

The following is a transcript of the Teleseminar:
Revenue Forecasting Through Indirect Sales Channels
The Sales Channel Scoring System Using PLV

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Host: John Fox, president Venture Marketing
Guest: Frank Thomas, Channel Sales Expert

John Fox: Hello everyone! This is John Fox with Venture Marketing, and thank you for joining us for today's tele-seminar. The question that we want to answer today is this, if you rely on an indirect sales channel for the bulk of your company's revenue, you need to ask yourself this question: Can I afford to not make my revenue plan?

So today to answer that question and to get into some really terrific details about how you can get inside your indirect sales channel, I am here with Frank Thomas. Frank and I go back, not only in years but also in number of companies that we have had an opportunity to work together.

He is an absolute expert in indirect sales channels of distribution, and that includes sales channels like value-added resellers, manufacturer's reps, distributor organizations, systems integrators, OEMs; that stands for Original Equipment Manufacturers, and many other indirect sales channels, where the customer is brought to you through people who are not your employees. Frank is a terrific guy. Thanks Frank for joining us.

Frank Thomas: Thanks John.

John Fox: At the very end of the call today, Frank is going to give you free access to his Sales Channel Scoring System, and you will want to make sure that you stick around for that link.

So Frank, right before we got on the call, you said something that I just thought was a terrific way to start off here. So if you wouldn't mind repeating yourself, you said, bad things can happen when we don't make our revenue forecast.

Frank Thomas: Well, that's very true. It may seem obvious because if we don't make our revenue forecast based on predictability perhaps the company does not make a profit, it has a loss. That's a shared emotion. But what's the trickle down of that? It's really at a personal level.

As we know, people sometime lose their jobs and sometimes because of that they can't send their kids to the college of their choice, and because of that perhaps their orthodonture doesn't take place for their kids, or they can't get their kitchen remodeled, and worst of all, maybe they have to go home and tell their kids that we are not going on vacation, because the company did not make the number; they don't discuss this with their children, but based on the trickle down of me not having the visibility and the predictability of my sales channel. I have been there.

John Fox: Yeah, it sounds like you are sharing your personal story here.

Frank Thomas: Obviously, I have been laid off, as most of us have over time. While that was due to our own fault and somebody else's fault, but I take total responsibility for one of the times that I suffered a layoff, because I was working with a tech company, and we were doing very well with our channel, it was very balanced. We came out with a new technology, a new solution that was a little bit off the business direction that our channels was used to. We helped them take their eye off the ball for a couple of quarters. We tried to ram a new technology down their throat that they were not ready for, based on the product life cycle; we will talk about a little bit later.

Guess what? We missed our forecasts they were giving us, we gave upper management, and we had to resize the company. We were a publicly traded company and after two quarters of a loss, we resized, and Frank, here along with several of his other sales professionals was out the door.

Now, okay, I was pretty arrogant at that time and thought I would be reemployed in a matter of weeks. It took about four months. But the toughest conversation I ever had in my life was going home and telling my teenage daughter, who was college bound in about three or four months that, guess what, I am out of a job, and we may have to reevaluate where we are going to go next September; the toughest conversation I ever had in my life. With college loans and consulting and eventually getting a job, we lived happily every after.

But by not making our number, by not being able to forecast properly, reading the marketplace, all these things we will talk about, it has a personal affect on people's lives. Regardless of how jaundiced you are and how you don't want to let it affect you, it really does. As we say, bad things happen when people don't make their forecast.

John Fox: I appreciate you sharing that. You are reminding me of times in my career where I, in fact, one thing that I was thinking about is that sometimes I have been on the receiving end of that as well, that upper management has made an unrealistic forecast, and I am at the receiving end of, well, guess what, since we are all not making our "number", therefore we are going to make some adjustments.

So much of that seems like it comes back to the lack of predictability in the channel. I know that's what we are going to talk about, but again, I really appreciate the personal story, because there is a tragic pain or price that's paid when these things don't happen as we had forecast.

