

Driving Channel Partner Loyalty— and Performance

SAP's loyalty management system is core to its channel strategy. It not only spurs partners to pursue activities that lead to rewards, benefits and growth but also provides them with a window to manage their performance.

By Lauren Gibbons Paul

Large software companies have relied on channel partners for decades and, in many cases, frustration and missed opportunity are the name of the game. Conflicts between internal and external sales teams, confusion over regional or sector turf—these and myriad other challenges have plagued many channel programs. The rise of the Internet and social media has only exacerbated the situation.

So, when SAP wanted to expand its sales into new industries and geographies, the global software provider knew it needed a fresh approach to the channel that would win partners' mindshare, loyalty and further investment. In early 2011, the company made a shift in strategy: While its channel partners traditionally sold to the small and midsize market, it would now allow them to compete for larger accounts.

To ensure strong and profitable channel relationships, SAP needed to enhance and upgrade PartnerEdge, its portfolio of channel programs that reward partners for their contributions to growing SAP's business. "The program is designed to measure a partner's commitment and investment," says Denise Noli, senior director of global PartnerEdge programs at SAP. "In return, we provide many benefits that are tailored to fit the different types of partners we go to market with and that reward those partners who have invested in growing our business."

The VAR program, for example, is based on a three-tiered system in which partners can increase their benefits by moving up successive levels (see Figure 2, "Three-Tiered Reward System"). They do this by earning "value points" for completing qualifying activities. As partners proceed up the partnership pyramid, they are entitled to benefits such as greater marketing development funds, higher service levels from SAP, better discounts on software licenses and program logos for promotion. Channel partners at all levels get access to SAP's huge assortment of sales and training resources, previously available only to internal sales consultants. These resources—along with the ability to communicate with SAP and to manage and track their activities, rewards and progress toward new levels—are accessible via a secure and unified partner portal.

Tying the Knot

To many of its partners, SAP PartnerEdge has made all the difference. In the past, joint pursuits could be complex, says Prashant Jain, senior vice president at Gold-level SAP partner Sparta Consulting, a KPIT Cummins Company. "This year, I have seen a significant shift in strategy," he says. "They are not just talking about it. They are putting the incentives in place to make this work."

"SAP has really embraced the channel, enabling partners to use the same selling processes and principles that it has internally," says Elliott Garofalo, senior vice

Figure 1

SAP PartnerEdge Features

- Competitive differentiation
- More benefits as partner performance improves
- Consistent approach for:
 - VARs
 - Services partners
 - Software solution and technology partners
- Levels awarded based on value points earned
 - Monthly determination of whether level should be increased
 - Semi-annual determination of whether level should be decreased
- Value points collected in three disciplines:
 - Business performance
 - Capability building
 - Innovation and marketing

Source: SAP

Figure 2

Three-Tiered Reward System

The PartnerEdge Loyalty Management system awards points for qualifying activities, which enables partners to increase their status based on performance.



Source: SAP

Research Update—Loyalty Case Studies

president of emerging markets at Optimal Solutions Integration, a Gold-level SAP Business All-in-One partner and a Gold-level SAP BusinessObjects partner. As SAP's strategy has evolved, the functions available as part of PartnerEdge have been expanded in regard to opportunity management, lead tracking and accountability, he says.

SAP's efforts to engage more closely with the channel seem to be paying off. Currently, over one-third of its revenues come from the channel, according to Noli. The goal is to reach 40 percent by 2015. Additionally, SAP has increased its efforts to help partners expand into new markets such as mobility, cloud and in-memory computing, according to Ira Simon, SAP vice president of Global-to-Partner marketing communications. "Partners are crucial to help meet our aggressive business goals," Simon said in a published Q&A.¹ "They are an extension of our salesforce."

PartnerEdge: A Multi-Faceted Program

The PartnerEdge team uses a Partner Relationship Management (PRM) system that manages all partner activities, tracks value points, issues rewards based on points earned and calculates on a monthly basis whether partners have earned a promotion in level. Activities that qualify partners to earn value points are categorized into three disciplines: business performance, capability building and innovation/marketing. (see Figure 3, "Qualifying Activities").

