

# **The Extended Sales Enterprise: Channeling Better Results**

April 2011

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## Executive Summary

For organizations that rely primarily or entirely on an indirect sales force via the channel, resellers, distributors, alliances or partners, the de-centralized nature of sales management presents increased challenges in overall productivity. These obstacles represent both internal visibility into and control over channel performance, as well as external-facing support and enablement for both indirect selling partners and the end customers themselves. While Aberdeen sales effectiveness research frequently documents the best practices and technology adoption trends among high-performing direct sales teams, are these solutions and approaches equally robust enough to maximize revenue within a larger, dispersed marketing/selling ecosystem? Or instead, are there additional ways in which the channel can be uniquely empowered by the original vendor, OEM or producer to deliver substantial, accurately forecasted sales results?

### Best-in-Class Performance

In January and February 2011, Aberdeen surveyed 295 end-user organizations to learn about their deployments of indirect sales functions. Aberdeen used the following three key performance criteria among the 257 responding companies currently deploying such approaches, to distinguish the selling organizations within Best-in-Class companies:

- 107% of overall corporate attainment of sales quota, compared to 74% for Industry Average companies and 36% for Laggards
- 5.4% average year-over-year increase in channel sales lead conversion rate (lead-to-close); compared to a 2.1% increase for the Industry Average and a 0.9% decrease among Laggards
- 4.6% average year-over-year increase in overall deal size, versus 2.2% for Industry Average and a 2.6% decrease among Laggards

### Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance share several common characteristics, including:

- 81% deploy dedicated resources responsible for managing all channel sales
- 81% provide centralized, online partner access to products, prices, promotions, etc.
- 79% support their channel with sales forecasting/analytics tools

### Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Enhance visibility among producers and partners into all marketing, sales and fulfillment activities
- Support their channel with marketing content and funding

### Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

### How Does Your Performance Compare to the Best-in-Class?



- Compare your processes
- Receive a free, personal PDF scorecard
- Benefit from custom recommendations to improve your performance, based on the research

**Take the Assessment**

Receive Your Free Scorecard

"Support your channel partners at the same level as your internal sales staff; give them access to the same resources."

~ Christopher Campbell,  
Channel Sales Executive,  
Openwave

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## Chapter One: Benchmarking the Best-in-Class

Among the 531 organizations Aberdeen interviewed for *Sales Performance Management: Getting Everyone on the Same Page* (August 2010), the research found that Best-in-Class companies – those with the highest overall team attainment of sales quota, annual increase in average deal size, and yearly decrease in sales cycle – were significantly more likely than others to:

- Deploy dedicated channel management resources (staff)
- Include channel selling partners in their compensation and incentive program initiatives
- Support a Partner Relationship Management (PRM) portal
- Formally evaluate the performance of indirect selling partners in the context of overall management of corporate sales activities

The study furthermore found that companies deploying a PRM portal outperformed others around customer renewal and sales turnover rates, with better year-to-year improvements in revenue growth, average deal size, customer loyalty and lead conversion rates.

Subsequent research among 465 companies using sales training, in *Sales Training: Deploying Knowledge, Process and Technology to Consistently Hit Quota* (September 2010), showed that the Best-in-Class among them (defined by revenue and deal size growth, plus the percentage of sales reps achieving quota) were more than twice as likely as Laggards (32% vs. 14%) to include channel enablement or certification in their formal sales education practices.

### Issue at Hand

By definition, the "channel" refers, essentially, to outsourcing a company's sales activities across some portion of a customer's lifecycle. Whether the selling process refers to initial marketing and cold-calling, to nurturing producer-provided opportunities in a lead-to-order environment, or creating up-sell/cross-sell revenue from a recently acquired or mature customer in hand, the activity should, ideally, never end. Yet with partner populations often numbering in the hundreds or even thousands, the ability for the solution providers themselves to control the flow of data, and skills deployment, naturally becomes more cumbersome with the diversity of multiple geographies, extended product lines, and sheer volume.

Manufacturers have long deployed a variety of "carrot and stick" tools in order to motivate or penalize channel partners toward better performance. A wide variety of marketing promotions, tiered rankings of VAR's, fringe benefits and pricing strategies dominate the landscape of channel management. Yet do the solution providers have a clear, on-demand and objective view of the results? How do they predict and track the effectiveness of their tactics on the desired channel behavior? How do they avoid channel conflict through sales lead management techniques? Can manufacturers ensure that their core value proposition, pricing, and

#### Fast Facts

- √ Best-in-Class companies average 205 channel partners per \$100M in revenue, whereas Industry Average and Laggard firms deploy 177 and 61 respectively
- √ The percentage of existing channel partners considered "active" is 55% among Best-in-Class organizations, slightly more than the 54% among Industry Average and 52% reported by Laggards

positioning are uniformly carried out and/or customized by the channel for peak ROI in these relationships? Finally, what are the best ways in which producers can make the partners' experience as effective as possible for all parties, including the end-customer?

## Why Use a Channel?

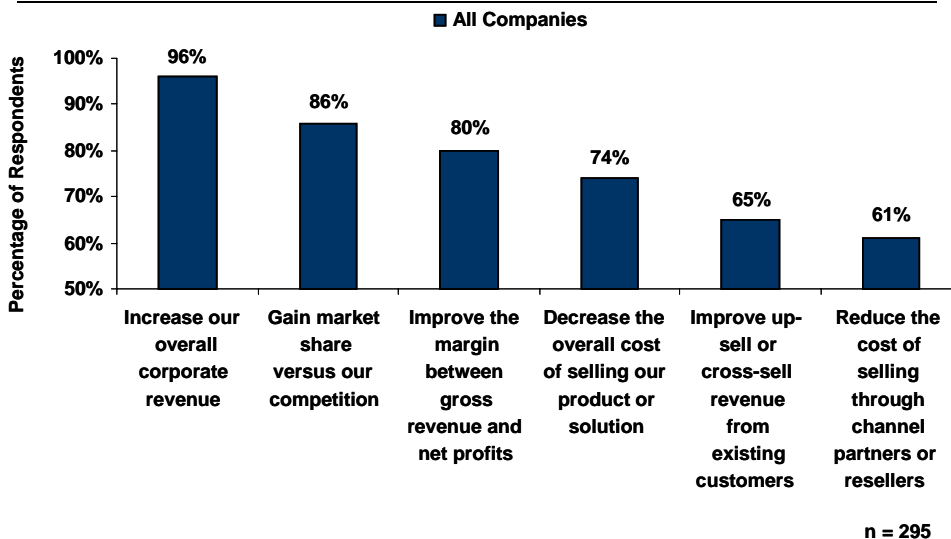
The simplest answer to this question is: it's all about money, and Figure 1 ratifies the rationales reported by survey respondents regarding their channel deployment goals. In the pursuit of ever more top-line sales and bottom-line profits, producers are reaching out to prospective and current customers through the indirect sales processes they hope will grow their business as effectively as possible. Indeed, the most popular partner-centric goals in Figure 1 can be easily linked to frequently deployed elements of indirect sales models:

- Growing our revenue more rapidly through marketing and sales lead management practices that distribute potential buyers to partners who are paid only when that revenue is recognized
- Gaining market share against competitors by swaying channel sellers to more frequently represent our solution, through an attractive and efficient partner portal
- Improve the sales margin and up-sell potential of customers by enabling channel partners to manage renewals and product registrations

"Most channel partners don't necessarily have lead generation skills other than word-of-mouth. Ask yourself what you can promise a partner around lead generation; ask that partner if that promise is of any value for them; if so, be sure to keep those promises."