Frank Thomas: Well, John, you started the session with a question, Can I afford not to make the revenue plan? And all of us on the call are going to say, well, of course I cannot afford to not do it, excuse the double negative. The issue is, it's a silly question, but we all have discipline and a lot of control over other disciplines in our company; whether it is finance, manufacturing, engineering, etc., but if we are depending on an indirect sales strategy to fulfill our revenue plan, then we sometimes have very little control on that.

So we find ourself frequently at the mercy of the performance of the indirect sales channel, not the predictability of our indirect sales channel's performance. So it's a very dicey area and one we will get into a little bit later.

John Fox: Yeah. Forgive me, I kind of skipped past just a brief credentialing of you, because I said that we have known each other for a number of years, but for our audience, if you wouldn't mind, just giving a couple of highlights to your career; not only the time that you and I worked together at Telebit, but if you could just focus that for people that are listening today, and how your background has provided you some unique insight and allowed you to develop this Sales Channel Scoring mechanism that you have, I think that would help everyone understand where you are coming from.

Frank Thomas: Okay, just some basics. I have been in Sales and Marketing for about 35 years, both domestic and international, primarily in the technology sectors with products and services. I have been in management for about 25 years. I have had the opportunity to work with indirect channel strategies, 25 years.

The last ten years, I have been, and prior to that, while that was Fortune America, telephone companies, government and municipalities, etc., but the last ten years, fortunately, I have been focused pretty much on smaller business. I have gotten into, I think, the head of small business people and their business drivers, how they make the decisions they do and it is totally different than an Allstate or Purina, it's a totally different matrix. So in the last six years, pretty much, I have been doing sales and marketing consulting with small business.

Now, the interesting thing along that road, with exception of one company, most of those career positions have been with smaller business. I have been thrown a couple of times like Brer Rabbit in the briar patch where you go into a situation to turn it around and get it working again. The interesting thing is that these were all of indirect sales strategies and you would ask upper management, "Why would you do that? Or "That sounds a little strange that you would move that direction of that strategy".

Invariably, the answers would include things such as, "Hey, we bought a company, we inherited a sales channel. We sold a company; we took a product direct". Product life-cycle. Etc. They have some affect, things like that and so, it is just amazing the way our channel evolved by just time and sometimes events that we don't have any control of them.

John Fox: Yeah and your background, especially in small business, that is specific business-to-business selling, correct? This is not a consumer.

Frank Thomas: Absolutely, B2B.

John Fox: Yeah, okay. B2B, okay, terrific.

Frank Thomas: So, in that regard, I find that we have to constantly be looking at our compass heading, make corrections based on the changing market conditions because a successful indirect sales channel is really, John, all about timing and cycles. Product life-cycles. Where is your product in the life-cycle? Where is your product with your channel partner's business cycle? And also, the cycles in the market, as we know. Because a successful channel, I think all of this can relate to this. Most of our business that is done through indirect channels is really done by a handful of contributors. The old 80/20 rule and it's just sort of overlays every type of business in indirect channels and that some are doing well, some are doing not. Whether they are using a Value-Added Reseller, a Manufacturer's Rep that has the place in normally more technical arenas or just distributors that maybe have one or two or three distribution layers, big system integrators or OEM's.

I use the analogy from time to time that it is really just like a piano; trying to keep it in tune. You tune a piano, not that I have done it, but you tune a piano and it sits there, even when it is not beat on and moved around and it gets out of tune based on environmental issues and you say, hey, what happened? I just had this piano tuned for my daughter and six months later, it is out of tune. So, you constantly have to keep looking at your channel and think is it the right components today in this marketplace with my product life-cycles and etcetera, the economy and those types of things.

I like to also use the analogy of the inconsistent performance by professional athletes. We see this all the time. You take a star baseball player, professional baseball player who does well with, let's say, one company, I mean one team, and gets traded to St. Louis and does poorly and gets traded to Kansas City and does well and you say, "Wow! What happened? What was it; motivation? Was it coaching, was it chemistry, was it the market, was it home life?"