The PRM system is powered by a Loyalty Management (LM) module that is part of SAP's CRM suite. The tool helps SAP manage many of the partner requirements and authorizations in a fully automated way. It enables SAP to track value points and rewards, view projections on monthly point totals, manage point expirations and view a partner's progress toward maintaining or improving its level status.

Partners and SAP resources access the PRM system collaboratively. The tool has become an important resource in the PartnerEdge portal, which consolidates in one secure, dedicated site all the resources partners need to build, sell and implement all SAP solutions. This includes industry and

SAP PartnerEdge at a Glance

- **Number of SAP partners worldwide:** 12,000
- **Number of individual monthly visitors to the SAP PartnerEdge portal:** 60,000
- **Percent revenues from partners:** 33%

Figure 3

Qualifying Activities

PartnerEdge issues value points that can be turned into rewards when partners complete qualifying activities.

Category	Activity Type	Qualifying Activity
Business Performance	Software license sales	<ul style="list-style-type: none"> ▪ Partner sells SAP software license (value points for license sales revenue to net new customer) ▪ Partner sells SAP software license (value points for license sales revenue to installed base)
	Add-on sales transaction	<ul style="list-style-type: none"> ▪ Partner sells own solution to SAP customer
	Subscription/SaaS sales	<ul style="list-style-type: none"> ▪ Partner sells subscription/SaaS to new customer (value points for contract value, sales order total) ▪ Partner sells subscription/SaaS as renewal (value points for contract value, sales order total)
Capability Building	Solution development	<ul style="list-style-type: none"> ▪ Partner qualifies solution ▪ Partner certifies solution ▪ Partner completes technical review
	People qualifications/certifications	<ul style="list-style-type: none"> ▪ Contacts pass qualification/certification/workshop completion ▪ Confirmation that trainings were passed
	Quality of service	<ul style="list-style-type: none"> ▪ Quality of service index tracked per partner
Innovation/Marketing	Participation in select marketing activities	<ul style="list-style-type: none"> ▪ Virtual agency campaigns ▪ Marketing activity registration
	Customer references	<ul style="list-style-type: none"> ▪ Partner nominates customer reference
	Validated implementation project	<ul style="list-style-type: none"> ▪ Confirmation of successfully completed SAP implementation projects via mass upload
	Participation in SAP online marketplace	<ul style="list-style-type: none"> ▪ CRP points achieved by partner ▪ Solutions published on SAP EcoHub

Source: SAP

¹ Susan Galer. "Giving Partners What They Want." SAP Newsroom, Sept. 13, 2012. <http://www.news-sap.com/giving-partners-what-they-want/>

Research Update—Loyalty Case Studies

market insights, competitive information, SAP product and solution resources, and operational activities such as software license keys and ordering.

Helping Partners Compete

SAP has indeed gotten serious about ensuring its internal sales team works with the channel, including requirements that certain sales must be booked through a partner as opposed to an internal salesperson. These changes gave Optimal Solutions the green light to increase its investment in SAP. “We have made huge investments in that side of the business over the last few years, because barriers that had existed to partners booking sales are no longer there,” Garofalo says.

Requirements for achieving and maintaining the progressive levels have been tightened, a change Garofalo welcomes. In the past, he says, there were back-door ways of achieving Gold status, for instance, without actually meeting the qualifications; now, he says, SAP has put more accountability into ensuring qualifying activities are completed. “We have to prove those capabilities over time—things like headcount and infrastructure,” Garofalo says. “We get a higher discount level so we can be more competitive, so we can sell more deals. We can differentiate ourselves because of our size and ability to invest, and we get rewarded for the investments we have made.”

SAP relies on its partners to provide feedback on how they can work even more closely together. When its services and VAR partners expressed a desire to stand out from their competitors, for instance, SAP created a specialization program called SAP Validated Expertise. The program—managed by PartnerEdge’s LM module—validates the partner’s expertise in a solution or industry. And when partners requested more social media capabilities, SAP created the PartnerEdge Interactive community to share ideas, thoughts and comments among partners and SAP.