~ Oscar Bevez, Managing Director, Oscwell Pty Ltd

**Figure 1: Top Goals Associated with Channel Selling Deployments**

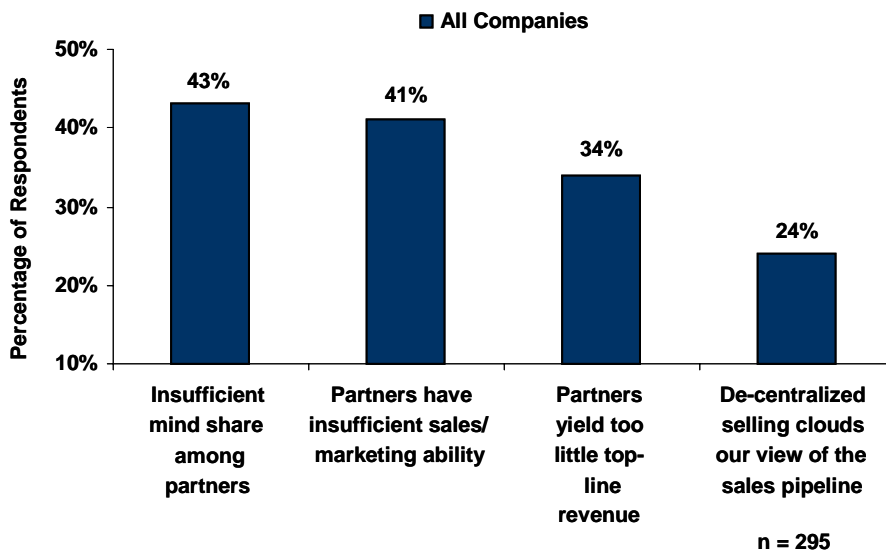


Source: Aberdeen Group, March 2011

In the pursuit of these goals, however, stand a series of challenges that OEM's or producers face in running a streamlined indirect selling model; if "sitting back and letting my partners do all the work" was an easy formula to pursue successfully, none of us would ever purchase consumer goods or

business solutions directly from the actual provider. These barriers are summarized in Figure 2, in which the two predominant issues limiting channel sales success, as reported by companies that deploy indirect sellers, are intricately intertwined. More than four in 10 of these companies tell Aberdeen both that they haven't earned enough mindshare among their partner network, and simultaneously that the key abilities within their channel to adequately market and sell their solution are insufficient.

**Figure 2: Key Challenges to Channel Sales Effectiveness**



Source: Aberdeen Group, March 2011

If it possible to mitigate the negative impact of both challenges with a single strategy, then perhaps we will find that gaining mind share and partner support can be earned by producers who empower those same sellers with better tools, content, training and overall infrastructure to more efficiently sell for both parties involved. The additional challenges showcased in Figure 2 may also be more easily overcome within a more substantial partner relationship, in which more aggressively supported indirect sellers add more producer revenue, and do so within a model allowing better visibility up and down the hierarchy.

## Identifying the Business Pressures Addressed by Channel Sales Models

In terms of the business pressures motivating sales organizations' channel selling strategies, it should be of no surprise that macroeconomic issues represent the predominant concerns among survey respondents. The number-one reported pressure, as seen in Figure 3, tells us that business growth is the most significant driver behind this entire category of sales activity, and more specifically focused on how companies can expand their footprint in new geographies, industries or business segments. As businesses emerge from the recent recession with plans to grow profitability and

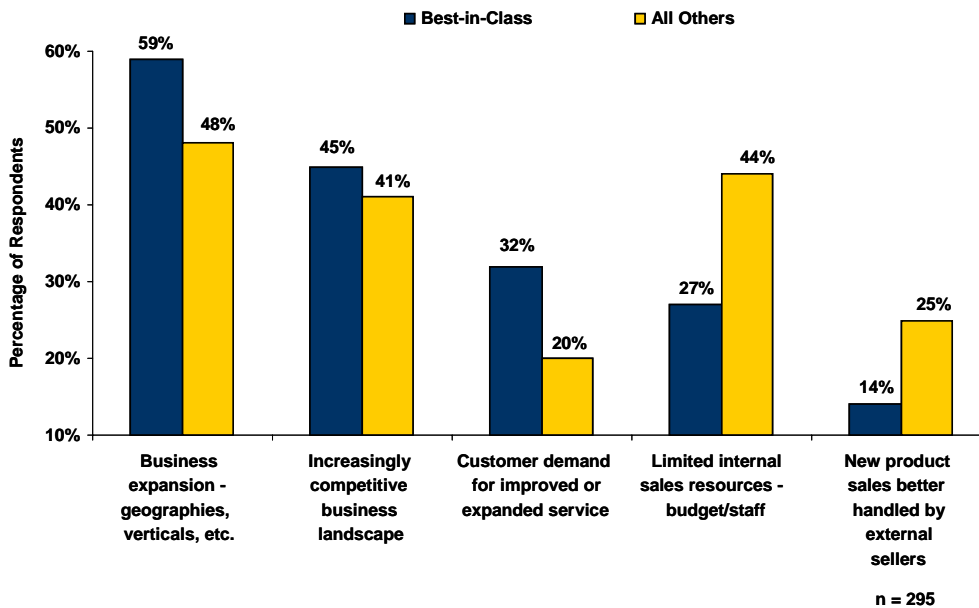
"Make sure that your products and services are aligned with what partners are selling. Otherwise, you won't get, or deserve, their mindshare."

~ Chuck Carey, Founder & CEO, Compendian

hiring, this can be interpreted as a positive sign, i.e. survey respondents anticipate growth opportunities via the channel model, rather than merely hunkering down and cutting costs.

Additional business pressures that dominate the partner-centric landscape are more customer-centric, in that potential buyers have more options to choose from than ever, and are expecting more value and service than ever before. It should be noted that the less successful companies among survey respondents – defined in the Maturity Class Framework immediately to follow – out-worry the top performers around two business pressures that will be further examined in this study; they struggle with how to efficiently use their internal resources or launch new solutions, and, perhaps to their own detriment, over-rely on indirect sellers to relieve these perceived problems.

**Figure 3: Channel Sales Business Pressures by the Best-in-Class**



“You need to have very clear engagement rules for your partners, so that there is no conflict between your own direct staff and these indirect sellers.”

~ Thomas Hughes, CEO, Connection2

Source: Aberdeen Group, March 2011

As we examine additional differences among the channel sales Best-in-Class, Industry Average and Laggard performers, we will find ample explanation of how companies with better quota, conversion and deal size performance have achieved their results.

### The Maturity Class Framework

Of the 295 organizations that participated in this study, 87% indicated that their organizations currently deploy channel sales teams; it was these 257 companies that were used to calculate the maturity classes. Aberdeen used three key performance criteria among responding sales organizations around partner-based selling, to distinguish the Best-in-Class from Industry Average and Laggard organizations:

- Current overall attainment of entire corporate sales quota – including all internal and external sellers
- Year-over-year change in average sales lead conversion rate by channel partners – turning qualified, company-provided sales leads into closed deals
- Year-over-year change in average deal size or annual contract value – including all internal and external sellers

Organizations with top performance based on these criteria earned Best-in-Class status, as described in Table 1. For additional details on the Aberdeen Maturity Class Framework, see Table 8, The Competitive Framework Key, in Appendix A.