And sports management and psychologists are all the time trying to speak determining what these factors are. It totally relates to the channel in that you could be totally in tune in Q1 of 08 and then by Q2 of 09, be totally out of tune. This can be due to the partner working better with someone else's product, maybe a change of their management, a change of your strategy, things like that.

John Fox: Well, I see, I thought you were going to go and use the example that is that it is predictable and that is if you ever played for the Cubs and you are really bad, then you trade them away and they were a star because that is not only predictable, it is repeatable. We are both here in Chicago for that anyone who is listening.

Frank Thomas: Recently, I mean it even happens in golf. You will see professional golfer, he shoots a 63 on a Thursday and the next day, he shoots a 72, that's a nine strokes difference. What happened?

John Fox: Right.

Frank Thomas: Then the next day, shoot a record 62, and the next day, 72. So, what is going through the head of these people? It's just pretty fascinating. But what we have to keep in mind are the trade-offs of these indirect strategies. We know we went indirect with a goal of lowering our costs of sales and typically, that is a great advantage, but we also go there for better leverage which means more feet on the street.

John Fox: Right.

Frank Thomas: If you have five sales people and you go to an indirect channel, you may pick up 30 people selling your product. Granted they are not selling it full time but it is the leverage that we need that improves the exposure.

Then obviously, we get faster penetration in some vertical markets that you may not have access to because there is specialization going on in some of these Value-Added Resellers and distributors. You may have a solution that you think might map quite well to the medical industry but don't know the medical industry but there are specialists out there, resellers that do. So they can take you into that market faster than you might be able to gear up for.

Of course, the downside of the indirect channel is we lose control and we need to keep in mind, they are their own business person, they are running their own company.

You could have a 50-page distributor agreement but it is still not going to give you the control that you had with a direct strategy and it is not going to give you the visibility for forecast and market data that you require for that ability to run your business. But there are ways of dealing with that.

John Fox:

Let me interrupt here if you don't mind. So, those are the trade-offs of the indirect strategy and for people listening today, we are making an assumption that you have an indirect channel already and that the question that we were talking about at the very beginning is about being able to afford to not miss your revenue plan which is a silly question as you were saying.

What I am wondering though is, for most of us, the fact that we are going through an indirect channel is a given because of a particular product or the market that we are in, our competitors are selling to distribution, we really don't have much of a choice, especially for small businesses. We probably can't afford to staff a full-time direct sales force. So we have to use an indirect sales channel strategy. But I want to go back if you could give a couple of examples because you said a phrase that I hear a lot and I need you to put some meat on the bones.

You talked about the 80/20 rule because as a sales manager, in my past, when I look at the number of distributors that I have and let's say, I have 80 distributors at any given time or if I pick on one of my clients, Unitrends had way over 100 distributors at one time and yet the performance was really spotty as you were talking about; on again, off again. But given that there are pros and cons to indirect channels and I am looking at, as a whole, all of my resellers and I know that there is this 80/20 rule going on, what is the advice that you give that, okay, be patient? Where do I go at that point recognizing that that's just a reality?

Frank Thomas:

Well, I have inherited indirect sales strategies and when I say sales strategies, I have gone into a position, let's say VP of Sales and Marketing and it is what it is. I mean you have non-performing legs of the stool.

John Fox:

Give me an example of one that would be like that.

Frank Thomas:

Okay, I am going to use this a little bit later in another point but I took a position, I was VP of Sales and Marketing with about a six million dollar company out in Seattle and they had five disparate legs of the stool.

By that I mean, they had five different product groups that had nothing to do with each other and you would say, "Oh! Why is that?" Well, because of acquisition and trade-offs and whatever, spin-offs. Each of those had a different channel; two were direct, one had a manufacturer's rep, one had Value-added Resellers, etc., and they were going up and down in performance all the time.

Some of these resellers, with one product line had been around for 8-10 years with the company. Well, they were still selling the product to them, one-tier, as we say. They should have been buying it from distribution for there was no support required, things like that and you have to realign these channels based on, as we said earlier, all the cycles; the product life-cycles, the company's life-cycle, the market life-cycle.

