



## GLOSSARY OF CHANNEL TERMS

### **Accrual**

A financial allowance provided by the vendor or manufacturer to its sales channel. Typically, the accrual amount is determined by taking a percentage of the invoiced price of items sold to the channel partner over the course of a distinct period of time.

### **Alliances**

Sell-with relationships that demonstrate a strong co-development and co-branding relationship between two or more partners. In general, the respective partners do not resell the products of the other partners however; there are cases where a resale relationship may also exist. Alliance relationships can include OEMs, ISVs, IHVs, and independent developers, and can be regional or global players.

### **Agent**

An independent company or person who resells a product or service but does not fulfill. Payment is usually based on commission. The primary differentiator between agents and traditional reseller partners lies in their representation of the vendor's product. Unlike some other partners, agents never represent a vendor's product as their own, and the vendor's product is typically not positioned as the agent's core competency, but rather as a complement to the agent's own offering. The benefit of this model is that the agent's sales influence is every bit as powerful as another type of partner, but their impact on pricing is much lower than other partner types since they are paid on commission only.

### **Affiliate**

A company or function eg. website that will drive traffic to another site/company in return for a percentage of sales.

### **Affinity Marketing Group**

Marketing targeted at individuals sharing common interests related to a product. Also, a campaign jointly sponsored different organizations.

### **Account Manager**

The Vendor representative in charge of specific customers or partners. Often referred to by companies as Channel Account Managers (CAMs) or Channel Development Managers (CDMs)

### **Audit**

The examination and verification of expenditures made in the prior approval (P.A.) or claim process of a co-operative marketing or advertising program.

### **Brand**

A class of goods which are identified by name as the product or service from a single company or manufacturer and the values - both emotional and psychological that consumers and the marketplace associate with the company and/or its products.

**Brand Attributes**

Functional or emotional associations that are assigned to a brand by its customers and prospects. Brand attributes can be either negative or positive and can have varying degrees of relevance and importance to different customer segments.

**Brand equity**

The tangible, emotional and financial value that is attributed to a brand.

**Branding**

Activities that develop, establish, promote and secure a company's brand, and the sum of all emotional and psychological values that consumers and the marketplace attach to the brand. Branding is considered the best way to get end users and consumers to recognize a company's brand over that of a competitor.

**Business to Business (B2B)**

Sales focused on business customers, either for internal use or resale. Most commonly used in connection with e-commerce and advertising, when targeting businesses as opposed to consumers.

**Business to Consumer (B2C)**

Sales focused on consumers, typically for personal consumption.

**Business Value Proposition**

The functional, emotional, and self-expressive benefits delivered by product, service, or brand, that provide value to the customer, and the rationale for making one brand choice over another.

**Certification**

Vendors created technical and sales certification programs to assess proficiency with a given product or product line. Technical certification programs were originally created by vendors to provide recognition to end-users and employees for demonstrating product knowledge and expertise. Partner programs are often designed to leverage these technical certification programs by requiring partners to have certain numbers of certified employees on staff in order to achieve the mid and upper tiers within the program. Sales certification programs tend to be more partner focused. These programs are normally created for a company's own salespeople and for its partners, and focus on the individual's knowledge of product benefits, target markets, key selling points, and how to qualify sales opportunities.

**Channel**

A generic term used to describe one of various ways that a manufacturer may market and sell products to end users and consumers. Members of a channel may include a direct sales force, resellers, distributors, retailers, agents, dealers, catalogs, and/or web stores.

**Channel Conflict**

Discord in the channel, which can be due to a number of factors. Some varieties include Horizontal Conflict, involving partners on the same channel level (such as 2 retailers) and Vertical Conflict, involving members on different channel levels (such as wholesaler and a retailer).

**Channel Development Provider (CDP)**

Buys product direct from vendor and then distributes that product to partners. CDPs partner the vendor to create demand for products, provide product marketing, and product training. CDPs also provide services to partners, including market coverage, sale support, finance, pre- and post-sales technical training and support, and partner recruiting.

**Channel partner**

A generic term used to describe a company with whom a manufacturer partners to market and sell the manufacturer's products and/or services. A channel partner might be a resellers, a distributor, a retailer, an agents, or a dealer.

