are committed and invested. Growth requires that companies provide the support, structure and basic operating parameters that their partners need. Above all, it calls for an operating model based on trust.

WE NEED TO TALK

Eighty percent of chief sales officers (CSOs) state that channel partners contribute 50 percent or more to their companies' yearly revenues.¹

It's understandable, then, that B2B companies are expanding their indirect sales networks to take advantage of the additional leverage. More than 60 percent of companies are collaborating with more channel partners than they were two years ago.² And 57 percent will increase their number of channel partners next year.³

This channel growth strategy will only work if partners are able to adapt to the new customer reality. The truth is that many are struggling.

Thanks to digital advances, B2B customers are bombarded by product choices, information and sales messages. In an "always-on" purchasing environment—which customers can enter and exit as often as they want, via the channel of their choosing—it's harder for channel partners to meet customers' expectations. Adding partners without clearly understanding the new reality of B2B customer engagement will only exacerbate the problem.

It is now common for B2B customers to carry out product research and purchases online, without human intervention. **Nearly three**quarters (74 percent) find online shopping more convenient than dealing with a sales rep. And 93 percent will avoid a sales rep altogether once they know what they want to buy.4

IF WE'RE NOT IN THIS TOGETHER, WHAT'S THE POINT?

Beyond the buying process, digital has altered B2B customers' preferences and demands. They no longer want products or services; they want end-to-end solutions.

Further, customers now expect the best of everything—price, product quality and service. They don't care where they get it, or who delivers it, as long as it's delivered consistently. If B2B companies fail to deliver consistent experiences or are unable to match the superior experiences other providers have offered, customers now can broadcast their dissatisfaction via social media. Worse, they can abandon the relationship altogether.

B2B leaders are taking notice. More than 75 percent of them believe customer experiences will be even more important in the years ahead. But their role in creating positive customer experiences is diminishing. As they grow their channel networks, they will cede even more of that control. And that's enormously risky. Inconsistent service by any one of their channel partners will have an immediate negative effect—not just on the B2B company, but on the extended partner network.

IT'S NOT YOU IT'S US

All partners are not created equal. More than 60 percent of the B2B revenue that flows through indirect channels comes from the top quintile of partners.⁶ Only seven percent of partners achieved 65 percent or more of their revenue targets last year.⁷

It may be tempting to conclude that large numbers of channel partners aren't as invested in selling as top performers. This may be, to a small degree, true. But the larger issue is that B2B companies are inadequately supporting, incenting or encouraging underperformers to achieve their full potential.

Our research found that:



B2B companies take too long to onboard their partners. **Half of partners require 10 months** or more to reach desired levels of productivity.⁸



One in four channel partners drops out of the typical B2B network each year.9



80 percent of CSOs provide marketing and lead-generation support. Yet, **57 percent** of channel partners find these services off the mark.¹⁰ They would prefer sales coaching (cited by 55 percent of survey respondents).¹¹

Customers must trust that channel partners providing products and services will also provide the experiences, pricing and support they need. In fact, eight out of 10 customers will not do business with companies they don't trust.¹²

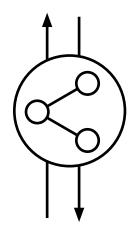
WHEN TRUST IS GONE, EVERYTHING'S GONE

Trust is the most important—and under-appreciated—success factor for ecosystem sales. It runs two ways (see

Figure 1). Channel partners must trust that the B2B companies they represent will provide adequate support and incentives. In the other direction, B2B companies must trust that their channel partners are delivering exceptional experiences to the end customers and serving as effective brand ambassadors.

Sharing insights about customers is a critical first step to building the trust that has so often eroded (see page 7). More than two-thirds of CSOs recognize that the ability to move customer data seamlessly and securely across their organization and their partners will be an important capability in the next three years.¹³

Figure 1. Between B2B companies and their channel partners, trust is a two-way street.



FROM COMPANY TO CHANNEL PARTNER.

Trust is generated by companies **sharing insights**, offering something of value (such as verified sets of leads or targeted sales coaching), and working to help align partner Issues.

FROM CHANNEL PARTNER TO COMPANY.

Trust is generated by partners sharing customer information, being vocal about risks, forecasting properly, and creating a feedback loop for end consumer insights.

Any breakdown in trust across the value chain can have a devastating effect on sales and brands. Unfortunately, trust between B2B companies and their sales partners is not as strong as it could be. Only one in five partners, on average, attains trusted partner status among the B2B companies they represent. And while 56 percent of B2B companies achieve a 75 percent adoption rate for customer relationship management (CRM) tools, only 38 percent actively use partner relationship management (PRM) solutions. This suggests they are more invested in customer relationships than in partner relationships. Both types of relationships are critical to B2B success.

GIVE AND TAKE

B2B companies have ceded much of the customer experience to channel partners. Because they are closer to the customer, it is likely that these partners have a better understanding of customers' preferences and behaviors. To develop new products and services, it's imperative that B2B companies have access to this customer information. But that may be a tall order.