We did that over time but the thing was you can't do it, John, by a spreadsheet. You can't take your 100 partners and say, the top 20 are whom I am going to really support because when you dig down into it, you may find that the person numbered 50 on the spreadsheet has the most potential but it is unrealized

potential based on you're not aligning your channel program and strategy with them.

John Fox: So, the 80/20 rule is really not something that has a lot of value then, at least going in. When you first analyze all of your distributors, you are telling me that some of the people that are in the 80's side that are producing 20% of my revenue, actually there is some potential there that I am not even recognizing?

Frank Thomas: You go to their location and you say, "Wow, there is no visitor parking in this whole place." Everybody is driving a big car, fancy building, they are selling somebody's product, it is not just yours.

So, the question comes then, John, how can you measure, how can you put a scorecard together of attributes where you are not just using a spreadsheet for measuring the potential or the performance of individual channel players because you have to measure the qualitative and the quantitative measurements, I mean, the attributes of performance to get a good read. That's why I came out with a way to grade indirect channel strategies and also how to grade individual channel players. It is called PLV and that stands for Performance, Loyalty, and Visibility.

John Fox: Okay.

Frank Thomas: Yeah, there are lots of different ways we can grade our channel partners but it is pretty easy if we break it down into the PLVs and this is how I define these three as it relates to the indirect channel.

Performance, how well is the channel partner's performance based on the goals you jointly set, jointly set. We all have been in situations where top down management says, "We are going to grow 18% next year without a read on the market", and lot of us have faltered based on that because they might have had their head in the sand or it's been an ego thing or whatever. So, the performance as it was jointly developed, the goal set with the channel player.

John Fox: Let me... I'm sorry. I want to interrupt. When you say with the channel player, who at that location or at the channel partner? Are you saying like the product manager or is it the ownership or some level in between?

Frank Thomas: That's a matter of degree based on your size, their size. Ideally, the highest person in either organization that can reach agreement on day-to-day working relationship and communication.

John Fox: Okay, so that's performance and how well is the channel partner's performance based on the goals you jointly set with the highest person who can actually make that kind of an agreement with you.

Frank Thomas: Absolutely.

John Fox: Okay.

Frank Thomas: They have some visibility to it. I mean you may be with a big distribution company, you may be a pimple and you may be just a line on the spreadsheet. Maybe it is product manager, maybe it is a VP of Sales, it is a matter of degree. If it's a small reseller or let's say, 20 individuals run by an owner, you have a plan out for the Southeast with seven or eight locations, that owner has to be engaged because you need to know what their goals are. I don't mean just quantitative goals, I mean, where is he or she taking the company; what solution areas, what market, things like that.

John Fox: That's the P, okay?

Frank Thomas: That's the P.

Loyalty is how loyal is the channel partner to you compared to other companies they resell; mind share, relationship, all these things. There are a lot of drivers of loyalty. Some of the time it is the business driver of you are not number one in the product line; you may be number three. The number one person is going to get the most loyalty just based on the business dynamics that are running the business.

John Fox: Okay, so on the loyalty side, Frank, can that be purchased? In other words, can I run a SPIF program against a distribution channel and "buy" their loyalty from them or can I affect that by the margin that I provide to my reseller channel or is it all of that just out of the window because they are Cisco resellers and Cisco is going to be the number one reseller or a principal on their line and I can't affect that anyway?

Frank Thomas: Well, you can affect a degree of loyalty and first of all, your question about can you buy love? You can buy it, temporarily.

John Fox: Okay.

Frank Thomas: You can give them a lollipop and get attention. However, does that sustain you in good times and bad, three quarters down the road, is there any consistency repeatable loyalty there. No, it is a combination of relationship, support, product reliability, ease of sale and obviously, how much money they are making.

John Fox: So, you are saying that there is some rational thought that goes on in the reseller that it is not just a matter of dollars and cents and that you can assuage their feelings for you or their loyalty in some way.

