SCALEUP

MARKETING HANDBOOK | 2020

INSIGHT
PARTNERS

In the ScaleUp phase of a software company's growth, companies take the success they've already achieved as a startup and amplify. Marketing is the bullhorn to amplify all growth acceleration activities. It will help you drive awareness, develop coherent messaging and positioning, and feed the pipeline to close sales.

Software marketing today is a constantly changing landscape of tactics, strategies and technologies, making it impossible to keep up.

Insight's Marketing Center of Excellence can help! We have a ring-side seat to the software industry's top marketing teams and know what it takes to ScaleUp successfully. **With Insight, you get access to the leading ScaleUp resources from the experts doing it now.**

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MARKETING METRICS: KPIS THAT MATTER (SPOILER: IT'S NOT JUST MQLS)

CTR? CPL? MQL? THERE ARE MANY WAYS TO LOOK AT MARKETING PERFORMANCE (AND JUST AS MANY ACRONYMS). BUT WHAT ARE THE KPIS THAT REALLY MATTER? LEARN ABOUT HOW WE AT INSIGHT LOOK AT MARKETING PERFORMANCE.

KPIs vs. Metrics

Before we dive in, a note: all KPIs are metrics, but not all metrics are KPIs.

There are countless metrics that marketing teams should be monitoring and tracking. However, only some of these will rise to the ranks of KPIs. Even fewer will be external KPIs—those that matter to people outside of the company.

> LOOK AT OPPORTUNITY DOLLARS INSTEAD OF BOOKINGS SINCE IT'S A DIRECT DRIVER OF BOOKINGS AND LOCALIZED TO MARKETING

Three Key Questions and Their KPIs

We regularly hear three key questions about marketing performance:

1) How is marketing driving new business bookings growth?
While all three questions are important, the first one gets the most airtime. Consequently, the main KPI we focus on is **marketing sourced new business opportunity dollars.** We look at opportunity dollars instead of bookings since it's a direct driver of bookings and localized to marketing (i.e., no controversial caveats around sales execution). It's also a warning sign—if not enough opportunity dollars have been created, or if the amount is trending down, we know there's risk to hitting future bookings targets.

2) What can we expect going forward?
This dovetails into the second question around outlook and another KPI — **marketing sourced new business open pipeline.** Specifically, is the pipeline value growing? Ideally, we'd like to also compare this value to marketing sourced new business bookings targets for the next quarter.

3) How efficiently is growth being driven?
Lastly, there's efficiency. How efficiently is marketing driving growth and how is that trending? Here we focus on **cost per new business opportunity dollar** (i.e., marketing program spend / marketing sourced new business opportunity dollars) and, to a lesser extent, **cost per booking dollar** (i.e., total marketing spend / total booking dollars with an appropriate time lag on the bookings).

...And Four Early Warning Signs. Wait, Isn't This Article Done?

In addition to the above, we also look at four early warning signs. The Board won't necessarily look at these, but we do in the Insight Marketing COE and encourage our portfolio marketing teams to monitor them as well. These are:

These four warning signs work together to drive marketing effectiveness and efficiency. It's not enough to look at just one or two—you need to look at the interaction of all four (okay, technically, it's just three at a time).

See the following page for **three examples** to drive home this point.

		A	B	C
Key Drivers	**MQL Volume**	200	100	100
	Conversion Rate %MQL to Opportunity	2.5%	5%	5%
	Average Deal Size	$10,000	$10,000	$20,000
	Cost Per MQL	$100	$200	$400
Select KPIs	**# Opportunities**	5	5	5
	Cost Per Opportunity	$4,000	$4,000	$8,000
	$ Opportunity	$50,000	$50,000	$100,000
	Cost Per Opportunity $	$0.40	$0.40	$0.40

1) A vs. B for effectiveness

If you just looked at MQL volume, a commonly used marketing KPI, you would conclude that scenario A at 200 MQLs is better than scenario B at 100 MQLs. However, when you factor in the conversion rates, the number of opportunities is the same. In a world where the average deal size is the same, the opportunity dollars is also the same. If you assume the same sales execution, you are probably equally happy with A and B. You may even prefer B since there are fewer leads for sales to manage.

2) A vs. B for efficiency

Let's look again at A vs. B but with an efficiency lens. If you looked at just cost per MQL, you would say that A at $100/MQL is preferable to B at $200/MQL. However, again, you need to factor in conversion rates. When you do, the cost per opportunity is the same, and in a world where average deal size is the same, the cost per opportunity dollar is the same as well. So again, it's not the case that A is preferable to B.