**Channel Performance**

An outcome measure of the channel of distribution. The performance of a distribution channel can be assessed by considering a number of performance dimensions, including channel effectiveness, channel efficiency, channel productivity, and channel profitability.

**Channel Structure**

A description of the size and number of levels in a channel.

**Channel Strategy**

Development and execution of a strategic plan to meet partnering goals. A good channel strategy has several attributes: it matches strengths with the competition's weaknesses, it is consistent with company culture, it can be implemented, it is clear and simple to communicate and it is comprehensive, and it has to be executed well to be effective.

**Channel Tactics**

Specific activities that support the strategy, mission and objectives. Channel recruitment campaigns, training, programs, product promotions, sales incentives, tools and events are the most common tactical elements, and are effective when appropriately aligned and managed as part of channel operations.

**Claim**

The formal request for reimbursement from a manufacturer for performing qualified activities in a co-operative marketing or advertising program.

**Co-branding**

Branding in partnership with two or more companies in an effort to effectively market and sell a single product line jointly; going to market with multiple brands tied to a product or service.

**Co-marketing**

A partnership between two or more companies in which both companies jointly market each other's products.

**Co-operative advertising**

Manufacturer-provided subsidy of a reseller's cost for marketing and advertising the manufacturer's product or service.

**Co-operative funding**

One type of co-operative marketing that manufacturers might offer to resellers. Co-op is a reimbursement model.

**Co-operative marketing**

Manufacturer-provided subsidy of a reseller's cost for marketing and advertising the manufacturer's product or service.

**Contra Revenue**

Channel programs are usually funded one of two ways: either as part of the overall partner program operational costs, or as contra revenue by deducting the cost of the margin incentive from the sales it generates. Contra revenue is usually applied for programs such as opportunity or incentives where the costs associated operations are too large to be placed in a marketing budget.

**Corporate Resellers**

These are comprised of a broad spectrum of resellers that provide a wide range of products that require little modification.

**Cross Sell**

The strategy of promoting additional products to current customers, often based on their past purchases. Cross-selling is designed to achieve incremental sales by deepening the customer's relationship with the company and decreasing the likelihood of the customer switching to a competitor.

**Customer Relationship Management**

An integrated information system that is used to plan, schedule and control the presales and post sales activities in an organization. CRM embraces all aspects of dealing with prospects and customers, including the call center, sales force, marketing, technical support and field service. The primary goal of CRM is to improve long-term growth and profitability through a better understanding of customer behavior. CRM aims to provide more effective feedback and improved integration to better gauge the return on investment (ROI) in these areas.

**Deal Registration**

Deal, or opportunity registration, is the process of having partners notify you of the sales prospects they are developing. The program designed to provide additional incentives to the channel for registering new customer opportunities. Rebate or additional discount is paid subject to meeting program rules upon close of deal. For vendors the program is designed to protect margins on its products, combat account poaching and minimize channel conflict.

**Direct Market Retailer (DMR)**

Direct Market Retailers is the term primarily used in the European, Middle East and Africa region (EMEA) for companies that sell directly to end-user or customer.

**Distributor**

One that markets and/or sells a product; Typically a wholesaler or other intermediary who helps move a product from the manufacturer to a company that is authorized to sell the product on behalf of the manufacturer.

**Fullfillment**

Within the loyalty marketing and sales promotion industry, this refers to the processes associated with distributing requested rewards to customers.

**Grey Market**

An unofficial market in which products are bought and sold at prices lower than the authorized prices.

**Gross sales**

Total dollar amount of sales without subtracting the costs of making the sale, returns, discounts and shipping costs.

**Hybrid**

This term is used to define Solution Providers who adopt one or more of the solution provider models: service partners, system integrators, product partners, VARs, service providers depending on circumstance and end-user needs and preferences.

**Incentive program**

A program designed to incent specific behavior to achieve desired results. Incentive programs are typically used to motivate employees, customers, sales reps, resellers, etc. Incentive programs may be used as a means to achieving any type of results - sales, performance, purchase timeframe - but are typically used to achieve those results within specific period of time only.

**Independent Hardware Vendor (IHV)**

An organization that makes electronic equipment. It implies a company that specializes in a niche area, such as display adapters or disk controllers, rather than a computer systems manufacturer.