Frank Thomas: Absolutely. Another company I went to work for I inherited a channel and sort of like the President Obama, I went to Canada and a short trip and I met with a channel players that have been with us, with the company for about 8-10 years and they were wonderful people. We were really big in their mind share and they were very loyal and they picked us at the airport, took us to lunch. We then gave a little product training; they took us on a couple of calls, etc. They loved us, I loved them. But it was an 8-10-year old relationship that had peaked.

Their business model had changed; our business model had changed. The profile of individual, their talent pool was a little bit lower than it had been. They were pretty much order takers, they were, I would say, un-trainable on the technologies we have today and extremely loyal but it didn't buy us anything. It was just not a good business fit any more. So that's why we say, you can't make those decisions with a spreadsheet or on a golf course. It is my business going in the same direction your business is going.

John Fox: So, let's get on to the last one, the V.

Frank Thomas: Visibility. It all came back to the issue a few minutes back of performance and of predictability and that if I have a direct sales force, I can go down the hall or get on the cellphone and talk to Mollie, get on the road and get information, I you can filter their forecast. We all know certain sales professionals who have

credibility in the forecast you process and so there is a certain degree of filter put on everyone's forecast, even if it is in an Excel spreadsheet fashion.

The indirect sales channel, that visibility to forecast information or revenue information, market data is really at arm's length. You may have it in your contract that they owe you a forecast every 30 days and somebody's on the phone scrubbing it but it is really back to loyalty in relationship that gets the good forecasting and visibility because it is back to your question, interesting question about at what level.

If I am getting it from the owner and the owner is not touching the market, it has a certain degree of accuracy. If I am taking it from the street, from the sales people on the street and putting some filter on it and whatever, you see what I mean, it has varying degrees of accuracy.

John Fox: I need you to explain one thing and then I want to go through some of the elements of your scoring mechanism. You have mentioned and I have heard you say this and I need you to explain this. You said, most of us are at the mercy of the performance of our indirect sales channel, not the predictability of our sales channel's performance. That's subtle but I think that's one of those golden nuggets that I need to really understand.

Frank Thomas: Okay, let me give you a good example. Let's be hypothetical that my sales channel is turning in forecasts the first fiscal day of the next month, quarter, year. There may be good or bad but they are not hitting the mark. They may say we are going to do ten million this quarter and in reality, they do eight; I'm predicting 10.

Now, if I take, like we said earlier about putting a spin on the forecast. If I'm giving them an 80% accuracy rating going in and I am sizing the company knowing that my channel is only going to be 80% accurate, then that's okay. You may not be able to get that above 80% but if you know it, if it is predictable, I can predict, I can size my company, size my budget, size employment, size so much R&D, marketing, etcetera.

John Fox: Even in a down economy.

Frank Thomas: Oh sure, oh sure. There are plenty of indicators that we can read. There are always indicators out there. Read the fur on the wollyworm. You hear that somebody's company is making a major grandstand play right now of "We are profitable but we are going to have to lay some people off or downsize". It is sort of humorous.

Also, some people who did not see the indicators three and five quarters back that had their head in the sand and did not want to admit that we are going to have to downsize. They had over extended themselves and I have been there, I have been there. You are living on hope that things are going to get better and it doesn't.

John Fox: Hope is not a strategy.

Frank Thomas: It is a strategy; it's just not a good strategy.

John Fox: Oh! That we speak from experience.

Frank Thomas: I have a friend, a dear friend, who is very good at selling sales training and we chat from time to time about what we hear on the telephone, when we talk to people we're trying to sell. Whether I'm trying to sell consulting or he is trying

to sell sales training. He got a lot of push-back from a CEO recently that said "We don't really need sales training, we are doing quite well. Even in the downturn economy, we are doing quite well." "What are your business drivers? How do you get new business?" Walt asked. "We don't worry about new business; we just wait for our phone to ring."

John Fox: Right.

Frank Thomas: Walt countered "So it sounds like you need to hire more people to wait for the phone to ring".