3) B vs. C and the impact of average deal size

IT'S CRITICAL TO FACTOR IN AVERAGE DEAL SIZE

In the prior examples, we kept average deal size the same. However, for many of Insight's portfolio companies (and ScaleUp companies generally), average deal size is not the same. In fact, most have an initiative or two (ahem, ABM) in place to drive up the average deal size. Average deal size can also shift with marketing channel mix. These are all reasons why it's critical to factor in average deal size when assessing marketing effectiveness and efficiency.

*** Effectiveness**

MQL volume and conversion rates are the same for B vs. C, meaning the number of opportunities is the same.

However, would you choose B over C? While there is the same number of opportunities, the value of the opportunities is different. C, with the higher average deal size, is generating 2x the dollar value of opportunities.

*** Efficiency**

The cost per MQL for C is 2x that of A and the cost per opportunity is also 2x.

However, you need to again factor in the larger average deal size (this, by the way, is why we look at cost per opportunity dollar and not just cost per opportunity). When you look at cost per opportunity dollar, B and C are equally efficient. Overall, C is probably more efficient when considering the sales effort to qualify the leads.

In Summary

Here are some key takeaways:

- When it comes to external marketing KPIs, make sure to simplify and educate.
- Focus on opportunity dollars, the opportunity pipeline, and cost per opportunity dollar.
- KPI trends are just as important as the KPIs themselves—look at YoY and QoQ changes.
- Never just look at MQL volume or cost per lead—these are meaningless numbers on their own.

...With Some Caveats

As with all things to do with marketing KPIs though, it's a bit more complicated than what we've laid out here. There are some additional details and caveats that we normally add when working through this with portfolio companies.

For example:

- **For conversion rates, we actually look at an end of quarter conversion rate**—i.e., of the MQLs generated this quarter, what percent converted to opportunities by the end of the quarter (note: always on a cohort basis). This conversion rate is highly correlated to the longer-term MQL to opportunity conversion rate and acts as an early indicator.
- **We also look at other KPIs that didn't make it on this post.** Top of mind are marketing sourced bookings, opportunity to won conversion rates, funnel velocity, and program spend ROI. As the Marketing COE, we do ask for these numbers when working with our portfolio companies and encourage CMOs to track them.
- **Then there is the issue of attribution and marketing influence.** When is this ever not an issue? We believe strongly that each type of attribution model has an important role in marketing reporting and which model you use depends on the question being asked. We also understand that this concept of marketing sourced (vs. influenced) can be controversial within an organization, often causing misalignment between sales and marketing. All that said, we have focused on using first touch attribution for external KPIs for a couple of reasons:
    - It's easy to understand for people who aren't in marketing (i.e., the Board).
    - Every company can do this, providing a consistent definition across companies.
    - For most our portfolio companies, marketing is focused on new logo lead gen. Using first touch attribution makes the early warning signs work more effectively.

One final caveat: These KPIs were designed for a traditional funnel. For companies implementing ABM, the KPIs will be different.

2

MARKETING TOOLS: MARKETING AUTOMATION PLATFORM BUYER'S GUIDE

INSIGHT'S MARKETING CENTER OF EXCELLENCE RECEIVES A LOT OF QUESTIONS AROUND WHICH MARKETING AUTOMATION PLATFORM (MAP) TO GO WITH AND WHY. THE ANSWER IS THAT THERE IS NO ONE SIZE FITS ALL SOLUTION.

We looked far and wide for a go-to MAP buyer's guide we felt confident enough in to hang our hat on and refer Insight portfolio companies to when making this important decision. Unfortunately (or fortunately!), we could not find one, so we decided to write our own.

Insight partnered with Capstone Insights to write a comprehensive "Marketing Automation Buyer's Guide." This GO Guide provides a map for buying a MAP (chuckle, chuckle), walking through the following key milestones in your decision-making process:

- **MAP features:** Learn about the primary product features to keep top of mind when researching the MAP landscape
- **MAP value drivers:** Understand how a MAP delivers efficiency, effectiveness, and insights to drive bottom line ROI for your business
- **MAP lifecycle:** Gain insight into knowing when it's time to make a switch and how to continue to grow the functionality of your existent MAP through systems and processes
- **MAP pricing:** Read up on MAP pricing (and discounting) – there are some foundational guidelines, tips, and tricks here that will help you negotiate the best value and avoid costly mistakes in the buying process
- **MAP selection criteria:** Ensure you are thoughtful in your evaluation process and structuring your assessment criteria strategically the first time around
- **MAP practical advice:** No need to boil the ocean – learn practical tips from those who have been through a MAP implementation before and focus on what drives value versus attempting to do it all and getting lost at sea

Which MAPs did we consider?

