

MDF, CO-OP AND MORE

The State of Channel Partner Marketing Funds



Every year, technology vendors allocate billions of dollars to help their channel partners promote their businesses and offerings.

Every year, nearly **half** of these funds go unspent.

At a time when channel effectiveness is tilting heavily, reaching a 95/5 ratio in some industries (5% of partners are generating 95% of sales) and resellers are carrying fewer products than ever before (down to 12 from 16 last year), the question jumps out: why are partners not using these funds?

There are several reasons, including a shift in where funds are allocated. **But first: what are these funds and how are partners using them?**



WHAT ARE PARTNER MARKETING FUNDS?

The majority of technology sales does not happen direct to the customer, it goes through “the channel”. Often that channel is a partner, a reseller, VAR or ISV whose business is built on providing services around a vendor’s technology. For example, a security VAR would provide implementation services, first level support, customizations and other types of value-adds that make it easier for the customer to use the product.

When the partner sells vendor product, a percentage of that revenue is made available to the partner as co-op funds to be used in marketing activities.



WHAT'S THE DIFFERENCE BETWEEN CO-OP AND MDF?

The basic difference is that co-op funds are accrued and MDF funds are made available on a program or project basis. However, many still use the terms interchangeably. CRN Magazine uses the following definition in its annual outline of partner marketing programs:

- Co-op funds: Earned and/or accrued based on a % of partner sales
- MDF: Planned and/or proposal based on a specific plan or campaign



WHY ARE PARTNER MARKETING FUNDS GOING UNSPENT?

So why is so much of this valuable marketing support funding going unspent? There are three primary reasons that resellers give:

1. COMPLEXITY OF PROGRAMS AND REQUIREMENTS

Co-op and MDF programs have a reputation for complex requirements and approval processes on everything from logo size and placement to tactics. And it's true most programs govern how funds are spent carefully. Programs are all different as well, and managing eight different co-op programs means staying on top of changes.

2. INCREASING FOCUS ON DIGITAL MARKETING

OEMs are increasingly moving away from events and toward digital marketing programs. However, these skills tend to be rare in most channel partners. Marketing is rarely a strategic function in resellers and is often handled by inexperienced staff, although this is starting to shift as tactics like inbound and content marketing start to gain importance in traditionally sales-driven environments.

3. GENERAL LACK OF AWARENESS THAT THE FUNDS EXIST

In a recent survey, over half of partners were unaware that they had access to co-op and MDF funds¹. These funds when deployed effectively can generate a huge boost for channel partners, so it's a mystery why partners aren't better educated on their existence.



OTHER FACTORS AFFECTING CHANNEL MARKETING

- 1. ABM and the channel:** what are the implications of the rise of ABM? Is ABM as effective for the channel as it is for the enterprise? Early research indicates that it is.
- 2. All trends at once:** The channel is dead. The channel is the future. The channel is consolidating. The channel is fragmenting. Vendors are consolidating... you get the picture. We know it's getting harder and harder for vendors to find channel partners, so the leverage might be shifting in the reseller direction in the near term, good for negotiating agreements!
- 3. The role of digital:** Digital continues to grow, continues to disintermediate, continues to create new ways of marketing. With digital transformation, the changes are bigger and faster and more continuous than ever before. Still, knowing your audience is the most critical part of developing a strong customer base.
- 4. Martech:** Even the area of partner management software is an incredibly complex marketplace. There are over 6000 marketing automation vendors in the latest landscape from Scott Brinker. There's no question martech can make channel partners more efficient. This may lead the channel digital revolution more than anything else.

Are you a reseller looking to make better use of your MDF and co-op funds?



Complete this Reseller
Engine needs assessment

...and we'll be in touch!

1. https://www.google.ca/amp/s/blog.channelassist.com/how-to-drive-revenue-in-this-3-ring-circus-called-channel-sales%3fhs_amp=true