John Fox: Exactly, that's a strategy.

Frank Thomas: It is a strategy. Now, the interesting thing is we are all accountable to somebody and that CEO is not accountable to anyone who gets it, I guess.

John Fox: Right. Well, thanks. I just felt that, that was something I wanted to make sure I understood because we all seem to be at the mercy of our indirect sales channel.

The assumption that many of us have and at least, many of the business owners that I have worked with, is that you can't get any reliable information from your distributors, any of resellers. They don't know. They're order takers. There is this assumption that they don't even forecast their own business which is not a good assumption and that they won't even give you good information but your experience is just the opposite.

Frank Thomas: Well, John, as you know, I have been a school teacher, I have been a sales manager, I have been a parent and a lot of us have been in the same boat. It is not the student's problem frequently if they don't get it; it is the teacher's problem. How they are phrasing, how they are asking, how they are positioning, the same way communicating with our children.

It is the same way with the channel and I am not saying that they are teenage son; I am just saying that it is a matter of how we set up a structure to get the information. If we do a top-down, "Give me all your deals and tell me what's in the pipeline and when it is going to close and have it to me by this afternoon because I am going in to a board meeting". No, it is a constant massaging of data from them and working because it is good for their business if they are good forecasters for your business.

John Fox: Obviously, that's your area of expertise. So, I want to reinforce that point to anyone listening here that that's really the core of what you do, right. It is to work with an organization and help them build that structure, that communication link that is properly sized and so forth. Don't let me put words in your mouth but that's how I know you and the kind of work that you do.

Frank Thomas: Well, because of the scars on my past, that bad forecasting gets us bad personal life experiences. Yes, I have been sort of a fanatic about it and I think so often, a small business working through indirect channels does not appreciate, does not get in the shoes of the owner and understand the business drivers of the reseller.

Okay, they are also a small business; Tell me how you run your business. Tell me what your goals are. Tell me about what is important to you; What do you need to be successful? I mean it is sort of cliché-ish here but it is true and that so often, people sign up a channel assuming that the channel is going to give

them business. So, frequently a channel looks at small manufacturers thinking they are going to get leads from that person.

So, there is a balance, there is so much conflict of really understanding what are the business drivers in getting in the shoes of the other person.

John Fox: Well, that sounds like I good segue here to get into your sales channel scoring system which Frank is going to provide a download link for anyone listening to do that but let me get into the first question that I am seeing on this assessment. This is a free download that people can get.

Frank Thomas: Absolutely.

John Fox: So, the first question is for the portion of your company's revenues that comes from indirect sales channels, how well do those channel partners meet your company's revenue goals? Help us to understand maybe how you score that and really what is underneath that question.

Frank Thomas: Well, you may have a company. Let's say, you have used the hypothetical part of the pie-chart and you have ten million annual sales and maybe 20% is done through a product line that you take direct. Maybe it's e-commerce, maybe it is some other methodology and therefore, 80% of your business has to be run, has to derived from your channel and have predictability, etc.

So, the thing is that if that is the case, it is back to proper expectations, accurate goal setting, top-down, bottom-up. If you are not producing the reliable predictable number, what are the buttons you can push? We all know that it takes far longer to affect change in an indirect strategy than it does in direct strategy because you don't have as much control, you are herding cats sometime.

So you have got to change that motivates the under-performing channel partner to perform. That can be quite challenging but it is one that a lot of people don't realize how susceptible they are to the performance of this channel.

John Fox: Then let me go on to another question. "How often do you review the channel partners"? And I thought this is interesting, quantitative and qualitative performance with them and again, I go back to, again, this might be just the folks that I have had an opportunity to work with, there is an expectation, or a lack thereof, that I can actually review something and have almost like a standard agenda of here is how I work with my channel partners and how often I need to do that. I think there's just this lack of discipline and that is what this question is about, right?