There are several MAPs out there. But, the bottom line is the universe is narrowed down to a much smaller subset when you focus on best-in-class for B2B SaaS companies on Salesforce.com.

We made the conscious decision that quality rules over quantity (at least in this specific use case), and therefore boiled down our MAP universe to 3 platforms: Hubspot, Pardot, Marketo

We felt strongly that expanding the scope beyond these 3 best-in-class solutions would have diluted the content and made the guide less valuable. Across each, we walk through reasons why/how each MAP is the right fit, where and when the platform might be less of a fit, advanced capability offered, pricing structure, summarized insights relevant to your specific use case, and more.

Which key features and value drivers should I keep in mind in my MAP buying process?

MARKETING AUTOMATION AUTOMATES YOUR BUSINESSES' INTERACTIONS WITH PROSPECTS AND CUSTOMERS

Features

Marketing automation does exactly what you would think: automates (and personalizes) your businesses' interactions with prospects and customers. The guide goes into much further detail – which is why I would recommend downloading it – but to give you a taste, here are some of the key foundational features a MAP offers:

- Tactic creation
- Nurture and outreach
- Lead scoring
- Data management
- Segmentation and personalization
- Reporting and analytics
- Integration (across your go-to-market tech stack)

In addition to going into each of the above features in more detail, we will also give an overview into some of the more advanced capabilities some MAPs offer, such as sales prospecting, predictive content, and website personalization (just to name a few).

Value Drivers

One of the largest value drivers is that marketing automation increases the efficiency and effectiveness of B2B demand generation while also enhancing insights into your marketing performance so that can continue to drive increased value.

In the guide, we walk through how a MAP delivers value through the following 3 drivers:

- Efficiency
- Effectiveness
- Insight

How do I know it's time to purchase for the first time or upgrade my existing MAP?

Fast growing software companies are often at the point in their growth trajectory when investment in the right marketing technology becomes crucial to scale, not only for immediate business needs today, but also looking to ensure efficient and effective scaling into the future. We want to be sure you purchase a platform that meets both your current needs as well as the growing needs of your scaling organization.

There are 3 warning signs that your organization may be constrained by limitations of your existing platform. At a high level, these 3 warning signs include:

- Functionality is not aligned to your needs
- Workarounds become necessary
- Lack of customer support/service available for your specific needs

Sometimes organizations "over-buy," meaning they purchase a MAP that is too advanced for their current team's technical proficiency. In this case, you may see the following 2 symptoms indicating that your MAP is not the right fit:

- **High error and defect rates:** Quality assurance suffers (e.g., sending emails to the wrong contacts, non-functioning nurture programs/workflows, reporting that does not accurately communicate results).
- **Time requirements:** It takes too long to complete basic marketing tasks and your team's productivity suffers.

Investing upfront in the right MAP lays the backbone for driving strong demand generation tactics that propel your marketing strategy to new levels and ultimately grow your bottom line.

3

BRAND, MESSAGING, LEAD GENERATION FOUNDATIONS: GUIDE TO LAUNCHING A NEW WEBSITE

Your face to the world.

WE HAVE ONE WORD FOR YOU: **RELAX**

Every marketing leader has felt it before: that nervous pit in your stomach before your new website goes live. Is it ready? Can I push the "publish" button and bring it to life? All of the planning, all of the designing, all of the coding, all of the testing—is it enough?

We have one word for you: relax. It will be fine. Here are some best practices to guide you through the journey.

Focus on a solid base

The most important choice to make is your Content Management System (CMS). There are many options, each with a range of capabilities and price points. Today you can get a lot of functionality for not too much cost. We chose the Automattic platform (WordPress) because it gave us great functionality, a strong ecosystem of plugins which reduces custom development, and considerable flexibility. Pre and post launch there will be many changes to your site. The one thing you don't want to have to change is your CMS. Choose wisely! Flexibility at the right price point is paramount

There is such a thing as too much feedback

Never develop a website in a vacuum. It is important to begin the process by getting as many ideas as possible. This ensures new ideas are captured and support from key stakeholders (like sales, customer success and product). But, there is a difference between getting input and making every choice on your site based on a vote. Too many people giving constant feedback can easily result in a site that is inconsistent, ineffective, and bland. Once you have decided on key aspects of your site, contain your testing/ feedback to a small group and ensure you have one ultimate decision maker to keep the voice consistent. Your website reflects the lead generation intent and brand messaging of your company, as realized by marketing experts.

