Ziftsolutions



Unlocking the Potential of Market Development Funds

A Strategic Blueprint for Suppliers



$25B
in MDF goes unused every year.

Introduction

Oh, MDF. There are few channel terms that frustrate partners as much as Market Development Funds (MDF). There are unicorns that love it, take advantage of it, and never seem to have problems with it, but the majority of channel partners just leave MDF on the table. According to the Channel Marketer Report, $25B in MDF goes unused every year. There has to be a better way!

When MDF programs work, they can catalyze marketing initiatives, foster innovation, and drive sales. But, despite their potential, they often remain an underexplored avenue, and with good reason. As a supplier or vendor, you hold the proverbial keys to the MDF kingdom, so by and large you're responsible for its rise or fall. The challenge, however, lies in ensuring that your partners are not just aware of this promised land but are also equipped and encouraged to harness its full potential.

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Decoding the Underutilization of MDF

Before diving into solutions, we have to confront the elephant in the room: Why do partners leave MDF on the table? There are a slew of reasons.

Complexity of Processes

For many partners, navigating the MDF application process can feel like wading through a quagmire. The extensive paperwork, specific guidelines, and stringent proof of performance (POP) requirements can make the entire process seem not worth the time it takes to realize any ROI. While suppliers put these processes in place to ensure accountability, they often come across as overwhelming barriers. Instead of viewing MDF as an opportunity for growth, partners may perceive it as a task with too many hoops to jump through, making them hesitant to engage.

Lack of Clarity

Understanding the intricate details of MDF programs can be a real challenge for partners. The ambiguity surrounding how to use the funds, which activities qualify, and the expected outcomes can create a great deal of uncertainty, leading to high levels of frustration. Without a clear roadmap, partners might feel like they're wandering into unknown territory. This lack of clarity can result in missed opportunities, as partners might forego the benefits of the program rather than risk missteps.

Resource Constraints

Not all partners have the luxury of a dedicated marketing team or experts familiar with crafting proposals tailored to vendors' criteria. Especially for smaller partners, there's a palpable resource crunch. Without the necessary personnel or expertise, the MDF program is simply a bridge too far. This perception of inaccessibility can deter partners from even attempting to go after the funds, fearing they might not meet the expectations.

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Communication Gaps

When it comes to MDF, vendors are constantly talking about how much they want partners to use it. On the other hand, partners complain about how unaware they are of the program, their fund allocation, or what suppliers want from them to participate. Effective communication is the backbone of any successful partnership. When vendors fail to clearly convey the availability, terms, and strategic value of MDF, it causes a big disconnect. Partners might remain unaware of the potential benefits or might perceive the program as not aligned with their goals. This communication chasm can lead to reduced participation and missed opportunities for both the vendor and its partners.

Mismatched Objectives

At times, the goals of the MDF program, as set by the vendors, might not align with the priorities of the partners. If partners feel that the MDF initiatives don't resonate with their business strategies or customer base, they might be reluctant to participate. A disconnect in objectives can lead to skepticism about the program's potential value and its relevance to the partner's growth trajectory.

Fear of Rejection

The apprehension of their proposal being declined can hold partners back. If they perceive the approval rate to be low, or especially if they have faced rejections in the past, they might be hesitant to invest time and resources into crafting proposals. This fear of rejection can be super demotivating, preventing partners from tapping into available resources.

Time Constraints

Most partners already don't have enough time in the day. The time required to research, draft, and submit MDF proposals, coupled with waiting for approvals, can be substantial. For small partners juggling multiple responsibilities (i.e. most partners), dedicating time to MDF initiatives might seem unfeasible. The perceived time investment, especially with no guaranteed returns, might make partners prioritize other activities over MDF engagement.

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Why Vendors Make It Hard

Now, why would vendors make accessing these funds so challenging? It's not a question of intention but often one of implementation:

Complex Bureaucracy

Many vendors, especially larger ones or ones with legacy programs that have gotten more complex over time, have multi-layered internal processes. These bureaucratic processes often translate into intricate MDF application and claim procedures for partners. The red tape can make it challenging for partners to understand the required steps, often leading to errors, delays, and discouragement. Vendors might view these procedures as necessary checks, but they can really deter partners from actively participating in the program.

Limited Technological Integration

It's ironic how many suppliers in the tech industry haven't yet embraced modern technology to manage their programs and their partners. Too many vendors rely instead on outdated, manual processes for MDF management. This lack of digital integration slows down the application, approval, and reimbursement stages. Partners might find themselves waiting for extended periods or grappling with cumbersome paperwork. In the age of digital transformation, an MDF program that isn't technologically streamlined can be a significant deterrent for partners.