**Table 1: Top Performers Earn Best-in-Class Status**

Definition of Maturity Class	Mean Class Performance
<p><b>Best-in-Class: Top 20%</b> of aggregate performance scorers</p>	<ul style="list-style-type: none"> <li>▪ 107% of overall corporate attainment of sales quota – all internal and external sellers</li> <li>▪ 5.4% average year-over-year increase in channel sales lead conversion rate (lead-to-close); 60% showed improvement</li> <li>▪ 4.6% average year-over-year improvement in overall deal size or contract value quota – all internal and external sellers; 49% showed improvement</li> </ul>
<p><b>Industry Average: Middle 50%</b> of aggregate performance scorers</p>	<ul style="list-style-type: none"> <li>▪ 74% of overall corporate attainment of sales quota – all internal and external sellers</li> <li>▪ 2.1% average year-over-year increase in channel sales lead conversion rate (lead-to-close); 24% showed improvement</li> <li>▪ 2.2% average year-over-year improvement in overall deal size or contract value quota – all internal and external sellers; 33% showed improvement</li> </ul>
<p><b>Laggard: Bottom 30%</b> of aggregate performance scorers</p>	<ul style="list-style-type: none"> <li>▪ 36% of overall corporate attainment of sales quota – all internal and external sellers</li> <li>▪ 0.9% average year-over-year <b>decrease</b> in channel sales lead conversion rate (lead-to-close); 6% showed improvement</li> <li>▪ 2.6% average year-over-year <b>decrease</b> in overall deal size or contract value quota – all internal and external sellers; 14% showed improvement</li> </ul>

Source: Aberdeen Group, March 2011

Now, let’s take a deeper look at how the best sales performers manage their people, processes and technology to consistently out-perform the competition.

### The Best-in-Class PACE Model

Using channel sales teams to achieve corporate goals also requires a combination of strategic actions, organizational capabilities, and enabling technologies and services that are summarized in Table 2.

**Table 2: The Best-in-Class PACE Framework**

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>▪ Business expansion into new geographies, verticals, segments, etc.</li> <li>▪ Increasingly competitive business landscape</li> </ul>	<ul style="list-style-type: none"> <li>▪ Gain greater mindshare of our channel partners</li> <li>▪ Ensure our channel partners' sales strategies are aligned with our company's business strategy</li> <li>▪ Incentivize (i.e. motivate) our channel partners to sell more of our solutions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Partners have access to "guided selling" or stage-by-stage sales process assistance</li> <li>▪ Dedicated resource(s) responsible for managing all channel sales</li> <li>▪ Dedicated resource(s) responsible for supporting channel marketing</li> <li>▪ Provide centralized, online partner access to products, prices, promotions, etc.</li> <li>▪ Formalized ability to identify the most / least productive partners</li> <li>▪ Clearly defined goals are established and agreed-to with each channel partner</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lead generation: creating / assigning sales opportunities to partners</li> <li>▪ Sales forecasting/analytics</li> <li>▪ Professional help desk support</li> <li>▪ Lead registration: acceptance of sales opportunities by partners</li> <li>▪ International / global capabilities: multi-language, multi-currency, multi-tax</li> <li>▪ Lead referral system</li> <li>▪ Marketing content management system</li> </ul>

Source: Aberdeen Group, March 2011

### Best-in-Class Strategies

The actionable approaches that organizations are taking, in response to the top industry pressures associated with channel sales activities, reveals how the Best-in-Class are focusing their attention on visibility into, and support of, a more robust partner selling environment.

In a self-assessment activity within the market research survey used to enable this study (Table 3), the 257 channel-enabled respondents overwhelmingly validate how top performers provide a strong technology-based and process-centric backbone that enables sales effectiveness throughout the distributed selling environment. Companies that do not exhibit Best-in-Class performance generally lag behind the top performers in agreeing with these self-assessment items, and their business results showcase the dangers in not focusing on specific strategic actions that allow them to achieve these best practices.

In turning these practices into reality, how are the Best-in-Class partner-centric selling leaders developing action plans? In Figure 4, we return again to the concept of visibility: with the exception of the rare channel seller that represents only a single solution provider – think about how few one-product distributors you've come across in a B2B environment – most partners, resellers, VAR's and system integrators are licensed to sell a number of solutions, which often compete with one another. This creates an ecosystem in which the direct seller is naturally going to focus their energies on which product or solution is the easiest and most profitable for them to represent.

**Table 3: Channel Enablement by Best-in-Class**

Self-Assessment of Channel Enablement Best Practices	Percent of Best-in-Class	Percent of All Others
It is important for our company to maintain strong visibility into channel partners' performance, so we can reward / punish / support them in relation to their contribution	91%	81%
It is important for our company to maintain strong visibility into channel partners' activity, so we can accurately forecast overall company sales / revenue	86%	83%
Our channel selling partners effectively support our corporate brand	86%	66%
It is vital to integrate any PRM (partner relationship management) technology into our CRM or SFA solution	82%	65%
Our partner incentive program has a positive impact on the performance of our channel	73%	50%
We have strong visibility into our channel partners' performance	73%	50%
We collect sufficient data from our channel partners that allows us to accurately forecast overall company sales / revenue	46%	32%
Our channel selling partners prioritize our products / solutions more than others they may represent, i.e. we have strong "mind share"	43%	43%

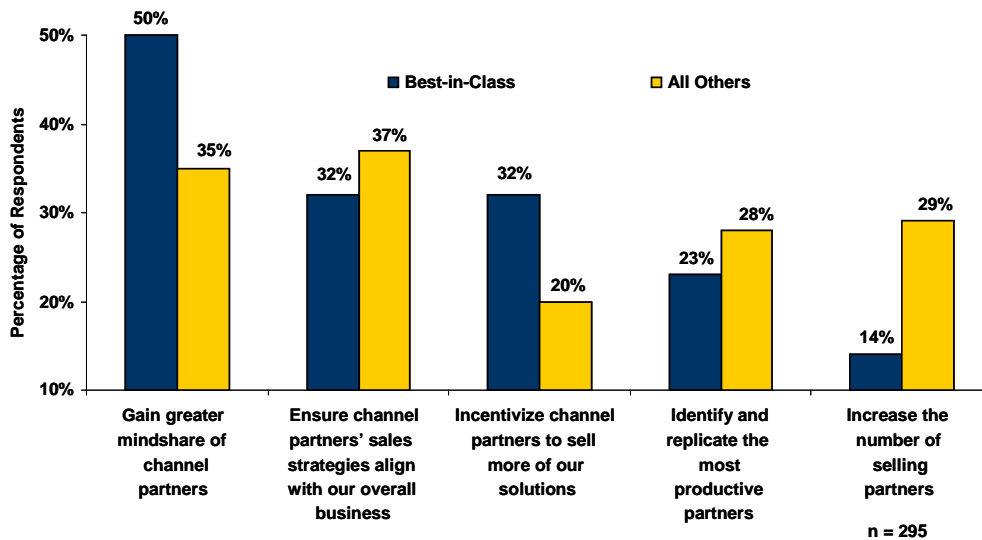
"Our main challenge is to keep our products and their benefits 'top of mind' among our partners."

~ Daniel Sise, Director of Business Development, Laser Technology

Source: Aberdeen Group, March 2011

Yet it also yields an environment forcing the OEM or producer organizations to consistently say "hey, don't forget about me!" to their channel, hoping to stand out in the partner's mind above other solutions represented by that seller. This is the number-one strategic action reported by the Best-in-Class, fully 57% more frequently (50% vs. 32%) than the next strategies, which in turn are also geared toward better visibility, increased representation, more throughput and a higher degree of visibility.