Leave time for content

We are often surprised by how much time is spent on the website's look and feel, graphics, site layout, and how little time is spent creating credible and compelling content. In the end, the language, tone, and writing will be the true test of success. Does your site really tell your story? Can someone hit your homepage and immediately understand what you do? In parallel, don't neglet SEO. Make sure you clearly define your keyword strategy and leverage technology to optimize your SEO processes during site creation. Build time upfront to implement a robust content creation and editing process that serves your product messaging, and your lead generation SEO needs.

Cover your testing bases

Testing is a basic parameter of web development. Ask yourself whether you have the right people for the job, and ensure they quality control the right things:

- Are there issues with page loading speed?
- Do all the images display correctly?
- How does the site look on different mobile platforms, computer operating systems, and in different browsers?
- Do all of the links work?
- Are spelling/ grammar edits needed?
- Are there formatting inconsistencies?

Make sure you choose people who have high attention to detail and give each person specific instructions about what they should be testing. After all the planning and effort to launch a new website, no one wants to be embarrassed by sloppiness.

> “ I HAVE LOST COUNT OF THE NUMBER OF WEBSITES THAT I’VE LAUNCHED IN MY CAREER. ONE THING HAS BEEN CONSISTENT FOR EVERY SINGLE ONE. YOU CAN’T MAKE EVERYONE HAPPY.

There will always be haters

Whenever you’re launching a new site, find comfort in knowing that you can’t please everyone and there will always be someone with a negative comment. As the marketing leader, you are the expert and you need to make some choices. People are entitled to their opinions, but you need to remain focused on the website elements that enable you to accomplish your agreed-to key marketing objectives. It’s great to be loved; it’s better to be successful.

In the end, just relax. Why the chillax attitude? Well, it is based both on experience and reality. For the most part, there is nothing that you are doing with the website that can’t be fixed or amended. The launch is simply the start of a long process of optimization and improvement. We are not recommending that you dive in without any testing or doing all the “right” things. But, if the site is technically fit, and you have done the proper planning up front, go ahead and let the beast breathe.

4

ENTERPRISE MARKETING: THE REALIST'S GUIDE TO ACCOUNT BASED MARKETING

AS MARKETERS, WE ARE GREAT AT JUMPING ON THE NEXT NEW WAVE IN THE HOPES OF DRIVING STRONGER RESULTS, AND ULTIMATELY, JUSTIFYING OUR MARKETING BUDGET.

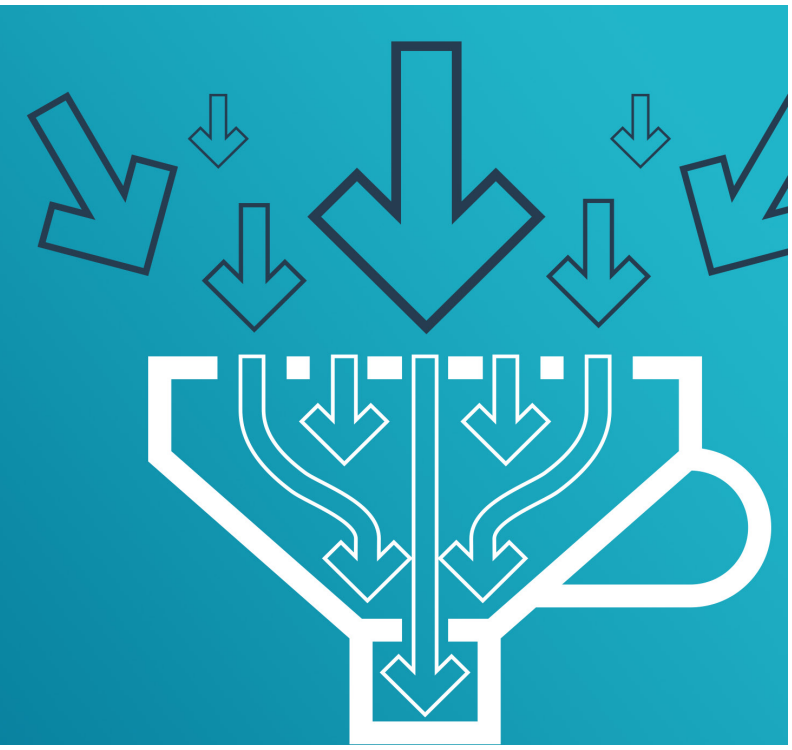
That said, sometimes we are too early, and the technology can't support the strategy – much like the early days of PPC advertising platforms. Other times, we hit it just right when both the technology and the market converge to deliver that "perfect solution" – think Marketing Automation Platforms. The marketing strategy du jour is Account Based Marketing (ABM). And truth be told, there are seldom interactions through Onsite's Marketing Center of Excellence where a portfolio company marketing leader does not ask me about ABM.