Channel partners may be reluctant to pass on the data they have worked so hard to obtain. In those cases, B2B companies must be willing to offer something equally valuable in return such as verified sets of leads or targeted sales coaching. Additionally, in a number of geographies, companies are barred from sharing certain types of customer data. Data aggregation tools and third-party data-integration specialists can help B2B companies get the insights they need, without compromising the commitments channel partners have made to their customers.

ALL FOR ONE AND ONE FOR ALL

In the B2B world, delivering great customer experiences is based on an ecosystem operating model aimed at delivering great partner experiences. There are several things B2B companies can do to support, strengthen and future-proof their relationships.

Embrace a mindset of connected growth.

Innovating with partners and enlarging the financial opportunities for all ecosystem participants is a winning strategy. But it requires B2B companies to follow new rules (see Figure 2). One of the most basic rules involves B2B companies honestly assessing the core capabilities and value they bring to the ecosystem, strengthening those, and giving channel partners more freedom to manage the rest. As orchestrators of extended networks of channel partners, B2B companies are in a unique position to offer ecosystem services and solutions that individual partners could not access or develop on their own. Automotive manufacturers are particularly good at offering such value-added services for their dealers (see page 9).

Figure 2. New rules for connected growth in a B2B ecosystem.



LEVERAGE

connections and data flows to enable valueadded services



RETHINK

core competencies and leave the rest to partners in the ecosystem



PLAN

for hyper-rapid scale without traditional constraints



MOVE

from physical products to as-a-service models



CREATE

an excellent customer experience and examine location independence

DRIVING TOWARD CONNECTED GROWTH

Auto manufacturers around the world have demonstrated how to equip partners with valuable services and solutions.

A global automotive company conducted a comprehensive analysis of its dealers' customer data to identify distinct customer segments and develop actionable sales strategies for each at a micro-market level. By then training its dealers on these new strategies, the company grew dealers' sales volumes by 18 to 53 percent, improved customer retention by 15 percent, and achieved \$51 million in profit growth over three years.¹⁵

Another global OEM helped its authorized repair shops continue generating revenue from customers who ordinarily switch their repair business to independent shops when their warranties expire. The solution involved developing strategies for luring those customers back and also positioning the authorized repair shops as authorized sellers of OEM parts to independent shops. In rolling out this new revenue-generating opportunity, the automobile manufacturer offered training, online tools and marketing support to its authorized network participants.¹⁶

Listen and respond.

More than two-thirds (70 percent) of CSOs are trying to gain greater control over their ecosystems through rigorous vendor management practices.¹⁷ This may not be the best approach. Ecosystem partners are more than "vendors." They are co-creators of value. In the most successful B2B sales ecosystems, B2B companies take the time to understand their partners' businesses as well as they understand their own. Knowing the voice of the partner enables them to zero in on what each partner values and needs to succeed.

Align and continually improve a new operating model.

Successful ecosystem operating models are not only calibrated to exceed the expectations of today's non-stop customer, but also designed with the intention of increasing a customer's lifetime value. An energy company, for example, may team with manufacturers of energy-efficient appliances. A telecom company might partner with a company offering personal speakers. All ecosystem activities must be aligned to these objectives. For B2B companies, that means delivering the incentives, sales coaching, and real-time deal shaping support that partners need to strengthen customer relationships and loyalty. It also means creating closed-loop feedback mechanisms to ensure that the ecosystem will continue to grow and co-create value as a unified team.

For example, a North American telecommunications company studied their third-party dealers and identified groupings of dealers that approached the market using discretely different business models. As a result, the telecom company was better able to support the needs of their dealers and their joint end customers.

ECOSYSTEM OPERATING MODELS REPRESENT A SHIFT FROM:



Company- or product-based competition to an ecosystem-based competitive environment.



Command-and-control models of supplier management to collaborative models that manage innovation and offering development with a network of ecosystem partners.



Capabilities that focus on transactional relationships with vendors to capabilities that enable ecosystem leaders and partners to co-evolve, share resources and create value as a unified team.

MAKE THE COMMITMENT

Because the fate of B2B companies and their channel partners are inextricably entwined, B2B leaders must take steps to ensure that all parties are committed to—and united in delivering—experiences that will keep customers coming back for more. In the B2B arena, positive customer experiences begin with positive partner experiences.

The good news is that there are plenty of opportunities for B2B companies to boost the experiences and productivity of their partners. Improvement begins with a new operating model that treats partners like trusted co-creators and gives them the tools and confidence they need to deliver better customer experiences and connected business outcomes.



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CONTACT THE AUTHORS

Keith McInerney

keith.t.mcinerney@accenture.com Seattle, WA, USA

Monica Frigerio

monica.frigerio@accenture.com Milan, Italy

Craig Simpson

c.simpson@accenture.com Charlotte, NC, USA

CONTRIBUTOR

Ding Ying

ding.ying@accenture.com Kuala Lumpur, Malaysia

NOTES

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