**Figure 4: Best-in-Class Strategic Actions in Response to Pressures**



Source: Aberdeen Group, March 2011

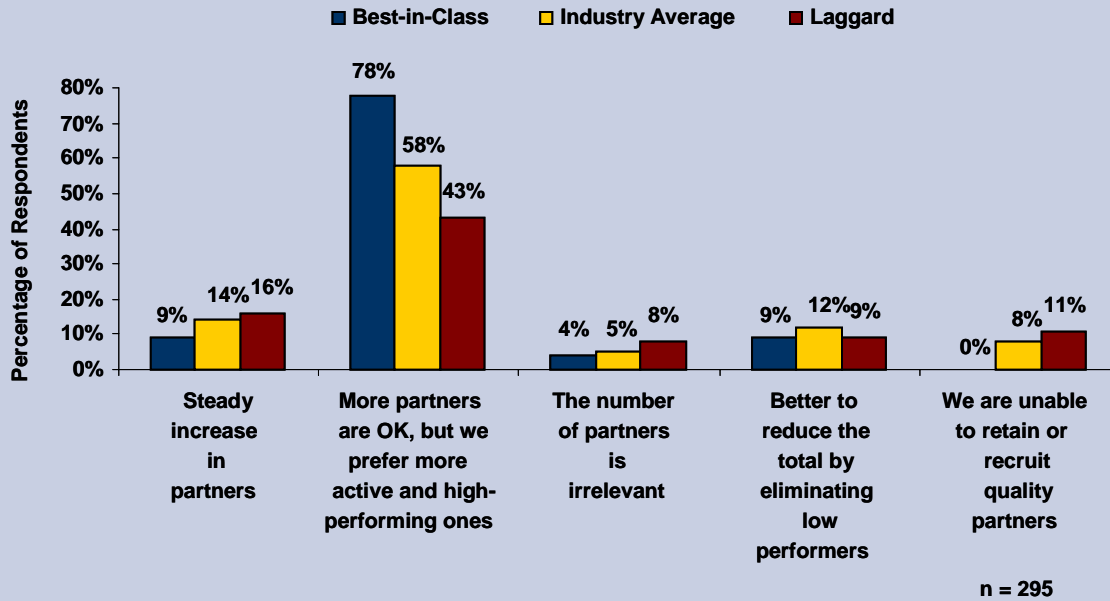
**Strategy Insight: How Much of a Good Thing?**

Of note in Figure 4 is that Best-in-Class companies are half as likely as others to aggressively focus their energies on simply growing their channel, putting more emphasis on identifying, incentivizing and supporting those partners who are most likely to bring them riches. It is telling, too, to consider the question of “how many partners should we support?” The simple answer is: a high number of strong-performing partners will yield better business results. Considering that the Best-in-Class average 205 partners per \$100 million in overall corporate revenue, compared with 177 for Industry Average companies and only 61 for Laggards, clearly a “bigger is better” approach to the partner universe is not unwise. Perhaps more telling is an analysis of how much the top performers rely on their channel: 59% of the typical Best-in-Class company’s revenue is partner-generated, which is 11% higher than that of other firms. Clearly the best sales results are associated with a more mature, stable partner ecosystem.

*continued*

**Strategy Insight: How Much of a Good Thing?**

**Figure 5: Partner Volume Desires by Best-in-Class**



Source: Aberdeen Group, March 2011

Across the board, 53% of partner sellers are considered “active” by survey respondents, which also overwhelmingly indicate (Figure 5) that raising this percentage is a widespread desire, within the context of a generally larger channel universe. Interestingly enough, not a single Best-in-Class company expressed concerns about establishing partner relationships, whereas other companies report this, in double-digit numbers, as a significant business issue. Finally, the fact that Industry Average and Laggard respondents are less focused on partner quality than quantity give us further reason to explore the capabilities and enablers, in Chapter Two, that lead to high-end overall corporate performance.

### Case Study — Lenovo

Consider the case of Lenovo, the \$17B global PC manufacturer that relies on roughly 80,000 partners around the globe to sell its products. According to Robin Marley, Worldwide Channel Marketing Manager, “We have a responsibility to ensure that our global partners have the tools and capabilities to sell our products more effectively than those of our competitors.” The problem, however, was that the 2005 acquisition of IBM’s personal computer business – which has come to dominate Lenovo’s overall business model – left Marley’s channel marketing team without any contemporary solutions to adequately support the sales channel.

“Our business was now very different from IBM’s,” explains Marley. “It was actually much simpler, mostly selling high-volume PC’s, but in turn we felt renewed competitive pressures to support clear, accessible information about pricing, supply lines, marketing and other PRM basics for an enormous, widely dispersed partner channel.” In 2010 Lenovo vetted and selected a PRM vendor to provide multi-lingual/multi-currency support to partners worldwide, as well as to deliver, “an integrated set of tools showing the partners everything they needed to know about co-marketing, lead management, lead registration and delivery.” He explains, “The channel partners are essentially our customers, so we need to make it very simple and inviting to work with us” through the PRM deployment.

With a November 2010 phased roll-out, Lenovo is already seeing significant and measurable results, though the KPI’s that matter differ in various geographic markets. “In Europe we’re seeing a big growth in the number of accepted leads, speed of partner response and close ratios,” Marley explains, while “in North America it’s all about increased deal registration, and in Asia we’re seeing a doubling of partners participating in training,” which Lenovo has long used as a differentiating advantage in an ultra-competitive market.

“We have a responsibility to ensure that our global partners have the tools and capabilities to sell our products more effectively than those of our competitors.”

~ Robin Marley, Worldwide  
Channel Marketing Manager,  
Lenovo

## Chapter Two: Benchmarking Requirements for Success

Effective channel sales deployments play a critical role in an organization's ability to turn these strategies into profit. The following sections provide an analysis of how top performers distinguish themselves from other companies through the implementation of capabilities and enablers that support excellence in deploying best practices in partner-oriented selling.

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization management** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 5) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

### Fast Facts

- √ Lead generation among Best-in-Class firms is more effective, with a 17% partner lead rejection rate based on “contact is not a decision-maker;” 22% of Industry Average and 32% of Laggards report this rationale for turning down producer-generated sales leads
- √ 73% of Best-in-Class producers believe they have strong visibility into their channel partners’ performance; 55% of Industry Average and only 39% of Laggards agree

**Table 4: The Competitive Framework**

	Best-in-Class	Average	Laggards
<b>Process</b>	Partners have access to “guided selling” or stage-by-stage sales process assistance		
	55%	30%	20%
	A defined process to map channel competencies to our business / customer requirements		
	45%	29%	19%
<b>Organization</b>	Dedicated resource(s) responsible for managing all channel sales		
	81%	70%	60%
	Dedicated resource(s) responsible for supporting channel marketing		
	76%	60%	29%
<b>Knowledge</b>	Provide centralized, online partner access to products, prices, promotions, etc.		
	81%	55%	51%
	Partners receive immediate product or other informational updates with each system log-in		
	48%	31%	26%

	Best-in-Class	Average	Laggards
<b>Enabling Technology or Service</b>	<ul style="list-style-type: none"> <li>▪ 81% Lead generation: creating / assigning sales opportunities to partners</li> <li>▪ 79% Sales forecasting/analyt ics</li> <li>▪ 75% Professional help desk support</li> <li>▪ 65% Lead registration: acceptance of sales opportunities by partners</li> <li>▪ 63% International / global capabilities: multi-language, multi-currency, multi-tax</li> <li>▪ 60% Lead referral system</li> <li>▪ 57% PRM portal (on-premise or SaaS)</li> <li>▪ 55% Marketing content management system</li> </ul>	<ul style="list-style-type: none"> <li>▪ 64% Lead generation: creating / assigning sales opportunities to partners</li> <li>▪ 64% Sales forecasting/analyt ics</li> <li>▪ 52% Professional help desk support</li> <li>▪ 49% Lead registration: acceptance of sales opportunities by partners</li> <li>▪ 42% International / global capabilities: multi-language, multi-currency, multi-tax</li> <li>▪ 45% Lead referral system</li> <li>▪ 48% PRM portal (on-premise or SaaS)</li> <li>▪ 48% Marketing content management system</li> </ul>	<ul style="list-style-type: none"> <li>▪ 57% Lead generation: creating / assigning sales opportunities to partners</li> <li>▪ 38% Sales forecasting/analyt ics</li> <li>▪ 41% Professional help desk support</li> <li>▪ 29% Lead registration: acceptance of sales opportunities by partners</li> <li>▪ 21% International / global capabilities: multi-language, multi-currency, multi-tax</li> <li>▪ 31% Lead referral system</li> <li>▪ 26% PRM portal (on-premise or SaaS)</li> <li>▪ 41% Marketing content management system</li> </ul>
<b>Performance</b>	Formalized ability to identify the most / least productive partners		
	81%	66%	57%
	Producer distribution of MDF (marketing development funds), co-op funds, etc.		
	65%	43%	29%