Lack of Transparency

Suppliers might not always be clear about the criteria used to approve or deny MDF requests. Partners don't want to have to read a roadmap to understand an MDF program. This lack of transparency can leave partners in the dark, unsure of how to optimize their proposals for success. Without clear feedback or open channels of communication, partners may feel that their efforts are in vain. Ensuring clarity and openness in the decision-making process is crucial to building trust and encouraging active partner participation.

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Overemphasis on Immediate ROI

It's understandable, or at least explicable, why some vendors prioritize short-term returns. The problem with MDF programs is that it makes it hard for partners to invest in longer-term, potentially more productive initiatives. By focusing solely on immediate ROI, vendors might inadvertently stifle innovative campaigns that need a little more time to yield results. Partners could be deterred from exploring new marketing avenues if they feel their efforts will not be recognized or supported by the vendor.

Rigidity in Program Evolution

MDF programs need to evolve with changing market dynamics and partner needs. But, some vendors resist updating their programs, sticking to traditional structures and practices. This rigidity can prevent partners from accessing funds for new, relevant marketing initiatives. If an MDF program was originally built to fund "smile and dial" cold call campaigns, partners that want that money for an intent-based marketing program are out of luck, because the program is just too antiquated to support modern tactics. Adapting to the changing landscape ensures that MDF programs remain effective and aligned with current market demands.

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Risk Aversion

Vendors are inherently wary of potential misappropriation or misuse of allocated MDF funds. After all, if you're doling out cash, you want to know it's in good hands. This cautious approach, while intended to ensure the proper use of funds, often results in the establishment of strict controls and guidelines. Such measures, while aiming to safeguard your interests, can inadvertently create significant barriers for partners. The intricate processes can deter them from making the most out of the MDF opportunities, as they navigate through the stringent rules.

One-Size-Fits-All Approach

Partners come in all shapes, sizes, and flavors. Rather than tailoring their MDF programs to cater to the unique needs and capabilities of each partner, vendors sometimes deploy a standardized set of guidelines. This universal approach, while easier to manage from the vendor's perspective, often overlooks the diverse requirements of different partners. As a result, some partners might find the MDF program misaligned with their specific needs, leading to missed opportunities and potential friction between the vendor and its partners.

Inadequate Enablement

Assuming that partners are already familiar with the intricacies of the MDF program is a common mistake vendors and suppliers make all too often. Assumptions like this can lead to a real lack of investment in educating and enabling partners. Without proper guidance, partners stay in the dark about the full potential of the program or misunderstand how it works. This lack of understanding can result in missed opportunities, underutilization of funds, or even errors in the application process. Proper education and communication are crucial for ensuring partners can navigate and benefit from the MDF program effectively.

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Today's MDF Program Essentials

So, what does a good MDF program look like today? It has to be structured with the intent to empower, not encumber, your partners. Here's what goes into crafting such a program:

Clear and Understandable Terms

In any partnership, clarity is paramount. Partners should have a concise understanding of what's expected from them and what they can expect in return. Simplified terms foster trust, and a streamlined application process ensures that partners aren't bogged down with bureaucracy. Automation plays a pivotal role in this, making processes smoother and reducing the chance of errors.

Tailored Support

Every partner is unique, bringing their own strengths and challenges to the table. Recognizing this diversity and tailoring support accordingly is more than just best practice — it's essential. For smaller, emerging partners, comprehensive marketing campaign packages can offer a guiding hand. Meanwhile, larger partners might benefit from specialized services that complement their existing capabilities.

Realistic Proof of Performance (POP) Requirements

Accountability is crucial, but it shouldn't come at the cost of overburdening partners. Instead of exhaustive reports, focus on essential metrics that genuinely reflect campaign success. This approach offers a win-win: partners don't feel overwhelmed, and vendors receive meaningful insights. And don't forget that most marketing programs take time to pay off. Making your partners wait too long for reimbursement after submitting POP is a surefire way to make sure they never use your MDF again.

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Dedicated Resource Allocation

Effective collaboration hinges on continuous support. By allocating dedicated resources like expert consultants or digital platforms, vendors can offer partners the tools and knowledge they need. These resources can be invaluable in helping partners strategize, plan, and execute successful campaigns.

Active Engagement and Open Communication

Engagement is the lifeblood of any partnership. Regular touchpoints, whether through workshops, webinars, or direct communication channels, ensure that both parties stay aligned. It's a chance to share insights, address concerns, and celebrate successes, fostering a collaborative spirit.