Frank Thomas: Yeah because we mentioned that somebody could be totally in tune in QI of '08 and out of tune in QII of '09 and if you are on the usual dependency of having a channel review on the first fiscal week or second fiscal week of the year over the last 12 months, well think of all the stuff that could change in 12 months, let alone three months.

So, again, it is a matter of degree and size. I am urging the top person that can take ownership inside your company who has conversation on a monthly basis with the top person that can take ownership in that channel partner and maybe that's the President, may be it is the owner, may be it is the VP of Sales, maybe it is the product manager, maybe it's whatever, but take accountability for that performance.

Now, you are saying, I can't do 100 reviews once a month but it is a matter of degree. If you have 5-10 channel partners, you can take 15 minutes out of the first week of the month to review very quickly the qualitative and quantitative goals. It doesn't take an airline ticket to Phoenix to do that and you got to continue to set qualitative goals, is my product working, versus the competition, what new features do I need, what new support functions do I need? Are we not performing for you, how is our training, how is our toolkit, how is our partner website. All that data that you have got to roll back up.

Are they always just complaining? Maybe your product stinks, I can't sell it or there is a reason for that. Maybe it is the reliability, may be it is the ease of use. All these things and that's valuable data. I am not saying the owner or CEO has to do it but the person that can distill information selectively and make use of it.

John Fox: I am hearing a sense of real discipline which small businesses really struggle with, Frank.

Frank Thomas: John, it is process.

John Fox: Okay.

Frank Thomas: I used to be a maverick. I'd go out there and say, "See me in November. I'll make quota this year but see me November, don't see me in June". And you have got to sit down and understand the process, the steps to a sales cycle and how you can control those.

This is a different subject totally but the fact that you have got to have a process with your channel where they understand what you are getting or you are giving. Your level of support and be extremely disciplined. You can be a maverick and loosey goosey about it and be successful if you are lucky. But we know that consistently high performance is not based on luck; it is based on discipline.

John Fox: But the discipline you are talking about is kind of interesting because it to me, a lot of that goes back to loyalty and that if I can't bring money to the table or extra margin, I know I shouldn't say, I know but I suspect that a reseller is going to be able to say, we may not make a lot of money on that line or may not be our top performer but those guys support us, we are on the phone every month.

I know that they are real companies, they are stand-up individuals and I think about how often I worked in an organization that really don't have that sense of discipline in process that every Monday or every first Monday of the month or whatever you are recommending that you are on the phone with the distributors and they know what the agenda of that call is and so they are preparing for it and you are preparing for it and it is a date certain that is an important event. I don't see many people doing that.

Frank Thomas: John, we know that there are many subtle reasons why people like to sell certain lines. We talked about the big gorillas being maybe dominant and affect their mind share and how much work they want to do on an individual day.

However, I have been number two, two or three times to the big gorilla and you have to think ways to compete. Was the product easier to sell? Did it work better? Was it more reliable?

There are so many soft dollar issues now, support, how often does it break, how often do we have to go back in, get in the van, drive across town, spend \$500 to reinstall, things like that. It is not just about commission and margin and volume.

John Fox: Thank you. I am glad you are pointing that out.

Frank Thomas: But you don't know that if you are doing that on a spreadsheet.

John Fox: The very fact that I am having an appointment with somebody on a regular basis on the first Monday of every month or whatever you recommend. Very few companies and in fact, I can't think of one, even Telebit didn't have a good process. Mike Fegan did not have that discipline of -- Frank Thomas coming in for a couple of months to say, okay, I am going to help you and your team.

First is, we are going to assess the channel, and next thing, we are going to build toward a process and the routine that your guys are going to follow. And we are going to have an agenda that gets out a week before, and so forth and so on.

It really builds the relationship around doing stuff rather than what I found is a hero calling in at the last day of the month trying to bump somebody's numbers or put stuff into distribution and shipping on Friday at 5 o' clock, all that stupid stuff, and really make a business out of it.

Frank Thomas: Well the thing you have to do is get in the person's shoes like being a teacher and a parent etc. You have to ask yourself, the owner, why is it good for my channel principal. Okay, you are helping him or her run his business better. You are not just cramming product down their throats, you are cramming best practices down our throats.

