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A Study on the Role of Channel Partners in Software Industry

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Abstract: *Partner ecosystems are liable for a widespread percentage of the price introduction of many organizations in the organisation software industry. Consequently, the focal point of competition has moved from the management of internal sources to the management of complementary assets that are beyond the own corporations' borders. Nevertheless, many software program companies are still attempting to apprehend the management of associate ecosystems. This paper introduces a framework for the management of accomplice ecosystems in the organisation software industry. The framework is composed of 4 management levels: selection of appropriate partners, management of the channel partner relationships, management of a accomplice program, and control of a companion network. This paper aims to discuss about what a partner is and what is the importance of the roles played by channel partners in a software firm.*

Keywords: *Channel Partners, Incentives, Rebate, Revenue, Growth*

I. INTRODUCTION

The enterprise code trade belongs to the network economy and is formed by complementary and network effects. Thus, this trade behaves like a massively interconnected network of organizations, technologies, customers and product. In the past, corporations that commercialised product did not offer too a lot of attention to „innovation returning from the facet roads“. Within the early stages of the code trade, the price proposition for the customers was the result of freelance code corporations through the development of monolithic software product. The execution focus was on developing client insight, building core competencies and beating the competition. Thus, corporations devoted less attention to external companies that were neither competitors nor customers. However, in the enterprise code trade, this centralized and vertical perspective has modified considerably. Today's landscape is extremely fragmented and specialised code corporations have emerged providing complementary services and product. Management disciplines like client development and competitive analysis are still very important. However, the management of dependencies to a multitude of external complementary corporations is equally vital once it return to determinant success and failure. Today, the success of a code company depends not solely on its own quality however additionally on its ability to manage a landscape of multiple partners. Customers do not longer decide for one code product, however for a code scheme, wherever a code trafficker and its partners produce price for the client. Consequently, network industries such as the enterprise code trade need a completely different perspective on management and demand a partner scheme perspective.

II. WHAT ARE CHANNEL PARTNERS

A channel partner is a company that sells products and services for a technology manufacturer or vendor. This generation may additionally consist of hardware, conventional software, Software as a Service (SaaS), or cloud computing solutions.

The channel companion is part of the vendor's indirect income force, that means that they promote the products and services on behalf of the vendor but they're an independent company. They may also promote products and services produced with the aid of other companies as nicely as gadgets they develop themselves.

A. Types Of Partners

- 1) *Original Equipment Manufacturer (OEM):* Traditionally, the company that manufactured a product to be updated, rebranded and resold was the Original Equipment Manufacturer or OEM but this has changed over time. Today several OEMs are purchasing goods and services from technology, and either:
 - a) Do the rebranding of items as their own and resell them exactly as they were built or
 - b) Add additional features or include an additional product produced by the original manufacturer and then resell the bundled offering.

- 2) *Systems Integrator (SI)*: A system integrator is a company that purchases individual hardware and software components from many different vendors and integrates them into one customized solution that satisfies its customers' business needs.
- 3) *Distributor*: A distributor is a middleman between two firms-between a product or service supplier and a distribution partner who will resell the item to end consumers. A vendor may choose to sell via a distributor to shorten their time to market because the distributor already has an existing system of distribution. The distributor can also increase the vendor's resources by providing all channel partners with preparation, technical assistance, promotion, and sales support.
- 4) *Value Added Reseller (VAR)*: A value added reseller is a company that buys technology goods, adds value to the original product by bundling additional features or services and resells the bundled deal to its customers. The VAR could purchase a piece of computer hardware and create a particular software application for sale with it or the VAR could add value by offering technical assistance, training or installation to accompany the product to be sold.
- 5) *Managed Service Provider (MSP)*: A managed service provider is a organization that operates, tracks and maintains the IT infrastructure of an enterprise. These can include remote control of the company's network to ensure workers are available at all times, end-user system management, data protection and storage, software deployment and updates, and more.
- 6) *IT Consultant*: An IT consultancy provides companies with independent information technology guidance, network architecture services, project management, support and administration. An IT contractor may provide similar services to those provided by a managed service provider but does not provide long-term network infrastructure monitoring and maintenance for the customer.