**Independent Software Vendor (ISV)**

A person or company that develops software. It implies an organization that specializes in software only and is not part of a computer systems or hardware manufacturer. ISVs generally create application software rather than system software such as operating systems and database management systems. They also develop software for specific markets, such as (but not limited to) financial services or healthcare, or solutions, such as (but not limited to) Customer Relationship Management or Supply Chain Management.

**Influencer**

A relationship between a vendor and a third party where the referral or "influencer" partner send leads or make recommendations about a vendor's products but do not actually sell the offerings, preferring the vendor's resale channel to provide product fulfillment. While this model has been around for many years, it is recently gaining traction as an added source of qualified leads from non-reselling partners. Influencer programs are now being created for these partner types to provide reward or compensation structure.

**Internet Service Provider (ISP)**

Delivers commercially available network services to the general public over a network, typically the Internet. Services and products include hardware, software, datacenter, labor, and intellectual property. ISP is the standard acronym used.

**Large Account Reseller (LAR)**

Large account reseller (LAR) is a term primarily used in the North American market. LARs are usually typified by their focus on large volume sales to the end user, and their primary sales revenue is generated from resale not from additional services and support.

**Logistics Models**

The resellers' focus on supply-chain and the process of efficiently moving products from vendor to end-users at the lowest possible costs. In this model, more than 75% of revenue is derived from the sales of products and less than 20% from the sale of services. Participants in this model can include volume distributors, value add distributors, corporate resellers and retailers.

**Loyalty program**

A program that is designed to reward customers for making frequent purchases from the same vendor or company by offering prizes, points, etc. A good example is airline frequent flier miles.

**Managed Service Provider (MSP)**

An outsourced provider of any IT function that can be done in-house. An MSP ensures that managed services run with the same level of transparency that they would on-site. New services are popping up all the time and currently include desktop maintenance, patch management, network-performance monitoring, intrusion detection and prevention, remote backup and storage, spyware and adware prevention, customer relationship management and call-center administration. In short, anything that boosts an organization's productivity and off-loads the burden to a third party can be considered a managed service.

**Manufacturer**

The company that develops, creates, and/or manufactures a product or who has proprietary rights to the product.

**Manufacturer's representative**

Represents and sells for several manufacturers to perform the same functions of an internal sales force.

**Market Development Funds (MDF)**

One type of co-operative marketing that manufacturers might offer to resellers. MDF provides for an additional up-front discount on all qualifying purchase made from the manufacturer.

**Multi-channel implementation**

Refers to marketing programs that are deployed using more than one media channel or platform. The primary media channels are: television, radio, print, direct mail, the web, email and BLOGs.

**Net sales**

Total dollar amount of sales after subtracting all costs of making the sale, all returns, all discounts, and all shipping costs.

### **Original Equipment Manufacturer (OEM)**

A company that produces equipment that are typically purchased for sale by other manufacturers. The OEM company licenses technology for use in a combined software solution using the OEM's name. This can often be very successful where the OEM is well known in that market. They usually embed or bundle the vendor's technology in systems developed by the OEM to create products with substantially different functional characteristics. OEMs maintain their own sales force and marketing, service and logistics functions, and distribute their solutions using their own label and branding.

### **Operational ROI**

The link between the business cost for current trade channel program management and the potential reduction of costs by making changes to existing processes and systems.

### **Partner to Partnering (P2P)**

The term partner to partnering terminology has evolved from the need for a company to have a partnering relationship not only with their vendors of choice, but also with their vendors partners. The aim is to partner on technology, services or sales opportunities with companies that provide synergistic rather than competitive services and solutions. To meet this need many leading vendors have created collaborative programs, promotions, online forums and communities to foster the development of their partner to partner relationships.

### **Partner Portal**

Partner portal usually refer to an area on a vendor's site for approved partners to access information, tools and resources. The site is usually password protected, and designed to drive different partner types and their employees to the relevant information to suit their authorization status or business interests.

### **Performance ROI**

The numeric value of incremental revenues and profitability gained by trade channel programs.

### **Point of sale**

POS is a generic term used to describe all information that is recorded at the time a product is sold, and it typically includes the location of the sale, price point, SKU, etc.

### **Partner Relationship Management (PRM)**

Partner Relationship Management (PRM) is used to describe the software, the program, the portal or the entire business strategy around managing business relationships with suppliers, outsourcing partners and business alliances.