The ubiquity of ABM in marketing circles is driven by the consultant and the technology ecosystem that smells opportunity. There are some incredibly promising aspects of ABM that, I believe, will deliver compelling results for our portfolio companies.

What is ABM?

ABM isn't a new strategy. We have been doing targeted account marketing and selling for years. According to Sirius Decisions, "Account Based Marketing is a strategic approach that aligns demand creation programs and messaging against a set of defined accounts and goals in a way that is relevant and valuable to those accounts." It is not a single tactic or a one-off initiative. It is not simply about tech or a set of tools. It is, most assuredly, not a marketing-only initiative.

WHAT IS DIFFERENT ABOUT ABM IS HOW ALL OF THESE ELEMENTS COME TOGETHER TO DELIVER A NEW APPROACH TO DEMAND GENERATION.



What is Different about ABM?

Five key aspects make ABM a compelling strategy:

- **Focuses on a select number of targeted accounts**
  The key to ABM is to limit your world and focus on either a segment, a group of existing targeted accounts, or at the true one-to-one marketing level, a handful of strategic accounts. The choice of focus will depend on your organization's readiness for ABM, the ABM technologies chosen, and your selling strategy.

- **Personalizes messaging, content, campaigns, and interactions**
  The goal is to treat each account as a market of one. Your marketing organization will need the resources to support ABM efforts across these tactics.