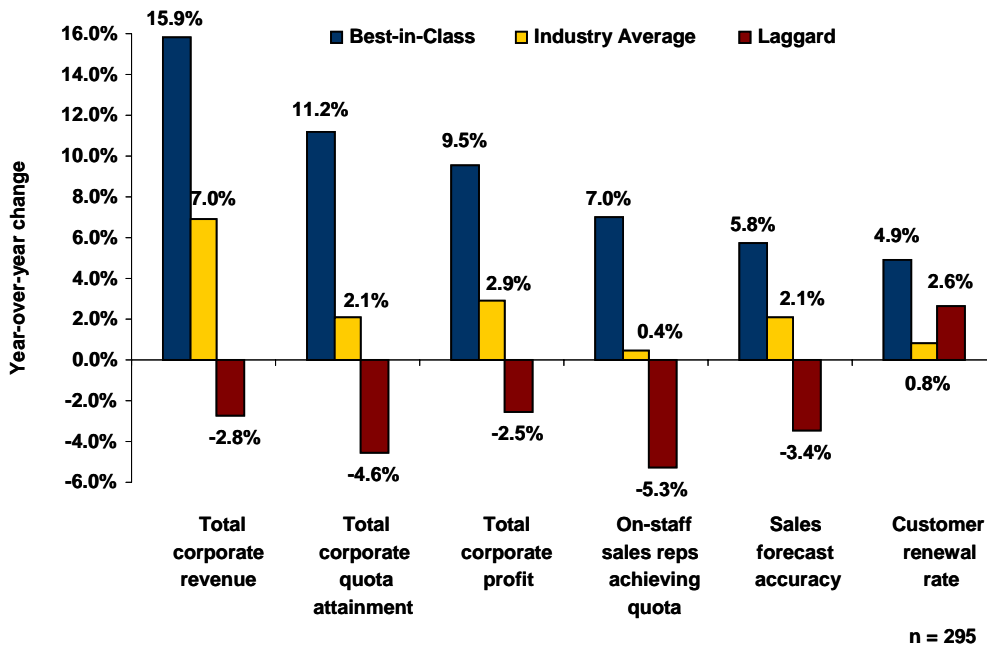
Source: Aberdeen Group, March 2011

## Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, the Best-in-Class demonstrate that a highly identifiable set of corporate capabilities and enablers can lead to measurable business success – including the highly relevant year-over-year metrics performance seen in Figure 6 - through the deployment of specific channel sales methodologies

and technologies. Additional Aberdeen research is cited to further support these positive trends.

**Figure 6: Year-over-Year Corporate Performance by Best-in-Class**



“Qualify your selling partners prior to contracting them, based on the past performance and characteristics of other providers who have been successful.”

~ Jim LaBrec, VP, Converging Technologies

Source: Aberdeen Group, March 2011

## Process

Given the typically complex, expensive and long cycle of Aberdeen’s sales audience, a critical impact on an deal’s propensity to move forward or “go south” can be influenced by aligning a company’s product and it’s buyer’s needs at various pulse-points during the sales cycle. With guided selling assistance, a customer-driven process that represents the buyer’s needs can help drive conversations and negotiations toward a more successful, and speedy, close.

Best-in-Class companies are more aggressive than others in establishing a **guided selling methodology** that allows either direct or channel sales team members to quickly determine which collateral items, proposals or contract templates stored within their enterprise will best map to the needs of their current deal. By capitalizing on what has already succeeded among their peer group, and been captured by the sales operations team as a defined best practice, channel reps can take the guesswork out of determining what to say, send, or do regarding their prospect at each defined milestone or sales stage leading up to the deals actual close. Aberdeen research conducted for [Optimizing Lead-To-Win: Shrinking the Sales Cycle and Focusing Closers on Sealing More Deals](#) (May, 2010) also found increased use of this process capability by top performers, in this case predominantly internal teams interested in shrinking the sales cycle.

When it comes to **mapping channel competencies to business/customer requirements**, the Best-in-Class are more than twice as likely as Laggards to value a process that emphasizes the bigger picture needs of corporate success, rather than sustain partner sellers who may simply boast a convenient geographic location or a long history of representing a particular solution. These top performers will attempt to understand their customers' needs – examples might be industry expertise, blending products and services or low cost of entry – and match their channel sellers accordingly in order to more effectively acquire and maintain strong customer relationships. On the business side of the equation the best OEM's or producers, who are more adept at growing revenue, conversion rates and deal sizes, recognize as well that certain skills, such as sales hunting or cold-calling, may best suit the way in which the overall business seeks to essentially outsource a number of costly business development activities at lower cost and risk than if handled internally.

## Organization

Aberdeen research in the sales effectiveness arena has long recognized the value of **dedicated resources** associated with implementing such disparate functions as training, compensation management, intelligence feeds, proposal management and more. In the case of channel sales and marketing, the same is true, with the Best-in-Class showing significantly higher adoption rates of this organizational capability, versus Industry Average and Laggard firms.

In the sales management arena, more than four out of five survey respondents employ one or more professionals who are exclusively responsible for channel-sourced revenue. This approach enables a divide-and-conquer strategy focusing the supervisory tactics best-suited for on-staff sellers to be deployed independently of the managerial strategies required to run a large, typically disparate collection of channel sales partners. Indeed while internal sales managers are classically held accountable for only top-line selling, a channel sales leader encounters a different set of business challenges considering that each partner seeks to turn their own profit by representing the producer's solution.

On the marketing side of the equation, the Best-in-Class are nearly three times as likely as Laggards to separate corporate activities from channel campaigns and processes. We learned Aberdeen research conducted for [\*Sales and Marketing Alignment: Collaboration + Cooperation = Peak Performance\*](#) (September 2010) that the best-performing marketing teams, which contribute the largest share of the corporate sales pipeline, devote more operational resources exclusively to marketing campaign management. Taking this division of labor a step further when segmenting out partner marketing makes sense, as the channel needs to be supported with a whole range of complex considerations such as territory assignments, geography-specific pricing or promotions, and the inevitable need for producers to sometimes compete with other OEM's for channel sellers' mind share.

“Provide your partners with the tools to track opportunities, implementations, and commissions, and enable them to be relatively self-sufficient throughout the engagement process.”

~ Bob Maute, President &  
CEO, Cadence Solutions  
Group

## Knowledge Management

In research published in May, 2010 for [\*Optimizing Lead-To-Win: Shrinking the Sales Cycle and Focusing Closers on Sealing More Deals\*](#), Aberdeen found that 75% of Best-in-Class companies – those with the best sales lead conversion rates, growth in proposal output and reduction of sales cycles – deployed a centralized repository for sales collateral, proposals or contracts, compared to only 48% of Laggard organizations. These repositories were generally geared toward supporting on-staff sales team members, both inside and field; **centralized partner access and updates** make even more sense when hundreds or even thousands of partner sellers can benefit from easy access to all the products, services, pricing, promotions, campaigns and, especially, time-sensitive news they need to beat the competition out in the field. In fact, twice as many of the Best-in-Class companies, versus Laggards, described in [\*Sales Intelligence: Preparing for Smarter Selling\*](#) (February 2010) deployed dashboards and other data-capturing visualization tools to feed their sellers all the latest industry, company and urgent trigger-alert data; these top performers achieved better quota attainment and reduced sales rep non-selling time most effectively, as a result. Supporting the channel with the same approach is a logical extension of this support structure.

