How To Create A Reseller Agreement

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While reseller agreements can be effective in driving growth, they can easily go off the rails. Success requires quite a bit of strategy and planning.

Take a look at Spireon, which is a top developer of connected vehicle intelligence solutions. The company has gotten lots of traction by striking reseller agreements with car dealers across the nation to sell its product, Kahu.

Source: Kahu

Apps for Kahu

"When selecting a potential partner," said Kevin Weiss, who is the CEO of Spireon, "it is important to recognize that both companies must complement each other in a way that not only creates revenue opportunities, but also presents other compelling reasons to do business together. This has been the case with our dealer strategy. Even before a resale, our Kahu product enhances the dealer's ability to manage their inventory and improves both operational and sales efficiency. We then create additional revenue opportunities from the resale of Kahu to the consumer for Stolen Vehicle Recovery and other connected car services. After the sale, Kahu helps to keep the dealers connected to their customers by providing visibility into the actual mileage and health of their cars. By offering a full lifecycle of value to our reseller partner, our product fundamentally changes the way they do business and drives them to adopt our product as an integral part of their own business strategy and tactics."

But of course, another key element for a successful reseller agreement is having the right economics. Granted, there are not necessarily hard-and-fast rules. But for the most part, it is important to come up with enough protected margin for a partner to be profitable. If not, then expect lackluster sales.

"It is therefore incumbent on the supplier to provide their resellers a strong 'return on relationship' value proposition," said Ralph Nimergood, who is the Vice President of Worldwide Channel and Alliances at Commvault. "In other words, there are many, many factors that go into developing and maintaining a healthy Partner eco-system including branding, partner

support, marketing, enablement etc. That said, there does need to be an economic element to the relationship that ideally allows for fair margin to be achieved by the reseller at the transaction level. Additionally, the supplier needs a program structure that provides an investment mix beyond transactional level margin. This may include co-marketing funds for the Partner to co-invest in marketing demand activities and other financial instruments that allows the Partner to reinvest into their 'supplier practice' in areas such as solution development and human capital. The economics ideally motivates both the principles – that is, the owners -- of the resell business and incents the sellers within the reseller's firm."

Over time, the economics will likely change, as well as some of the other terms. Getting things right the first time can be challenging. But for the process to be smooth, you need to identify partners that essentially fold into your sales organization.

"Good reseller partners all have three common attributes: capacity, ability, and desire," said Marc Odenweller, who is the VP of Global Channels and Alliances at ThoughtSpot. "Resellers must have the capacity to actually deliver your solution to customers, the ability to implement your technology successfully, and most importantly, the desire to sell your specific product, service, or offering."

Actually, the last point often gets little attention. Yet it is really the most important factor.

"I'm looking for partners who can make commitments," said Marc. "I'm not looking for an agnostic partner who sells lots of similar types of tools. We want companies that have clout and a seat at the table with certain sets of customers."

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