

WHEN SEEING IS BELIEVING.....

**THE IMPORTANCE OF EFFECTIVE DEMO
PROGRAMS
IN
EXPERIENTIAL SALES
2015**

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EXECUTIVE SUMMARY

Not something that is merely “nice to have,” a vendor demo program is a key component of an experiential sale. A good demo program combines readily accessible *product and expertise* – supported by a solid operational backbone -- to give customers the experience they need to understand, internalize and imagine the benefits of a vendor’s solution.

No vendor should forego the significant financial benefits of a demo program because of culture, fear of abuse or lack of resources. There are many options for vendors to design and execute a program that fits their size, budget and resource parameters.

The objective of this paper is to frame a discussion about demo program strategy, design and management in order to help vendors ask – and answer—the five key questions inherent in this important channel enablement tool.

The experiential sale.....We saw a glimmer of its possibilities in the 80's, when the ill-fated PC Junior and its subsequent siblings made it into mass retail channels. Because, back then, there were no in-store experts (in reality, the person who sold you a PC today could be selling shoes tomorrow!), IBM had to load its machines with a very rudimentary “demo” that customers could walk themselves through – and hope that someone was there for the “close.”

We saw it begin to take a new shape after deregulation of the telephone industry. Thousands of brick and mortar stores were built so that customers could see and feel the new phone options – this time guided by the store's experts on price, coverage and calling plan options. And then there came Apple – the company that turned the experiential sale into high art. The rise of the Apple Store proved that the combination of environment, interactivity and expertise was a winning one. It moved the selling script beyond form, feature, function and price into the realm of solutions and possibilities. And it left the competition in the dust.

Today, the advantages of helping customers understand, internalize and imagine the benefits of a vendor's solution via an experiential “demo” is well established. Yet, even today, some vendors balk at investing in this key component of a fully articulated “whole product.” Why? There are three major reasons:

- **Company culture:** The product, sales and marketing teams don't view the demo as part of a successful product launch (and it may not be – for some products).
- **Fear of program abuse:** Probably the greatest barrier to demo program adoption by vendors is the inability to provide finance and product teams a reliable estimate of true program cost. Program runaway is a real threat. Lost units, reseller stockpiling and program overruns have made vendors very wary.
- **Lack of management infrastructure:** Some small and medium companies say they simply don't have the management bandwidth to institute a demo program. Case closed.

The truth is that none of these reasons should hold a company back from designing and implementing a quality demo program. The objective of this paper is to give companies the time and space to reflect on this important component of their go-to-market success. It discusses the basic issues all companies need to address:

- When should you have a demo program?
- How complete is your demo strategy?
- How effective is your demo program design and resource allocation?
- How well are you managing the risks?
- How and where can you improve?

1. Do You Need a Demo Program? Listen to Your Customers!

In most experiential sales situations, a demo is an essential tool. When do you know your product requires an experiential sale? Begin by listening to your customers. Regardless of product or market, there are four possible values your customers look for when they buy. The cues they provide point to one of the following underlying questions:

- “Will your product work for me, in my environment?”
- “Can you solve my business problem?”
- “Can you make it easier for me to buy your product?”
- “Can you reduce my cost of buying?”

The first two questions point to a technical product where the customer is relying on an expert – the vendor and/or its channel – to contribute technical expertise. This is the sweet spot for experiential selling. Customers ask the last two questions when they are comfortable with the technology and are looking to the vendor and the partner ecosystem to deliver logistical value (such as one-stop shopping, etc.).

2. How Complete Is Your Demo Strategy? Two Questions.

Once you’ve determined that your product is a candidate for some type of demo, you need to step back and articulate your demo strategy. What kind of demo do you need? (Most of the time, people consider only the partner demo program. This is important, but may not be sufficient.) For a complete mapping of what you need, you’ll need to answer two big questions:

- How important is the demo to your customers?
- Is there any value in exceeding the industry standard? In other words, does being better than your competition win you any “points” that you can take to the bank?

Answering both questions well requires your team to understand your customers at fairly deep levels. Examples of questions the need needs to answer include:

- Who’s involved in the decision-making process for your product category?
- What does each entity want to see, hear and try out? What kind of experience are they looking for? What kind of experience is your competition already providing and what – if anything – is missing from that experience?
- How much time and effort are they willing to invest?
- Would they buy your gear *without* a demo?

As an example of what this type of exercise can reveal, here is a fully articulated demo map for a large company with fairly sophisticated gear. In this environment, the classic reseller demo program is one component of what is necessary to satisfy all stakeholders within the customer organization. Each component requires its own strategy, budget and management infrastructure.