Another popular knowledge management capability among survey respondents is that “**channel partners are required to meet and maintain specified requirements** (i.e. certification or authorization) or minimum thresholds of activity (i.e. revenue or quota),” selected by 62% of the Best-in-Class and 45% of other companies. In the spirit of “quality over quantity” discussed in the Strategy Insight above, producers of products or services must take care not to stretch their channel support too thinly among a significant number of under- or non-performing partners. When non-exclusive resellers potentially over-extend themselves by representing more solutions than they can legitimately support, it makes sense to consider officially parting ways so both parties can devote more adequate energy to more productive paths of engagement. Taking the concept of minimum requirements to another level, 55% of Best-in-Class survey respondents, and 49% of others, indicate that “we support **variable tiers of selling partners (i.e. gold, silver, bronze)**, depending on their investment or performance,” breaking down the contribution volume into multiple levels of relationship management.

“The choice of partners is the most critical. The core competence of your partner should match your product.”

~ Dennis Nazario, Managing Director, Group D Consultancy

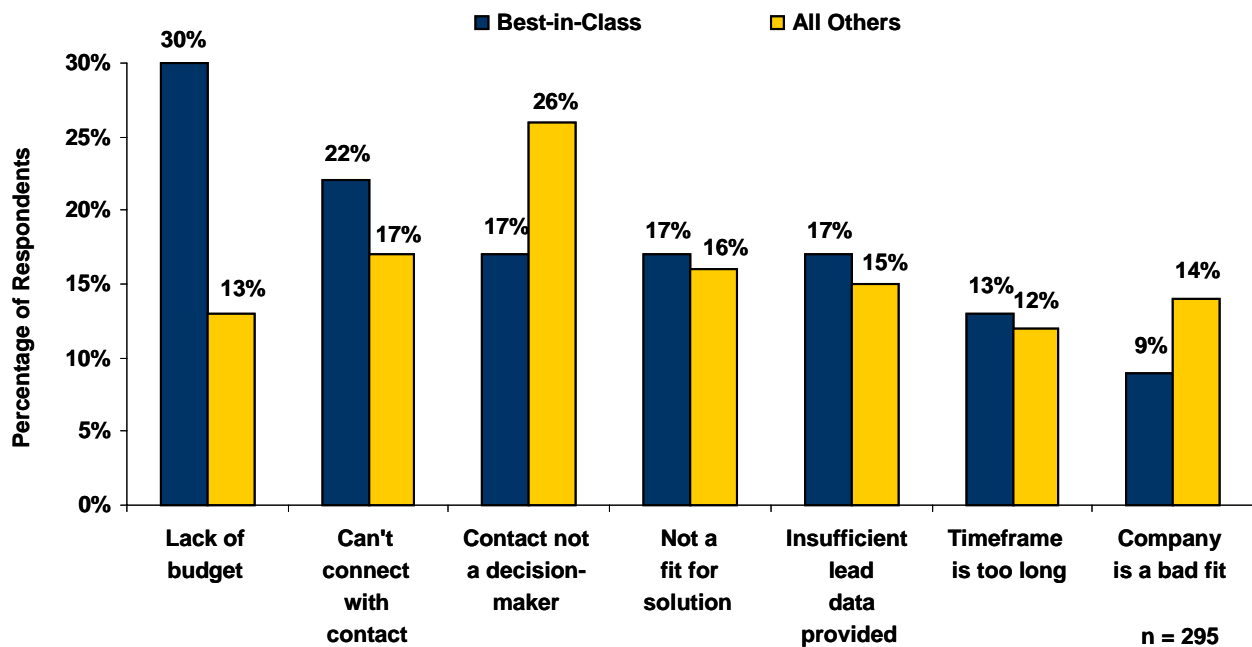
## Technology and Service Enablers

Among the many solutions represented in Table 4, a number of them showcase significant adoption rate differentials between the Best-in-Class and other channel-centric sales teams, and represent strong enablers of success. Viewed in the context of why channel sellers most frequently reject sales leads provided to them by the originator of the product or service (Figure 7), it should be of little surprise that most of the leading enablers focus attention on the kind of marketing and lead management support needed by the channel to successfully drive revenue for themselves and the producer organization.

Beginning with **lead generation**, it is important to remember that many channel sales partners are small businesses or even individual practitioners or manufacturer’s sales reps, with few or no resources for marketing or lead development activity. By a 42% margin (81% vs. 57%), the Best-in-Class lead Laggard firms in using formal activities that generate and ship a steady stream of qualified prospects to their partners.

We know from *Sales Forecasting: Analytics to the Rescue!* (June 2010) that sales teams hit quota more consistently when supported by technology tools dedicated to achieving more accurate forecasts; the channel universe is no different, with the Best-in-Class more than doubling the rate of Laggard adoption of **sales forecasting or analytics solutions**. Given the wide variety of lead rejection rationales described in Figure 7, more accurate forecasting that includes channel input – and visibility – can help mitigate the problems of trying to sell to prospects with insufficient budget, fit or timing.

**Figure 7: Channel Lead Rejection Rationales by Best-in-Class**



Source: Aberdeen Group, March 2011

Another mechanism for attacking situations in which channel partners are liable to reject an OEM-supplied sales lead is **help desk support** provided by the manufacturer. This service or technology enabler can help bridge the gap between how the producer views a potential sales lead or marketing message, and how the channel partner’s prospect interprets it. Using tools such as live chat, co-browsing or screen-sharing detailed in *Streamlining the Top of the Funnel: How Inside Sales Teams Source, Qualify and Close Business* (February, 2011), Best-in-Class channel sales leaders better enable their decentralized and disparate selling partners more effectively.

**Lead registration** is rarely addressed by managers of on-staff sales teams, because (a) they frankly have so much direct oversight of their sellers' daily activities, and (b) reps are only selling for one company and have every reason to follow up quickly on all qualified opportunities presented to them. In the channel world, however, especially when partner organizations are not exclusively representing one set of solutions, ensuring that these resellers are accepting and taking action on marketing-generated leads is crucial; the Best-in-Class adoption rate of 65%, versus 49% for Industry Average and 29% for Laggards, is testament to the value of lead registration/acceptance formalities.

By itself, lead registration does not necessarily guard against rejection of leads by channel partners. Yet coupled with the help desk options described above and a **partner relationship management portal**, again adopted by more than twice as many Best-in-Class companies as Laggards, the opportunity for two-way engagement between the producer and partner can create opportunities for education, guidance and support to reduce the friction of lead rejection. This dialogue can actually grow into a three-way conversation with a **lead referral system** that promotes sharing of out-of-territory sales opportunities among the partners themselves, as well as providing them all with better collateral, product and pricing support via **marketing content management** solutions. It should be noted, too that users of Software-as-a-Service (SaaS) based PRM solutions report better lead acceptance rates (50% vs. 42%) and lead conversion rates (24% vs. 17%) than survey respondents deploying on-premise PRM deployments.

Finally, it should be noted that two leading channel support enablers represent widespread adoption by the majority of survey respondents, although not showcased by dramatic differences in deployment between the maturity classes. **Partner training and/or certification** by external solution providers, and **joint marketing planning**, represent 51% and 53% respective adoption rates among all companies with channel sales components. Significant Aberdeen research, highlighted in Appendix B, speaks to the value of these best practices in detail.