Perhaps a bad analogy but it's a give and take. It's a give and take. What do you have to say in the marketplace? How can I help you make more money?

John Fox: Here is when I am hearing you say that it is something is fresh to me. You are saying that one of the most important things that a principal can add to its distribution channel is not only products and features and benefits, but a business practice that they may not have themselves.

Frank Thomas: Yeah back to the soft-dollar issues. If I make a bunch of money with your product and it doesn't work and I have to go drive across the town to replace it or the support cost every month for somebody calling in to say, we had a user error, but still we got that a lot with modem setup all the time.

John Fox: Right.

Frank Thomas: Okay, how easy are you to do business with?

John Fox: Yeah.

Frank Thomas: It is part of that loyalty and mind share.

John Fox: Let me jump to just a two more because I know we are going to run short on time here. Number five on your list, I thought it was really terrific. In a sale situation when your channel partner doesn't have a qualified lead from you, how often do they lead with your product? I love that question. It is like do they love me when I am not there?

Frank Thomas: There are lots of subtleties here but we talked about it earlier, you go to a partner location and you see that maybe they are mediocre performer with you, John, while they are driving the big cars and how are they doing that? Well, they are doing that because they are really selling somebody else's product. And so in a sterile environment, are you creating an atmosphere where they want to lead with your product.

Yeah, if they have some leads from the competition, obviously they have got to fulfill those, but in a sterile environment, how often do they lead with your product is a very good indicator. And here is the interesting thing you have got to know, you have got to ask, and you have got to ask at the street level, don't tell me what I want to hear, tell me at the street level, what do you do at 8:30 in the morning?

John Fox: That's a great question to ask. Let me go on to the last question, then I want to make a follow-up, as we said about how someone can download this and then I know you had also talked about getting on the phone with and how that could work, so let me just get into question nine which is How well does your key contact inside your channel partner provide you with accurate forecast data, once an opportunity hasn't put into the pipeline.

Frank Thomas: We have dealt with some of this before but the key thing is you have to create a relationship inside that reseller that somebody accountable and has the visibility has given you indeed the consistent data that you need.

If it is hit and miss or poorly done, or part of the time, you have got to put measures in place to help that person be more accurate because again, we size our businesses based on a revenue forecast, we size our investment, inventory, development, marketing, let alone employees and we have got to eliminate part of the disadvantages of having the indirect business strategy, i.e., potential loyalty, control, etcetera and visibility and setup processes for you to get that. And I am a fanatic on that and I can help people do that.

John Fox: Okay, this is just the tip of the iceberg.

Frank Thomas: Yeah, our scorecard uses performance, loyalty and visibility as a measure of your channel. It's a scoring system and it is a self-assessment. You ask yourself, you are not asking your channel, you are asking yourself these 10 questions. If you score it, we have got some groupings down here of how you might rate and maybe you are doing a great job and maybe you are not.

So the link to this is venturemarketing.com/forecast and that will bring the score card down and as a follow-up, let's say you score and you see two, three areas there that you are not very happy with your performance or your score. I don't mean your personal performance but you have got a three or four areas there that might need some help, need some review.

I'll be glad to spend 20 minutes on the phone to get a little deeper into those and see areas that makes sense that we can explore and if we may need to spend more on the phone to get to the root of the problem and come up with some recommendations.

John Fox: So, at this point, the clock is not even running, right, so I can download, you said it is venturemarketing.com/forecast and I download this, I see that there is a couple of areas or maybe just questions that I had related to this teleconference and I want to ask you about that, you are saying that 20 minutes of your time, that is some relationship building that you are willing to invest and anybody listening to this can setup that call.

Okay, thanks very much, Frank Thomas, again. It is venturemarketing.com/forecast. I am sure at that link there will be some other information and so forth, so they know how to get a hold of you and the important thing is we start with just downloading the scorecard. Frank thanks very much. I appreciate your time.

Frank Thomas: I enjoyed it.