### **Point-based Partner Programs**

Value programs usually include a "points" model that is used to determine a partner's level in the program. A point value is assigned for each partner activity that the vendor deems as delivering value in the relationship. These point values may vary by activity to convey the relative value of the activity to the vendor. Partners earn points for executing various defined activities and the points are then totaled. The partner program structure defines the point requirements for each level in the partner program. This model is easy for partners to understand and provides them

with the ability to create a plan for achieving the next higher program level. By reviewing the "points" model, knowing their current point total, and having an in-depth understanding of their business, a partner can easily determine a realistic path for reaching the next program level. In addition to point totals, vendors may have additional requirements to achieve certain levels in their program.

### **Product Partners**

Generally applies to service providers that generate more than 70% of their revenue from the sale of products that they have built. Products can be software, hardware or a combination.

### **Program Framework**

The vehicle to take a plan to the channel, a program is a contractual relationship between a vendor and the channel. Designed to reduce the costs of channel administration, they usually have associated program requirements which a company must meet to be accepted into the program, and program benefits including sales, marketing, training and technical support. Programs are frequently tiered to address different types of partners, and the requirements and benefits increase accordingly.

### **Pull strategy**

The act of creating interest for a specific product within a target audience who then demand the product from channel partners, causing the product to be "pulled" through the manufacturer's sales channel.

### **Push strategy**

The act of "pushing" a product through a marketing channel by employing trade promotions or other activities that incent the channel to purchase the product.

### **Rebate**

A refund for a portion of the total purchase price of a product which is typically granted by the product's manufacturer.

### **Reseller**

Independent companies which are authorized to purchase and resell a manufacturer's product(s).

### **Retail**

These are providers of technology products to SOHO and consumer markets and provide a broad range of products. These resellers range in model from Computer Superstores and internet resellers to Mass merchants and Office Superstores.

### **Retention**

The capability of a company to retain as many of its partners or customers as possible. For example, by reducing churn or increasing repeat purchasing.

### **Return on investment**

A term used primarily by financial managers to describe the measurable monetary value that will be gained after a capital investment is made. A typical formula for determining ROI is:  $\frac{\$ \text{ amount of return} - \$ \text{ amount of cost}}{\# \text{ of units sold or } \# \text{ of responses}}$ . Example: It cost \$1,000 to send a direct mail piece to 100 companies. Of the 100 direct mail pieces sent, 10 units were sold at \$500 each, for a

total of \$5,000 in revenues. Total profit was \$4,000 and the total ROI per sale was \$400.

### **Reward Sourcing**

The activities associated with developing reliable sources of supply or vendors to provide the rewards in a loyalty or incentive program.

### **Robinson Patman Act**

The Robinson-Patman Act of 1936 is antitrust legislation that amends Section 2 of the Clayton Act of 1914, which was designed to prevent monopolies by catching early-stage practices leading to corporate mergers. Another provision of the Clayton Act prohibits price discrimination by a seller where the effect is to injure the competition. The Clayton Act was directed at firms that sold goods at higher prices in some areas and at lower prices in others to the detriment of a smaller local seller; it confined the prohibition on price discrimination to the impact on the seller. Thus, competition among buyers could be affected adversely when certain buyers received lower prices. The Robinson-Patman Act is not limited to just price discrimination. It also covers discrimination in the areas of advertising and other promotional programs, as well as in the area of providing services to competing customers.

### **Sarbanes Oxley Act**

Sarbanes-Oxley is a complex and wide-ranging statute. The act was initiated as an intent to curb bad accounting practices and to provide guidance for manufacturers in the tracking, reporting and evaluation of financial transactions that make up the foundation for legal and formal reporting to shareholders and the public in general. A summary of its provisions address accounting reforms, the SEC, financial reporting, corporate governance, Wall Street practices, securities fraud, officer conduct, document destruction, whistle blowers, attorneys, international ramifications.

### **Segmentation**

The process of dividing a market into groups that display similar behavior and characteristics. These segments may incorporate registration information, company or individual demographics, business model, purchase behavior, and various other attributes which define a dynamic group of customers or partners. These segments serve as targets for partner recruitment, advertising, promotions, and communications.