DEMO PROGRAM MAP FOR XYZ COMPANY

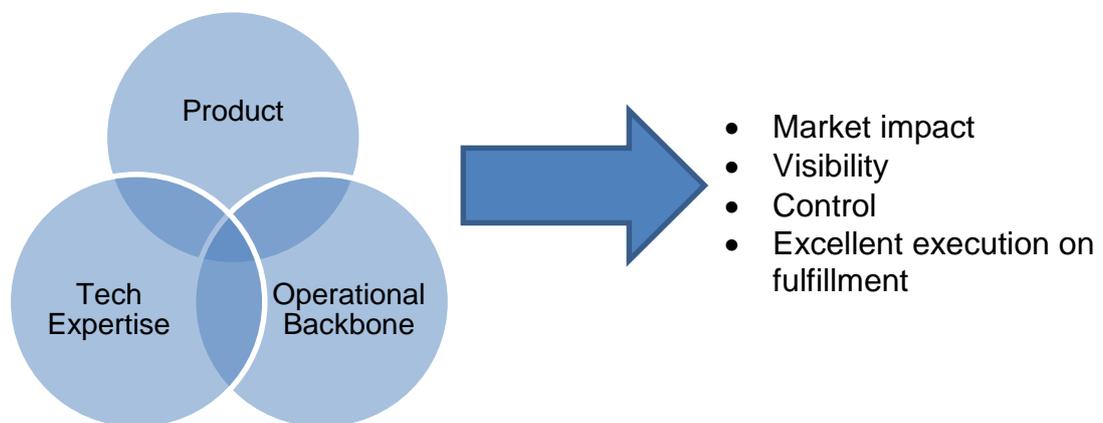
Target in the Customer Organization	What They Need...	How We Will Deliver It...
“C” suite and other senior executives	Want to interface with vendor senior execs to discuss business benefits of the solution and possible phasing of the purchase	Briefing Center
Engineers and technical staff	Want to understand the interoperability of the vendor’s gear with other solution components and other vendors’ gear	Labs
SE’s	Want an easily accessible (i.e. field-based) way to “play” with the solution	SE Labs
Departmental users	Want to try the vendor’s solution on their own premises over some period of time	Partner Demo Program

Because Channel Mechanics is a channel enablement company, we will focus the remainder of the discussion on the partner demo program option.

3. How Effective is Your Demo Program Design and Resource Allocation?

One key lesson we learned early from Apple is that a successful experiential sale combines easily accessible product AND easily accessible expertise. We also know from experience that, without a sound operational backbone, the program cannot provide the levels of control and predictability that product and finance teams demand.

An effective demo program, then, includes a consideration and integration of all three elements.



Within this framework, you have a lot of flexibility!

DESIGN OPTIONS

The most typical demo program design is a deeply discounted – or free – “kit” that the sales team can take to end-users for a prescribed amount of on-site evaluation. After the prescribed time, each kit is returned, cleaned up and checked out to a new potential customer. Access to the kits is controlled as an entitlement and is a permanent component of the partner program. Other design options can include:

- The “try and buy” – usually a limited-time promotion that is, in effect, an extra discount
- The seed program – another limited-time promotion in which a vendor makes a certain number of units available to its top partners in order to “seed” the market

Companies use one or more of these options depending on their strategic needs and sales objectives.

BUDGET

When setting the investment level for a partner demo program, vendors need to take a hard look at their market position. Is the company new to the market? Late to the market? Do they need to recruit new partners? If so, their success may depend on a highly differentiated and aggressive demo program. This can be especially true for a small company that may not think it has the budget. Our advice for these companies would be to streamline the partner program – possibly scaling back or eliminating some “nice to have” components – in order to excel with a well-funded demo. It’s really that important.

Companies can also frame budget parameters by projecting the financial impact of a demo program. A good demo program should drive market share growth by:

- Increasing vendor ability to recruit the channels needed to reach target customers
- Increasing presence to the sale – the percent of the time that the channel partner actually offers the vendor’s brand to the customer. In tech markets, where the channel can control 80%+ of the brand decision, the advantage here is huge.
- Increasing win rate – the percent of the time that the brand wins the sale when presented

Here’s a quick example:

Company A WITHOUT a demo program:

This vendor’s product is in 80% of the relevant channels (so they did a good job of recruiting), but is offered by those channels only 30% of the time. Actual presence to the sale is, therefore, 24% (80% x 30%). When the product is offered, it wins the business 30% of the time. In this example, overall share is 7%.

Company A WITH a demo program:

The demo program has incented the same channel partners to offer this vendor’s product 60% of the time, boosting presence to the sale to 48%. Because customers have hands-on experience, the win rate has gone up to 50%. The vendor’s share jumps from 7% to 24%!

What is this share growth worth to the vendor? How much is it worth to the vendor’s partners? Whatever the answer to these questions, it is critical to the success of the program that the budget includes investment in all three elements – product, tech expertise and operational backbone.

4. RESOURCING AND CO-INVESTMENT

With the financial benefits of a demo program hitting at all levels of the value chain, it's best to be communicative and creative about implementation. We've seen several models work extremely well:

- Vendor builds and runs the program. (In our experience, this model is used in the majority of situations.)

An example of this model is our recent experience with Motorola Solutions. One of the Motorola team's major objectives was to design a program that made sure that the company's partners got access to the demo units they wanted and needed without driving the program into budget over-runs. They chose Channel Mechanics to create a solution that allows each product portfolio team to establish its own demo discount, which is held constant across all partner tiers. Instead of discount, the program variable is the number of units available to each tier of partner. Each time the partner participates in the demo program, the Channel Mechanics tool creates a unique “virtual entitlement voucher” that is used to track the transaction end-to-end.