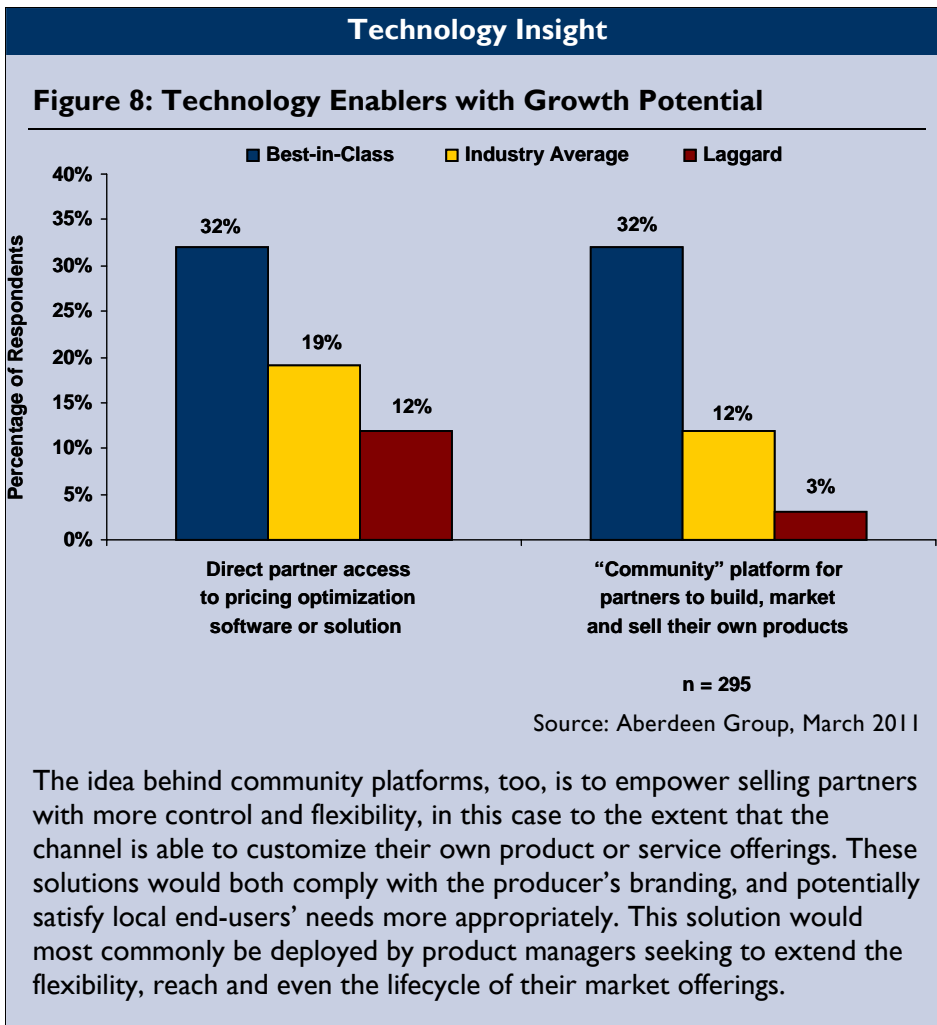
"You need a clear alignment of partner strategy with your company strategy, including a solid win-win-win value proposition (company, partner, mutual customer); a repeatable, best-practice process for collaborative sales engagement; measured relationship management; and support tools for greater consistency and productivity."

~ Ramesh Subramaniam,  
Principal & Chief Strategist,  
Alliancesphere

### Technology Insight

In Figure 8 we find relatively low overall adoption, but significant gaps between the top-performing channel sales organizations and others, around the use of pricing optimization and community platform solutions. Data uncovered for [\*Optimizing Lead-To-Win: Shrinking the Sales Cycle and Focusing Closers on Sealing More Deals\*](#) (May, 2010) showed that configure-price-quote solutions and sales proposal/contract management enablers supported better direct selling results. This current research tells us that channel sales may as well benefit from access to technologies allowing them an appropriate degree of competitive, situation-sensitive pricing flexibility. In this way, disparate partners in various geographies or market sectors can maximize their opportunities to win deals and maintain profit margins.

*continued*



### Performance Management

Much as we have seen the value of applying valuable marketing and technology resources more accurately to those channel sellers whose performance merits extra attention, an appropriate framework needs to be in place for the producer organization to **identify the most or least productive partners**. In Aberdeen's research study [Sales Performance Management: Getting Everyone on the Same Page](#) (August, 2010), the Best-in-Class achievers of quota and deal size growth were 35% more likely than Laggards (69% vs. 51%) to appraise different on-staff sellers – inside, outside, hunter, farmer, etc. – with unique sets of criteria, rather than one uniform performance management policy. They were also twice as likely to deploy a dedicated resource or team to supporting channel partners. The lesson here is that clearly understanding which partners are going to help drive continued revenue growth is crucial to the OEM, as is a willingness to apply "tough love" to under-performers where appropriate, either by mandating training (55% of the current Best-in-Class offer partner training or

certification) or instituting probationary/termination protocols. In fact, 75% of the Best-in-Class tell us that clearly defined goals are established and agreed-to with each channel partner, while only 49% and 44% respectively of Industry Average and Laggard companies agree.

Finally, is it wise for OEMs to literally send money to their selling partners for marketing purposes? Some of the world's largest companies are well-known for **providing MDF or co-op marketing funding** throughout their channel universe, and the Best-in-Class validate the approach with nearly two-thirds adopting this, compared to 43% among Industry Average performers and only 29% for Laggards. Call it "trickle-down marketing," long-term investing or just a smart way to enhance market share – the channel organizations achieving the greatest sales effectiveness results are on board with this performance management capability.

"Focus on developing a strong targeted joint customer value proposition, from both your perspective as well as your partners' point of view, in a way that uniquely addresses your mutual customer's pain."

~ Jeff Lear, National ISV  
Director, Microsoft

## Chapter Three: Required Actions

Whether a company is trying to move its performance in channel sales effectiveness from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

### Laggard Steps to Success

- **Dedicate channel marketing resources** to your extended selling universe. The processes, tools, content, technologies and skill sets required to effectively support channel sales partners with marketing infrastructure are very different from in-house sales support, as 76% and 69% of Best-in-Class and Industry Average companies recognize. At only a 29% adoption rate among Laggards, however, the worst performers among these survey respondents are literally leaving money on the table by failing to recognize the value of this crucial organizational capability.
- **Share and share alike** when it comes to providing the channel with MDF or co-op marketing funds. Only 29% of Laggards pony up with this vital lifeline to filling their channel partners' sales funnels, and their results around quota attainment, lead conversions and deal size suffer as a result. These under-performers can be forgiven for being hesitant to make what might be considered a risky investment, but far better-performing producer organizations are taking the leap, and then carefully monitoring the ROI on their partner marketing spend.
- **Get out the crystal ball** by adopting sales forecasting and analytics solutions that are inclusive of channel participation. Barely a third of Laggards have in place the structure or process to give the OEM easy visibility into estimated channel-generated revenue, compared with about two-thirds of Industry Average and four out of five Best-in-Class companies. By remaining in the dark about accurately predicting the future volume of revenue they will recognize from their extended selling organization, 62% of Laggards are inadvertently impacting this actual revenue negatively.

### Industry Average Steps to Success

- **If you build it, they will come** to a PRM portal providing centralized, online partner access to products, marketing materials, important announcements, trigger alerts and more. The knowledge management capability around this is validated by fully 81% of Best-in-Class survey respondents, and yet barely half of the Industry Average are aligned with this straightforward ticket to better channel sales success. Even if you have thousands of selling partners, spread among widely disparate geographies, industries and

#### Fast Facts

- ✓ Best-in-Class companies report that an average of 59% of their revenue is partner-generated, compared to 54% and 52% among Industry Average and Laggard companies
- ✓ Despite more aggressive channel funding, Best-in-Class companies pay their own sales staff more handsomely: inside sales reps earn an average of \$77k per year, vs. \$66k and \$48k for Industry Average and Laggard respondents; Best-in-Class field reps average \$123k, as opposed to \$91k and \$78k annually

#### How Does Your Performance Compare to the Best-in-Class?



- Compare your processes
- Receive a free, personal PDF scorecard
- Benefit from custom recommendations to improve your performance, based on the research

**Take the Assessment**

Receive Your Free Scorecard

membership tiers, the ability to configure security, visibility, and many other participatory access paths are available to OEM's seeking to effectively enable – and monitor – their channel.