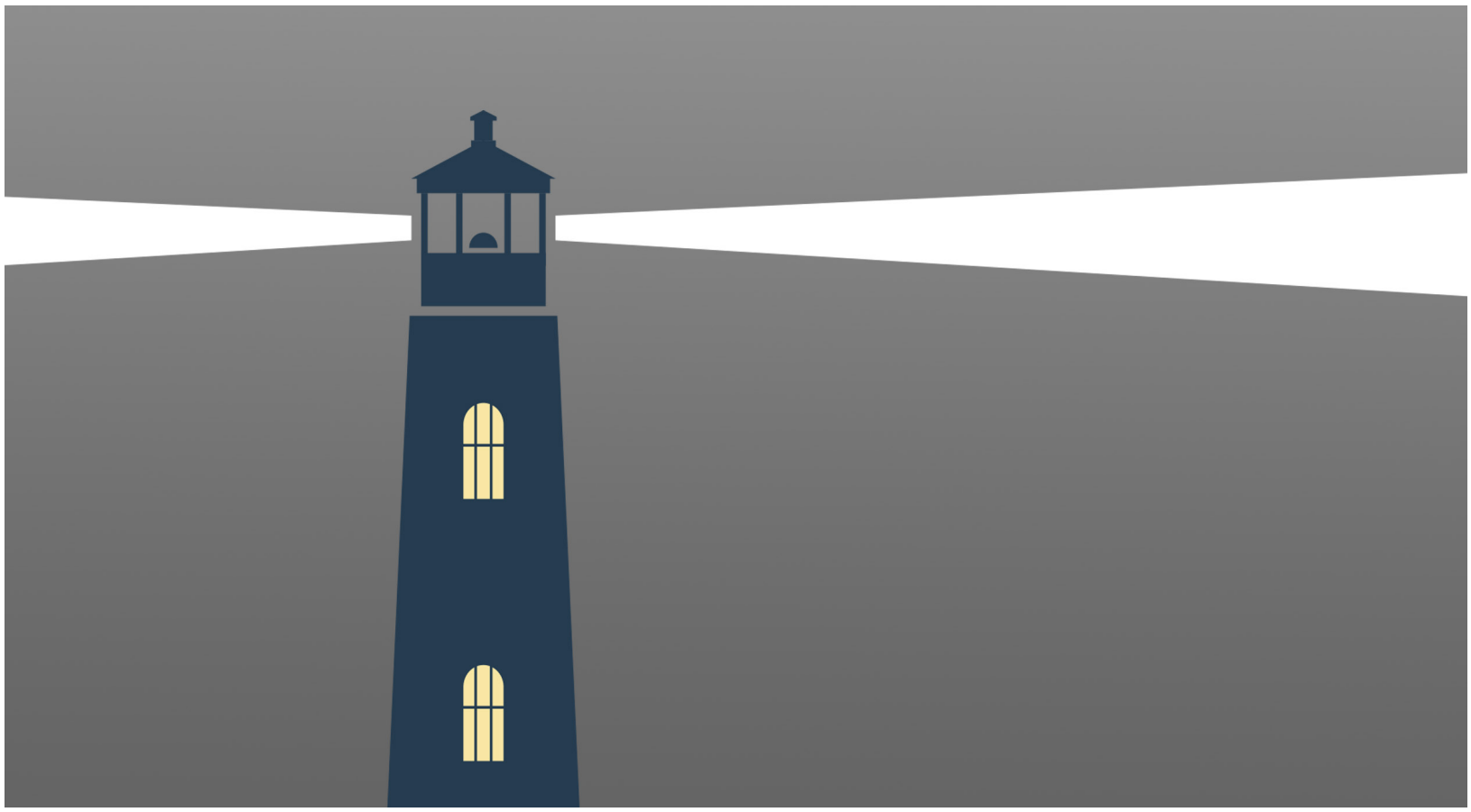
- **Requires a "whole funnel" approach – ABM is NOT a marketing strategy; it's a precursor to Account Based Sales.**
  It will most likely fail if marketing is siloed in its ABM approach. Efforts must be coordinated between marketing, BDRs/SDRs, and sales. For tips on improving your marketing-sales relationship, read Onsite's blog post, BFFs: Marketing and Sales.
- **Takes a holistic account view**
  The goal is to influence many people in one target account. I often remark that the strategy is to "surround the account" i.e., to provide all the influencer personas in an account with a customized selling journey.
- **Goes beyond the initial sale**
  ABM is not simply about new logo sales; it is equally important to consider how cross sell/upsell expansion strategies will benefit from ABM.

What does it all mean?

We are in the early stages of a transformational shift in demand generation activities in the B2B space. The days of driving as many top of funnel leads as possible, with the belief that those raised hands will ultimately end in sales, is coming to a close. In its place is a new strategy that is more focused on penetrating target accounts through tactics that result in fewer MQLs (or rather marketing qualified accounts) that convert at higher rates. This transformation will require that marketers, CMOs, CEOs, and board members understand the impact an ABM approach has on an organization's go-to-market strategy. Account based selling is an organization-wide approach to targeting, selling to, and delighting customers.

5

CHANNEL MARKETING: THE JOURNEY TO BUILDING A SUCCESSFUL PARTNER PROGRAM



Step 1: Validate

INVESTING IN THE CHANNEL IS EXCITING AND CAN PAY BIG DIVIDENDS FOR YOUR BUSINESS, BUT IT COMES WITH ITS FAIR SHARE OF RISK.

You've established sufficient revenue and scale. Your product is proven. You have referenceable customers and predictable ARR. Perhaps you have informally partnered with complementary product or services companies in a recent deal or via a joint marketing campaign.

So, you're ready to dive head first into building out a channel partner program, right?

You're a growing software company. Isn't what you're supposed to do? Maybe you're dreaming about how the partner flywheel will alleviate any new bookings hurdles and open a treasure chest of new ARR.

...Not so fast. Before embarking down the path of building a channel partner program, it's important to pause, and look at the big picture to understand whether you are indeed ready to (or should) build out a channel partner strategy. Investing in the channel is exciting and can pay big dividends for your business, but it comes with its fair share of risk. The channel is not a magic bullet, flick of a switch solution. Be prepared to invest a great deal of time, money, and effort to get it up and running. Partnering is hard work and having the right frameworks in place to build out a sound strategy is key.