Jain and his colleagues at Sparta Consulting use the PartnerEdge portal on a daily basis for accessing information like pricing and quotation tools, sample agreements and documentation. His personal favorite: The library of vertically oriented sales collateral, which was particularly helpful recently when he was pursuing an opportunity in the high-tech space. “It gave me a sample script and product info that our sales guys could use for a specific prospect,” Jain says.

As you move up the partner ladder, Jain says, what partners get back from SAP increases, too—such as the number of pre-sales consulting hours available, the amount of training, and the access to marketing and advertising resources. “All of those things change at each level,” he says. “Most important is the discount we get in selling the software.” The less it costs his company to sell, the more competitive it can be and the more value it can pass to the customer.

Profit on both sides of the aisle is a sign of well-being. “We’ve made dramatic improvements, and partners are making serious money with us,” SAP’s Simon said in the Q&A. Optimal Solutions, for instance, has enjoyed significant growth selling SAP exclusively during the last few years of a difficult economy, averaging about 200 new hires per year for the past five years. “We will end up this year at almost 1,100 employees,” Garofalo says. “We have been a big success story during the worst economy in 60 years.” Further proof of the firm’s belief in SAP? It recently implemented an SAP system to run its business and replaced Salesforce.com with SAP Sales on Demand. Says Garofalo: “This has been a true success story.” ■

What’s Next

- Ability for partners to expand into new solution areas, such as mobile, cloud, in-memory and analytics.
- A two-tier distribution model for higher volume sales of certain product lines, including database, ASE, mobile and analytics solutions. This will enable thousands of partners to access SAP solutions through distributors and to resell more products faster.

Lauren Gibbons Paul has written extensively on customer relationship management and customer experience management topics for more than 15 years. She has written for Peppers & Rogers Group, Forrester Research and leading business technology publications.

How SAP Drives Partner Loyalty and Engagement

Loyalty programs have traditionally been utilized in business-to-consumer (B2C) organizations as a tool to drive long-term growth. The goal of these programs is to forge closer links with customers to better understand what they value. At that point, companies can deliver rewards, incentives and an overall positive experience to increase the emotional bond and, thus, loyalty.

Today, as business-to-business (B2B) organizations face increased competitive pressures and greater scrutiny on budget efficiency, the time is right for B2B loyalty programs. In this case, however, the goal is to create stronger bonds with partners.

B2B organizations are challenged today to manage a tight market situation, while simultaneously moving business to the next level. Loyalty and incentive programs can do just that, helping B2B companies meet both their long- and short-term needs.

A B2B loyalty management program rewards partners for activities that the company wants to encourage, such as sales, better trained employees, quality of service and innovative marketing approaches. Rewards can come in many forms, such as funding, discounts and higher service levels. Because the B2B organization gains increased insights into partner activities, it can better measure partner commitment and investment levels. And because they are being rewarded, partners are focused on selling the company's products, not those of competitors.

In short, B2B loyalty programs can help win partner mindshare, motivate the channel and drive insights that enable companies to operate more effectively and efficiently within the business ecosystem. Additionally, B2B organizations can gain further value from loyalty programs, including:

- Increased partner loyalty, in the form of repeat business and advocacy.
- Differentiation from competitors.
- Development of deeper business relationships.
- Optimization of the order and fulfillment process through information exchange.
- Avoidance of price wars.

The SAP Loyalty Management solution enables marketers to analyze the performance of loyalty programs and to optimize these programs. Companies can gain key insights from real-time loyalty analytics and dashboards to refine their strategy. These timely insights can lead to the ability to make mid-course adjustments, more accurate targeting and personalized rewards.

In addition, companies can mix and match the types of rewards offered to loyalty program members. Implementing these insights enables organizations to optimize the revenue and profitability of their customer and partner relationships.

For More Information

For more information about the SAP 360 Customer solution for Marketing, please visit this Web site:
<http://www54.sap.com/lob/marketing/software/overview/highlights.html>

SAP's Products for Partner Loyalty Success

- SAP Loyalty Management
- SAP Marketing
- SAP Web Channel Experience Management
- SAP Partner Channel Management
- SAP Social OnDemand
- SAP JAM
- SAP BusinessObjects Business Intelligence Suite

This research project was funded by a grant from SAP.



© Copyright 2013, Bloomberg L.P.
All rights reserved.