III. CHANNEL PARTNERSHIP BENEFITS

A. Benefits to Becoming a Channel Partner

- 1) *Provide a Full Suite of Products and Services*: Offering products and services from a variety of different suppliers helps a channel partner to provide its customers with a diverse product range that fits the unique business and technology needs of the customers.
- 2) *Sell the Latest Technology*: Deliver to clients the latest technology products and services.
- 3) *Take Advantage of Additional Expertise and Resources*: Network partners have access to human and financial capital from a distributor, including technical support, product and business training, marketing assistance through MDF (Market Development Funds) or co-op funds, campaign models, and more.
- 4) *Receive Leads*: Many vendors tend to market their goods and services on their own and then pass on their channel partners the leads they collect for follow-up.
- 5) *Increased Margins*: Supplementary discounts and revenue opportunities can be achieved, depending on the amount of product sold.
- 6) *Benefit of an Established Name*: Small MSPs, IT consultants and other businesses can take advantage of the name recognition and reputation of big vendors. Microsoft, Cisco, Citrix and others for example. The use of proven brands such as these in advertising and marketing materials means that the company has a commercial partnership with a well-known and trusted distributor and gives instant credibility to channel partners reputation.

B. Benefits for Manufacturers and Vendors

- 1) *Quickest Way to Your Target Customer*: Working with a partner who already has your target customers as their customers is the quickest way to earn market share. They've spent a lot of time and money developing personal relationships with their customers and their opinions on new products or services bear a lot of weight with the consumer.
- 2) *Reduce Cost of Sales*: Reducing the cost of sales is important for all manufactures but it is particularly important for start-ups and small businesses. Instead of hiring an in-house sales force, creating an external sales funnel will save on employee salaries and benefits as well as travel expenses to meet customers and waste time on unqualified leads that never translate to sales.
- 3) *Break into New Markets*: Most channel partners have an proven presence in particular market segments and have a reputation. For example, the legal, financial services, and health-care markets require expertise. Channel partners who have a deep understanding of these vertical industries will deliver new customers at a fraction of the time and cost.
- 4) *Take Advantage of Additional Expertise and Resources*: Channel partners will have the tools smaller vendors need to succeed. Vendors will use the team of IT professionals in their partner to provide consumers with technical support and training, as well as their marketing department and budget to create campaigns.

IV. SUCCESSFUL CHANNEL PARTNER PROGRAM

A. Find out a strategy for Channel Partnership

A channel partner distributes goods and services. There are three major types of channel partnership options to distribute your product.

- 1) *You sell Through your Partner:* Product companies sell their product via a storefront for third parties. Retailers are collaborators with their clients on goods that they think will sell. This is the case for Salesforce's AppExchange, AppStore for Apple or any marketplace. Another classic example is GILT Group, which partners with brands such as Calvin Klein and Quicksilver, which distributes products at discounts.
- 2) *Your partner sells with You:* Here partners are selling your products as a proposal for upsell or missing value. Any company offering your service as a means of expanding its offering fits into this category. For example, a car reseller may work with a bank to upsell a car loan or a software vendor may be adding another partner to its offer. When Microsoft embeds an antivirus demo into its operating system, or when online services such as Box introduce security providers to complement their business offering, they also use this strategy.
- 3) *Your Partner Sells for You:* Any partner that acts as your product's promoter or seller falls within this category. This partner is 1) a sales and marketing partner who uses marketing and sales resources to promote your product to new markets, or 2) a value-added reseller who uses your service as part of their own services. It provides additional value in the running of the company, rather than just selling it. That is the case for more mainstream retailers at every distribution arrangement, including your own supermarket. It is also the case for an OEM relationship, such as Dell selling computers inside with Intel processors.

B. Identify Relevant Partners and Grade Them

There are a number of factors to consider to ensure a partnership is relevant and profitable:

What market does it take you to reach? A local partner can "close" faster than a national partner, which may be helpful if you are targeting a niche market.

Do they complement the product you want? Determine how each partner is likely to help you achieve your goals.

How well does your approach suit a customer's need? How likely are consumers to buy from your partner?

If you have clear sense of potential for each partner, rate them:

"A" partners have the aforementioned traits in spades. It is possible that a agreement with those partners would be very impactful.

At a lesser degree, "B" partners tend to have certain traits. These partners may have less revenue to drive but may be faster.

C. Develop a Coherent plan for Reaching these Companies

Now that you have set partners' criteria, reach out to those companies and establish a connection. Here's how: Start with businesses that will take you a chance.

Partners B are more economical than partners A. These partners may have a small regional base of customers, but they may be quick to work with and willing to take on new products. Build and pitch a compelling value proposition at that client. Position your business as a value added to your partner. Does your product help drive profits for a company? Your deal will add value to the product line for your partner.

D. Drive Growth through your Partners

Channel partners are improving revenue, growing time to market, and making competitive markets open. So start developing relationships on channel today.

V. CONCLUSION

This paper aims to provide information about what a partner is for a software firm and how the presence of a partner impacts the revenue of a company positively and leads to growth for both partner and the company itself. Furthermore, it discusses about the steps that a company can take to find itself a good partner so as to increase its reach to new markets and sell the products that bring in the maximum revenue.



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