- **Go global** with a multi-language, multi-currency and/or multi-tax partner management support network. If indeed “the world is getting smaller,” the ability to extend your sales efforts through channel partners in other countries, cultures and economies will reap ample rewards; consider that the Best-in-Class are 50% more likely than the Industry Average to follow this approach. With simple automation, the OEM can maintain a top-down view of partner selling activity abroad, as well as support their channel sellers regardless of physical location.
- **Play favorites with your channel**, with the “tough love” necessary to formally identify the most and least productive partners, as 81% of the Best-in-Class does. This performance management capability is deployed by less than two-thirds of Industry Average channel sales leaders, who should more aggressively weed out under-performers and consider whether the resources necessary to support them remain a reasonable investment. On the higher end of the spectrum, the most productive and profitable partners can be rewarded with bonus levels of resources, funding and, of course, the classic “President’s Club” all-expenses-paid holiday.

“Work the relationships. Make the process easy. Make the value to the partner clear.”

~ Carole Amos, Global  
Channel Marketing Director,  
IronKey

## Best-in-Class Steps to Success

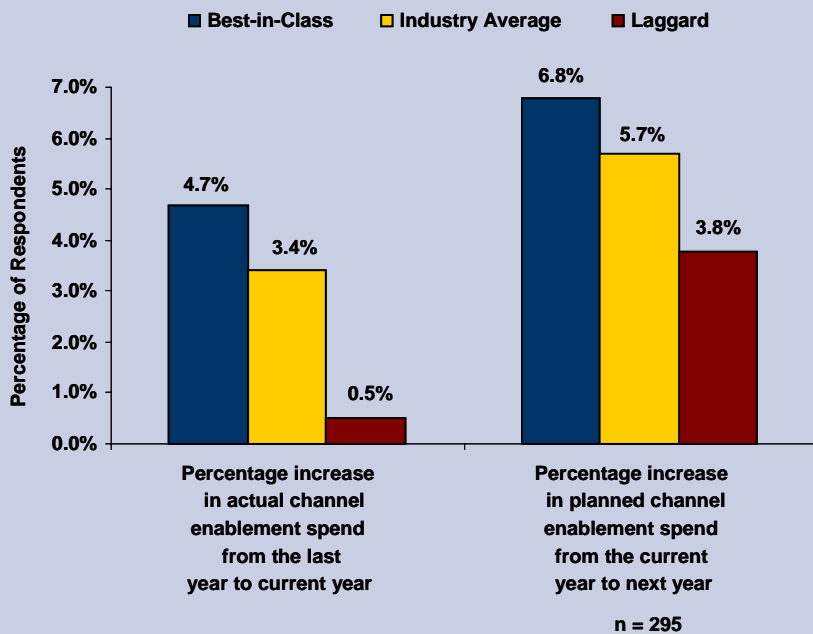
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- **Create a “push” environment for your channel sellers** by more actively providing them with immediate product or other informational updates with each log-in to the PRM system or partner portal. While the Best-in-Class out-adopt other companies around this knowledge management capability, only about half of the top performers are currently doing so. With so many delivery systems available for producers to push valuable data to their channel – smart phones, iPads, retail kiosks, near-universal wireless access – the necessary infrastructure and energy required to enable indirect sellers is easier than ever to deploy.
- **Get the right price** for your product or solution with pricing optimization tools that are accessible to your partners. Only a third of the Best-in-Class currently “open the kimono” to their channel, allowing them to adjust selling prices to meet both the needs of the OEM and those of the particular customer, geography or unique selling situation. This is still twice the rate of other companies, though, indicating that as these solutions grow in availability and ability to easily customize for large volumes of selling partnerships, the smart money is on flexible pricing.

**Summary**

The channel sales model continues to garner a great deal of attention - and budget - as a vital function within the overall corporate sales ecosphere. As Figure 9 indicates, spending trends from the previous to current years, and anticipated budget movement in the near future, favor a growth in the function's budget among all maturity class averages. With extensive use of marketing, technology and human support for their partners, the Best-in-Class are successfully linking this financial commitment to tangible results, showcased by their stronger performance than other firms around advanced quota attainment, efficient lead conversion rates and growing average selling prices. Rather than let the complexity of channel sales management create barriers, they tackle them head-on with processes, best practices, technology products and services that yield top-drawer business results.

**Figure 9: Channel Sales Investments Continue with Robust Growth**



Source: Aberdeen Group, March 2011

## Appendix A: Research Methodology

Between January and February 2011, Aberdeen examined the use, the experiences, and the intentions of 295 enterprises using services and technologies that impact the results of their channel selling practices.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on channel selling strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: Director (23%), Manager (23%), CEO / President (19%), EVP / SVP / VP (15%), General Manager / Managing Director (5%) and other (15%).
- *Department / function:* The research sample included respondents from the following departments or functions: sales and business development (50%), marketing (21%), corporate management (9%), operations (7%) and other (13%).
- *Industry:* The research sample included respondents exclusively from software (26%), IT consulting and services (13%), telecommunications equipment/services (10%), industrial product/equipment manufacturing (9%), computer equipment, hardware or peripherals (7%), and other (35%).
- *Geography:* The majority of respondents (75%) were from the Americas. Remaining respondents were from the EMEA region (18%) and Asia-Pacific (7%).
- *Company size:* 21% of respondents were from large enterprises (annual revenues above US \$1 billion); 22% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 57% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* 30% of respondents were from large enterprises (headcount greater than 1,000 employees); 22% were from midsize enterprises (headcount between 100 and 999 employees); and 48% of respondents were from small businesses (headcount between 1 and 99 employees).

### Study Focus

Responding executives, primarily in sales management roles, completed an online survey that included questions designed to determine the following:

- √ The degree to which channel selling is deployed in their organization and the impact it has on achieving their business goals
- √ The structure, effectiveness and satisfaction with existing channel selling implementations
- √ Current and planned use of channel partners to achieve desired changes in revenue, quota and deal size
- √ The benefits, if any, that have been derived from channel selling initiatives

The study aimed to identify emerging best practices for channel selling usage, and to provide a framework by which readers could assess their own management capabilities.

**Table 5: The PACE Framework Key**

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p><b>Pressures</b> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p><b>Actions</b> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p><b>Capabilities</b> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p><b>Enablers</b> — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, March 2011

**Table 6: The Competitive Framework Key**

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p><b>Best-in-Class (20%)</b> — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p><b>Industry Average (50%)</b> — Practices that represent the average or norm, and result in average industry performance.</p> <p><b>Laggards (30%)</b> — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p><b>Process</b> — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p><b>Organization</b> — How is your company currently organized to manage and optimize this particular process?</p> <p><b>Knowledge</b> — What visibility do you have into key data and intelligence required to manage this process?</p> <p><b>Technology</b> — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p><b>Performance</b> — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, March 2011

**Table 7: The Relationship Between PACE and the Competitive Framework**

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, March 2011

## Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [Streamlining the Top of the Funnel: How Inside Sales Teams Source, Qualify and Close Business](#) (February 2011)
- [Sales Mobility: Quotas Untethered](#) (November 2010)
- [Email Marketing: Customer Take it Personally](#) (December 2010)
- [Sales Training: Deploying Knowledge, Process and Technology to Consistently Hit Quota](#); September 2010
- [Sales and Marketing Alignment: Collaboration + Cooperation = Peak Performance](#) (September 2010),
- [Sales Performance Management: Getting Everyone on the Same Page](#); August, 2010
- [Sales Forecasting: Analytics to the Rescue!](#); June 2010
- [Optimizing Lead-To-Win: Shrinking the Sales Cycle and Focusing Closers on Sealing More Deals](#); May 2010
- [Providing a 360° View of the Customer: Better Service - Higher Sales](#); March 2010
- [Sales Intelligence: Preparing for Smarter Selling](#); February 2010

Information on these and any other Aberdeen publications can be found at [www.aberdeen.com](http://www.aberdeen.com).

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