### **Service Provider**

Solution providers that focus on revenue from services rather than sales. They generally derive 50-70% or more of their revenue from the resale or co-delivery of service packages created by their vendor partner. They also resell products but derive substantially less revenue from this. The relationship can be either a resale or referral based model.

### **SMB**

Acronym for Small to Medium Business. Also known as SME, for Small to Medium Enterprise.

### **Solution Provider Models**

There are various flavors of the service provider business model, and are differentiated based on the primary source of revenue for each model type. The primary models currently used in the technology partnering community include

service partners, system integrators, product partners, VARs, service providers and hybrids, and are often found in a combination within partner companies. They can include specialists in consulting, integration, implementation, professional services and solutions delivery for Oracle products. Definitions of each of these models are listed separately.

### **SPIF or SPIFF**

Acronyms that are commonly understood to stand for "sales performance incentive fund" or "special performance incentive for field force". In any case, a SPIFF is a financial reward used to incent the behavior that leads to the achievement of short-term sales objectives.

### **Strategic Alliance**

A strategic alliance is a comprehensive, formally managed joint agreement centered around a major, multi-year, financial commitment involving research, programmatic interactions, intellectual property licensing, and other services.

### **Systems Builder**

This type of partner is usually associated with companies who develop fully integrated systems based on components from a range of their suppliers and vendors.

### **Systems Integrator (SI)**

This type of service partner works with end users to create a comprehensive solution based on the business need of the end-user. There are three primary categories of regional mid-tier system integrators, government system integrator and global strategic system integrators.

- **Regional or Mid-Tier System Integrator:** provide business consulting and/or outsourcing services to mid-tier businesses and may also resell the vendors solutions, and sometimes services
- **Government Systems Integrator:** provide solutions that address the requirements and buying patterns of government customers at federal, state, and local levels
- **Global Strategic System Integrators (GSIs)**

### **Solution Provider**

Widely applied term, which typically refers to a channel partner that combines products or services, such as a VAR.

### **Strategic Partner**

These can be global in coverage, or niche focused on a particular product or market. Global Strategic Partners are a select set of companies committed to jointly delivering integrated enterprise solutions.

### **Technology Integrator/Strategic Technology Integrator**

Supplies and sells value-added services, including architecture planning, technical design and implementation, for the vendor and third-party hardware and software solutions.

**Trade channel program**

A manufacturer-initiated sales or marketing promotional campaign that is targeted at channel partners or that was developed for use by the channel partners.

**Trade promotion**

A sales or marketing promotional campaign that is targeted at a minimum of one segment in a trade industry rather than at the end user or consumer.

**Up-sell**

Prompting customers to buy upgraded products when they had intended to buy something of lower value.

**Value-Added Reseller (VAR)**

Independent companies which are authorized to purchase, resell and service a manufacturer's product(s). Generally derive 50% of their revenue from the resale of hardware or software and 50% from the services and solutions they have created around these products.

**Value-Added Distributor (VAD)**

Providers of warehouse space, financial assistance and delivery. However, this model derives 20% or more from value-added services for the product they carry. Usually this model carries a smaller number of products and specializes in a specific area of technology (e.g. storage or telecom)

**Volume Distributors**

Providers of warehouse space, financial assistant and delivery in the classic two-tier model. Most distributors carry a multitude of hardware and software products. In general, distributors fulfill demand but do little to create demand for a vendor's products.

**Volume Product Distributor (VDP)**

Usually resell a vendors lower-end products to resellers or mass merchandisers. VDPs provide services such as distribution, market coverage, sales support, finance and technical pre- and post-sales support to resellers and mass merchandisers.

**Value-Based Partner Program**

Value-based partner programs recognize partners for the full value they bring to the relationship. A partner's revenue performance is an important metric in a value-based model, but it isn't the only metric in determining a partner's place in your program. Ideally, a value program recognizes partners not only for resale revenue, but also for influencing revenue. Beyond revenue performance and influenced revenue, value-based partner programs also recognize partners for achieving other activities that bring value to the vendor. A value program is usually designed so that it motivates and rewards partners for performing activities that the vendor considers valuable.

**Wholesaler**

A member of a company's channel who purchases products from the manufacturer, holds inventory, and then distributes products to an authorized channel partner, all with the purpose of providing cost and delivery efficiencies.