- Vendor and a distributor work together to build and run. (Less common, this model is typically used when there is a specific vendor that the distributor wants to invest in because the vendor's technology offers the distributor an opportunity to carve out a unique capability, etc.)

An example of this “team” approach is from a VAD (Jenne) who has recently teamed up with a video equipment vendor (LifeSize) to create a demo program that is driving truly impressive sales growth for the brand.

- The vendor is providing a specified number of demo units that the distributor's VAR's can check out at no charge.
- The distributor is funding a specified number of certified, dedicated staff responsible for both tech support for the VAR's and program compliance.

The goal is to have the units always checked out, always working. The number of turns over the demo life of each unit is a key program metric.

- Vendor provides the units; large Systems Integrators build and run their own unique program

5. How Well Are You Managing the Risks?

Although, as we’ve seen, vendors have many options for “doing it right,” they MUST “do it right” by delivering a demo program that has market impact, is visible, has manageable controls and excellent execution on fulfillment. There are risks – manageable ones – that need to be identified and dealt with early in the program’s design.

Following are the major challenges to a successful demo program, along with some suggestions on how to minimize or eliminate the problem.

The Problem	“The Fix”
<p>Lack of program participation</p> <ul style="list-style-type: none"> • The program is not perceived as competitive OR • The program is not communicated clearly and consistently OR • The program is not taken seriously by the partners 	<ul style="list-style-type: none"> • Benchmark your industry peers to set the bar, and then determine if and how you need to invest differently based on your market position. • Make sure your program is clear and easy to communicate and that the sales team has the tools it needs. THEN include program communication in the channel account manager’s KPI’s. • Don’t make your channel partners hunt for program details. Ideally, you will offer them a single site that displays all programs available to them. • Make program participation a criterion for maintaining status in the partner program
<p>Lost units -- channel account manager fails to return the units for clean-up and redeployment</p>	<p>Allocate a depreciation charge-back to the channel account manager’s cost center. This reduction in revenue impacts commission which impacts behavior.</p>

The Problem	“The Fix”
<p>Program Abuse and Over-runs</p> <ul style="list-style-type: none"> • Lack of control over program access • Lack of control over partner ordering and participation • Lack of control over how rebate claims are tracked and closed 	<p>If your core IT systems do not easily support demo programs, or if you lack the necessary headcount to manage them well, consider outsourcing. Criteria to look for in an outsourced solution include:</p> <ul style="list-style-type: none"> • Complementary and additional to your channel strategy and program • Flexible, to meet your unique needs and accommodate adds or changes on short notice • Consultative, to assist you in design and ideas • Low cost to set up and run (Here, it is helpful to include consideration of a cloud-based, multi-tenant platform that allows you to “pay as you go.”) • Ability to provide tailored reporting for different functions within your organization • Ability for you to manage certain elements, if you choose • Ability to educate your channel partners, resellers and distributors on the program • Ability to integrate the solution with your partner program • Predictability and repeatability

6. How and Where Can You Improve?

As with any component of a partner program, a good demo program evolves over time as products, markets and competitors change. Vendor teams are the internal “channel mechanics” who have to make sure that the strategy is sound and that the operational backbone continues to support the strategy. And, to help them, our own team of Channel Mechanics has created the following checklist of questions that are critical to any successful demo program launch and ongoing success:

<p>For Product, Sales and Marketing Teams</p>	<ul style="list-style-type: none"> • Which partners should be eligible for demo products? • How much product should we allocate? Should we limit by value, unit numbers, product type, frequency of purchase – or some combination? • How much should our channel partners pay for each product? What is the maximum discount we can provide without losing money? What’s the program worth to us? • How should we promote the program as a benefit to the partner?
<p>For Operations and Sales Teams</p>	<ul style="list-style-type: none"> • How should we manage entitlement? • How should we set program limits and guarantee no overruns? • How are we going to prevent program abuse? • How are we going to assure that the program is controlled and predictable for our finance and product teams? • How do we optimally leverage our existing distribution channel as well as a channel that is not programmatically interconnected? • How can we monitor who’s using the program – established partners as well as up and coming partners who are beginning to take interest in our line?
<p>For Operations and Finance Teams</p>	<ul style="list-style-type: none"> • How should we report on the program? • How do you easily reconcile any rebate requirements from the distributor?

About Channel Mechanics

Channel Mechanics helps organizations deliver their channel offers more quickly, with less effort and with greater control. The company provides enterprise Channel Enablement as a Service (CEaaS®) capabilities that allow rapid execution of sales and marketing programs, promotions or initiatives, globally or locally, through all tiers of the channel. For more information, please visit www.channelmechanics.com.

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Sue Heintz brings over 30 years of experience in global go-to-market strategy, channel development and management – including new channel creation, entry and growth tactics. She was a partner at Frank Lynn and Associates for 18 years before joining Avaya as the company’s first VP of Worldwide Channel Strategy. Today, she is president of Channel Management Professionals LLC based in Chicago. Sue received her MBA with distinction from Northwestern’s Kellogg School of Management, and her BA *magna cum laude* from Loyola University.

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