Performance-Based Incentives

Incorporating performance tiers into your MDF program adds a competitive edge and encourages productive competition among partners. By structuring the program like this, you incentivize partners to maximize the effectiveness of their marketing strategies. As they achieve higher tiers based on campaign success, they unlock access to additional funds and exclusive benefits. This not only drives them to produce higher-quality campaigns but also aligns their efforts more closely with your overall objectives. What's more, this tiered approach fosters a sense of achievement and recognition, further solidifying partner-vendor relationships.

Transparent Communication Channels

Make sure that there's a clear line of communication between you and your partners. Regularly update them about any changes in the MDF program, new offerings, and success stories. Put feedback mechanisms in place, letting partners voice their concerns, give their suggestions, or share their achievements, creating a community of continuous learning and growth.

Training and Educational Resources

Equip partners with the knowledge they really need. Give them training sessions, webinars, and resources that educate them on the best practices of utilizing MDF funds. Highlight successful case studies, introduce them to emerging marketing trends, and provide tools that enhance their marketing prowess.

Engagement is the lifeblood of any partnership.

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Tomorrow's Program Best Practices

Don't get us wrong. It's important to walk before you run, so if you're just putting a program together, make sure you have the above elements in place as a solid foundation. When you're ready to take your MDF program to the next level and really be forward-thinking, consider these tactics:

User-Friendly Marketing Proposal Submissions

The most effective MDF programs streamline the proposal submission process. Leverage a digital portal where partners can easily input their marketing plans. The back-end processes are automated, ensuring quick feedback. Clear guidelines highlight what is expected in the proposal, reducing the chances of the back-and-forth that's so frustrating and unproductive on both sides. The success of a campaign is validated through concise reports and sales data, making it easy for partners to prove their efforts' effectiveness.

Dynamic Compensation Formulas

Move beyond the traditional flat rates that may not reflect the true value a partner brings. Implement dynamic compensation formulas that factor in not just the sales volume but also the strategic importance of the marketing initiatives they put in place. You could include offering increased MDF percentages for partners who target high-priority market segments or give bonus incentives for campaigns that incorporate specific products that are being pushed for a particular quarter. Strategies like these reward partners who align their efforts with your broader strategic goals, fostering a deeper collaboration and driving mutual success.

Comprehensive Market Development Portals

Centralization is the key. Offer a one-stop platform where partners can access an array of marketing materials tailored to various campaigns. Capabilities like claim submissions, fund tracking, and campaign performance analytics make the portal an indispensable tool for partners. Integrations with CRM and sales systems can provide real-time data, refining campaign strategies even more.

Joint Planning Resources

Foster a collaborative approach to marketing. Provide resources that let partners co-plan their campaigns with your marketing maestros. This joint effort ensures that the campaigns are in line with your brand image and strategic goals. The combined expertise also paves the way for innovative campaigns that resonate with end users.

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To unlock the full potential of your MDF programs, make sure you look at things from the partner's point of view.

Ready-to-Go Packages

Solve the challenge faced by partners with limited marketing prowess or upfront capital. Introduce pre-approved, turnkey MDF solutions that partners can swiftly execute. These ready-to-launch packages, ranging from digital promotions to event sponsorships, come with the assurance that they adhere to the vendor's standards, easing the adoption process for partners. There are more and more consultants and agencies these days that offer really effective programs and campaigns that partners can pay for with MDF, for instance. To be really cutting-edge, create a marketplace where you can list trusted agencies for partner MDF spend. Make it as easy on them as you can.

Performance-Based Incentives

Motivate partners to outperform. Introduce additional incentives for those who achieve exceptional results from their MDF campaigns. These can be in the form of bonus funds, recognition at your events, or even exclusive access to advanced marketing resources.

Bringing It All Together

To unlock the full potential of your MDF programs, make sure you look at things from the partner's point of view, not just your own bottom line. By doing so, you not only fuel your partners' growth but also catalyze a ripple effect of success that propels your products to new heights in the marketplace.

As you put these strategies into place, remember that the true measure of an MDF program's success is not just in its uptake but in the enduring growth it creates for both you and your partners. Shift the perspective from MDF as a line item on a balance sheet to a strategic investment in your partners, their customers, and the market.

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About

Zift Solutions

Founded in 2006, Zift Solutions is the only Partner Relationship Management (PRM) and Through-Channel Marketing Automation (TCMA) tool built as one to work as one. The company's ZiftONE platform manages the flow from onboarding to enablement, lead generation to marketing, all the way through sales. Backed by the most experienced team in the industry, Zift was named the only leader in both Channel Marketing Automation and Partner Relationship Management by Forrester Research and a market leader in Partner Management Software and Through-Channel Marketing Software by G2. For more information, visit www.ziftsolutions.com.

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