

Expanding Internationally - What Makes a Good International Channel Partner

It's easy to look for channel partners overseas and there are many countries where they will all be clamoring over you but how do you know which ones are any good? They will all tell you who they know and how they are connected to very senior dignitaries of high ranking, high profile people – I have even had guys show me photographs of them standing side by side some high flyer and claiming to be his old school pal. Don't get fooled so easily, these are the front men many of the less than professional companies send out to get us foreigners on the hook. Another ploy I encountered one time was getting a phone call in my hotel room about 3 hours before my departure flight from a guy who told me he had an imminent order to place for similar goods and needed to see me immediately. It turned out he was the cousin of a guy I had been talking to a few days earlier from another company and he was trying to steer me to his company away from his cousin – it didn't take me long to realize I was being toyed with and I dropped both of their companies from my list but things like this do happen.

So how do you avoid being fooled by the sharks? Well to start with make sure you conduct lots of good market research or have professionals do this for you. Contact your local trade mission in the country you are interested in and get their advice and recommendations, use valuable networking contacts from people that have years of experience in these markets, attend trade shows specific to your industry in their country to see which companies are prominent and professional.

To get really good partners you have to think like they do, put yourself in their shoes. If you are thousands of miles away and 6 to 18 hours time difference what would you be looking for from your principle. What motivation would you need to choose your supplier over that of the competitors? Having worked for a very successful overseas high tech distribution company I can tell you – in short they are looking at products or services that they can introduce to their market as if they were launching their own market leading brand. The detail behind this and what I have encountered personally will hopefully provide you with a better understanding of what makes a good International channel partner can be categorized as follows:

Channel Partner Expectations

- A good channel partner will want his supplier to be a leader in their respected home and/or international market place. The company I worked with would not even touch any supplier that was ranked below number 3 in terms of their home market share.
- The product or service has to be competitive when put out to the local market. This also filters back down to the transfer price or distributor discount they will expect. The margin a channel partner will expect to make depends on the volume and value of sales, i.e. if they are selling many thousands of pc's then a very low margin, often less than 10% but if it is lower volume higher priced goods then it will be much higher. At my company we were selling the latter and we always looked to make a gross margin of between 33% and 40% after landed and cleared costs.
- Quality has to be in line with market expectations – if you are supplying to a Japanese company who is going to OEM your product they will probably want to send their QA people over to your manufacturing plant to conduct their own audit and recommend changes.
- Local warranty obligations must be met – some countries demand 2 years and so if you only give 30 days in the USA you will need to factor this. Some suppliers agree to ship an excess of products to cover this e.g. ship 102 for every 100 ordered.
- They will expect to receive excellent back-up and support services and be treated as if they are an extension of your 'family', which in a sense they are as they are representing your interest in their country. This applies across the board to all aspects of contact with them from sales management, tech support through to warranty back-up and service support and sometimes even access to your in-house maintenance and fault logging and tracking systems.
- They will expect first class references of other users of your products/services and to be able to put these forward to their client base. Occasionally this might even mean one of their clients requesting a visit to one of your customers somewhere in the world.

- They will expect to ride on your marketing campaigns and have access to your marketing materials and literature copy. They should be taking full advantage of this in their local advertising, promos and trade shows.
- Today many channel partners expect their international suppliers to have a well documented 'Partner Plan or Program' which clearly sets out the expectations and obligations of both parties.
- They expect to be successful and will not be interested if it is uphill work to get there.
- They don't want obvious channel conflict. If you are appointing multiple channel partners in one country then try and differentiate between them e.g. one selling to government only another to automotive industry only or by geographical coverage.
- They want access to your senior management, this may be for escalation purposes but very often in Asia it is a cultural issue and they will not get sign off until peer level executives have met, looked in to each other's eyes and feel comfortable.
- Day to day channel management will be anticipated to be done by one of your mature professionals and not passed on to an office junior the moment the contracts are signed.
- They expect to succeed! They are not doing this for you, they are doing it for themselves and to make money out of your resources.
- They do NOT expect to be usurped. No channel partner will commit to a venture if they were to even think that if they made it a success that you would then enter the local market directly and cut them out.

Channel Partner Profile

- They should have a good track record of successfully introducing other 'like' products or services into their local market. Hopefully you will not be their first overseas supplier and they will have done this before and know how to trade with other international companies.
- They will be major players in your industry sector in their country.
- They should NOT be representing any of your competitors, feel free to ask them this direct. The last thing you need is to sign a lengthy contract only to find out they are gate-keeping your product out of the market.
- They should be an established and solid company – get your financial guys to check them out and run appropriate financial checks. Of course this should be a prime function of appointing any third party channel partner.
- They should be respected by the end user client base – do some research by getting in touch with customers direct and asking their opinion of the 'XYZ company', would they be happy to buy from them if you appoint them?
- They should have a good public profile and be recognized as an ethical company.
- They must have great networking and contacts with the right level of people.

Channel Partner Commitment

- They must be prepared to commit resources – where I worked the management put in a new team of 6 recruits to focus on the new product we signed up for.
- They must be financially committed – this doesn't mean giving you a good initial stocking order (although this is nice) but committing through their management hierarchy to support this whole venture. It means funding training, which could be overseas, possible product localization and translation of manuals and literature, marketing, product launches, road shows, trade shows, advertising, sales initiatives and campaigns etc.
- They must commit to an after sales support function for servicing clients and providing warranty obligations. Ideally they should integrate your products into their existing service management structure.
- They should be results driven and want a quick return on their investment, the keener they are the sooner you will see results.

I have worked on both sides of the fence and been responsible for global expansion by appointing channel partners throughout Southern Africa, Western Europe, the Middle East and the Far East. I have always taken on the task with a [project based approach](#) (see article) and because I understood their motives and drivers and what makes them tick was a tremendous asset to me. The most successful channels have all been dedicated and committed to long term success and not just in it for

a quick buck. I'm not saying you will find exactly the right match as we all need to compromise at times but if you set out your stall up front then you will be much closer to selecting the best available partner(s). Good Luck!

If after reading this you find it might be too much of a daunting task don't panic – there's lots of companies looking to expand internationally and there's lots of help out there for them, this is exactly why I created www.expandinternationally.com Feel free to drop me a line!

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