Successful channel execution is the focus of this blog series. The goal is to inspire you to ask the right questions and become attuned to the patterns that could either trip you up or bring you great success. Many of Insight's portfolio investments are at the point in their growth trajectories where they are considering building or strengthening their indirect revenue stream. Insight Onsite has channel expertise to help you grow and navigate the partner path. I know from my operating experience at a SaaS company that there is a right and a wrong time to invest in channel, and building one out requires a great deal of discipline, patience and compassion. Start putting yourself in the partners' shoes now!

Our 6-step journey to channel success provides a framework to validate and define a channel strategy, recruit and enable your partners, and ultimately grow and analyze your program. Each of the posts in this series will explore the crucial steps necessary to set you down the path to achieving an efficient and powerful partner flywheel.

And, with this preamble, let's start at step 1. It's critical to take the time to carefully validate your reasoning for "why channel?" before launching into any solidified planning.

Validate – It starts with why

Why is a simple question, but it isn't an easy one. Take the time to dig into the motivations behind moving to the channel in order to identify whether you truly understand the reasoning and whether that reasoning makes sense.

The very first question you should ask is: Why will a partnership make the customer experience better? If the answer isn't clear, then I would advise rethinking your motivations. Counterintuitively, this is not about what channel can do for your business, but what it can do for customers. The

goal of any partnership should be to bring added value to the end user experience. That value could be in the form of seamless implementation, better support, stronger user experience, or verticalized domain expertise.

PARTNERING IS BY NO MEANS A "BUILD IT, THEY WILL COME" SCENARIO.

After you consider the customer, you must understand why a partner would want to work with your company in the first place: Why will working with you benefit the partner? For example, partners could sell more to their existing customers in order to maintain a stickier relationship, fill gaps in their customers' pain points, or drive incremental business for themselves. If you feel confident with your answers to these two questions...great! Onward. But, ensure you're maintaining a customer and partner-first mentality throughout your planning process.

Partnering is by no means a "build it, they will come" scenario. It's paramount to take the time to validate why you're looking to invest in channel partners. Maybe your answer is as simple as: "Direct sales have plateaued." But, if you don't know why your direct sales aren't growing like they used to, you certainly should not assume that investing in channel partners will resolve the issue. Can your products offer partners added value they aren't getting elsewhere? Is there anything that should be fixed or improved before building out your channel strategy?

Validate your business readiness

Some additional channel readiness questions are below to help you think through whether your business is equipped to hit the ground running with partners. If you answer "yes" to more than 5 of the questions below, your business is more than likely ready, or at least on the path to channel readiness.

- **Have you established a predictable ARR engine?** If you are primarily a direct sales business, it makes sense to reach predictability through your direct selling motion before building out an indirect revenue source.
- **Have you achieved product-market fit?** The channel is not going to push the ball uphill. Pull from the market is a necessary precursor to get partners onboard.
- **Do you have reference customers?** Having repeat customers that are willing and able to speak to the value your business brings is incredibly important. Without referenceable customers, your partners aren't going to have the confidence they need to invest in selling your product.

- **Are your products/services documented and understood by a third party, hence ready for a partner to implement/sell?** If your products/services are overly complicated and lack clear and simple documentation, chances are partners will have a difficult time getting up to speed on sales and technical implementation. We will get to this later in the "Enable" step, but keep in mind that direct sales enablement is going to be a different beast than partner sales enablement. These two groups care about different things. Materials can be leveraged from direct to partner, but ultimately, direct and partner enablement should be personalized to the things each party cares about.
- **Is your messaging easy to understand?** A good test here is to take a close look at how well your direct sales reps understand and articulate your value proposition and product marketing messages in a selling situation. Are they able to answer tough questions from prospects? If the answer is "sometimes" or "eh, maybe not" – an external party (a partner) is probably not going to do any better. Make sure your value is clearly defined.
- **Is your sales cycle overly complex?** Clearly defined stages of every sales cycle are key to getting the deal done in the most efficient manner. It's important to have assigned roles and responsibilities, timelines, and stages for both direct and partner selling motions. For example, maybe there is an assigned SA for partner-sourced deals that lives and breathes partner. That person is the partner's technical "go-to". Whatever it is, be sure you have your deal cycle execution mapped out.
- **Is your product relatively straightforward to implement?** Software is complicated! There may be several technical integration points (some or most of them customized) and phases of implementation in order to get a customer up and running, but if that is not clearly outlined, a partner will shy away from investing. Speed to market is important. The faster a customer is off to the races, the faster partner services can be put to work.
- **Do you have alignment across functional teams?** Channel is not a siloed function. It spans all departments in a business. If product isn't on board, you have a problem. If marketing is unsure, you're in trouble. No partner support on the customer support side of the house? Well, that's an issue. Ensure you are gaining alignment and clearly defining stakeholders (ideally with quarterly channel success targets attached to them) and systems across all functions.

YOUR LEADERSHIP AND YOUR BOARD MUST BE FULLY BEHIND YOUR EFFORTS IN ORDER TO MAKE CHANNEL SUCCESSFUL

- **Is there executive support and budget allocation?** Your leadership and your board must be fully behind your efforts in order to make channel successful. They are your biggest cheerleaders. It's important they understand that giving up margin in the short-term will pay dividends in the medium to long-term. Building a channel takes time (24 months should be allotted before seeing any real traction). Without understanding and enthusiasm behind the investment, you will be fighting a losing battle from the start.
- **Are you ready to dedicate ongoing enablement and marketing resources?** As discussed, the channel is not a "flip the switch" solution. In order to arm partners with the right enablement and marketing, you need to hire and invest in the right infrastructure (e.g., deal management software, partner portal, etc.). This is not a one-time thing. Ongoing commitment to enablement and marketing are critical to lasting success.

The graphic below shows how you may outline your own channel readiness factors and areas for improvement that must be addressed before building out the channel. It's important to have a clear handle on this before diving into the "Define" phase.

Factor		Description
Channel readiness factors	✓ **Sufficient revenue & scale**	• Generally, software companies that sell only direct should establish predictable incoming ARR with low churn and repeat customers before investing in the channel
	✓ **Stable, proven product**	• Core product is proven in the market with large reference customers • Product will not require frequent retraining as product evolves
Areas for improve-ment	! **Product marketing & messaging refinement**	• Product packaging is unclear (category mind-shift) • Messaging focused on technology vs. proactive education on the long-term business value • Clear messaging for easy understanding and selling
	! **Complex sales cycle**	• Sales reps aren't properly enabled/don't understand the technical and business implications for your product across different industries
	! **Complex integration**	• Integration is difficult for customers, who often have complicated internal IT systems • Takes engineers several months to get comfortable with integration process
	! **Limited resources dedicated to partners**	• Limited to no resources dedicated to channel success (e.g., head of channel, partner sales reps) • No devoted technical resources for partner products or partner questions

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BUILDING A CHANNEL TAKES TIME (24 MONTHS SHOULD BE ALLOTTED BEFORE SEEING ANY REAL TRACTION). WITHOUT UNDERSTANDING AND ENTHUSIASM BEHIND THE INVESTMENT, YOU WILL BE FIGHTING A LOSING BATTLE FROM THE START.

If you can confirm that your business is ready to build a channel (or, at minimum know what to fix to make it ready), next up is validating the market opportunity. Bottom line: If you're failing at direct, you won't succeed with the channel. The channel is not a panacea. However, it can certainly help your business scale efficiently and effectively into the future. Once you have a compelling reason as to why you are building out the channel, you can move into figuring out how to do it.

Validate the business opportunity

Validating the channel opportunity requires understanding what your goals are and where the opportunity lies.

ASK YOURSELF WHETHER ANY OF THESE FIVE STATEMENTS DESCRIBES YOU.

1. Your product is not stand-alone, so maybe you need partners in order to sell and/or implement it.
2. You're looking to reach a new customer segment – moving into the Mid-Market or Enterprise.
3. You're looking to reach new geographies.
4. You're looking to reach new vertical markets.
5. You're looking to reach new buyer personas or lines of business.

Once you've examined your business reasons for wanting to build a channel, ask yourself the below questions to ensure that you are ready to start defining what your program will look like. These should be answered for each new vertical market, new geography, or buyer persona you plan to target.

- Will the customer be satisfied working with a partner?
- How does the customer want to engage in the selling cycle?
- How does the customer purchase today, and which partners do they currently work with?

- What outcomes do you want to achieve?
- Which target should you prioritize first, and how large is the opportunity?
- What is your expected timeline to see results?
- How much resource (people, money, time) are you prepared to devote?

From Validate to Define

Initially, you need to validate your channel plans. Why are we doing this in the first place? Are we really ready? Is our product sophisticated enough? Is our brand strong enough? You need to be sure you have a strong reason to take on partners and ultimately be the best partner you can be.

From validation, the next step is defining your partner types and the program you want to build.