



# THE FUTURE OF MDF

**IT'S TIME TO CHANGE.**



# DISCOVER THE BENEFITS OF A HOLISTIC APPROACH

It has long been a channel staple that vendors use a variety of activities and incentives to get the best from the partners they work with. Whether indirectly improving sales performance, nurturing loyalty or encouraging a particular behaviour or subject focus, these initiatives set out to improve the vendor/partner relationship and reward positive results. Or at least they are meant to!

Typical offerings include standard and fluctuating margins, volume rebates on unit sales, bonuses for attracting and/or retaining customers, and performance- or activity-based funds. These methods are well established and have been used for many, many years. Done well, they can make a significant and lasting difference to the businesses that take advantage of them and play a vital part in optimising partner experience (PX). Brands that introduce the optimal blend of incentives, in terms of type, volume and budget, usually make big revenue gains while improving both their profit margins and their partner relationships<sup>1</sup>.

However, there is a problem in today's channel. In truth, it's been around a while – but has remained something of an elephant in the room. That's a shame, because it's preventing hardworking channel partners from experiencing all the benefits and rewards that they rightfully deserve.

These various 'incentive' and 'reward' programmes mean well but have become disorganised. Somewhere along the line, vendor organisations have got caught up in the idea of offering rewards that feel good to them and that they assume the partners want, rather than listening to and catering for the needs of the partners they're designed for. As such, many businesses are continuing to overwhelm the channel with a plethora of ad-hoc activities that promise many things, but don't always truly address the needs of the people taking part in them.

As a result, these various programmes, incentives, offers and activities too often get ignored. This apathy is visible in industry statistics. Despite channel incentive programs growing in scope, complexity and scale, 22% of global marketers still feel that managing their channel partners is one of their greatest challenges<sup>2</sup>. There is a clear disconnect between vendor organisation partner strategies, and the needs of partners themselves. What works for one partner won't necessarily work for the next, and so blanket, one-size-fits-all approaches are becoming increasingly outdated and irrelevant. Forward-thinking organisations must start by reconsidering their options and approach, understanding as a priority, the needs and wants of the partners, and the objectives specific to their business.

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*"Vendors need to think about the resource impact of the [MDF] programme on the sales and marketing people within a vendor, partner or distributor, so keep the design simple, easy to understand and easy to use so your partners keep coming back and making use of the funding and programmes available."*

**Andy Grant**

Director International Channel Marketing, Mitel

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# MDF – THE COLD REALITY

The traditional partner incentive mechanism – and still one of the most prevalent – is to reward partner efforts with an allocation of ‘marketing development funds’ (MDF), also referred to as Co-Marketing Funds (CMF) or Joint Marketing Funds (JMF). These funds are typically allocated/budgeted by vendors to help their partners carry out marketing activities and create materials that should ‘help’ the partners take the vendor proposition to market. The theory behind this is a decent one, and on the surface, should work. However, this is almost always geared towards the vendor and the needs/wants of the vendor, which creates this illusion (for them!) that they are doing loads to support their partners. Digging deeper, we know that the reality rarely lives up to anything close to the theory.

As a vendor, you’re probably using MDF right now with your partners. If so, the question you need to ask yourself is: ‘Is your MDF programme really helping your partners achieve more, and more of what they want for their business – or is it actually hindering them?’ This may sound like a strange proposition – so let’s interrogate it some more.

The fact is, despite significant and long-term investment from vendors across the channel, most partners do not use the MDF they are entitled to. Indeed, global channel survey data reveals that as much as 60% of available MDF remains untouched every quarter<sup>3</sup> and much of the reason for this seems to be due to a lack of confidence in, resources for, or knowledge of marketing.

**We know that MDF usually gets put into one (or possibly two) of the following three buckets:**

- Applied for and used successfully
- Applied for and wasted
- Unapplied for – and left on the table

The sad and somewhat frustrating reality is, that by just applying basic mathematics to two conversations we have had in the past 12 months, we estimate that over £1 billion of revenue is being missed because of unapplied for (and wasted) MDF. This is an astonishing situation.



*Enabling partners of all types to leverage vendor content, messaging, branding, and demand generation initiatives in their local markets is critical to driving a winning experience. Those brands that can balance their direct and indirect execution while ensuring consistent expectations through distributed and localised marketing will have outsized success in the market. The first step for a brand is to understand the growing number of partners and influencers, what they are specialised in, their sales and marketing acumen, and how they go to market. There will be experts, do-it-yourself, do-it-for-me, and laggards (do-it-on-behalf-of) that each need to be enabled in different ways.*

## **Jay McBain**

Principal Analyst – Channels, Partnerships & Alliances  
Forrester Research, Inc.

# JUST GIVE PARTNERS WHAT THEY WANT

In our own activities across vendors and all types of partners over the last 15 years, through the many partner surveys we have conducted locally, regionally and globally, and through the development of numerous partner programmes, three things always stand out as the key priorities for partners, across both IT and telecoms markets:

- Sales Leads and Sales Support
- Ease of doing business (with Vendor)
- Education and Enablement

In short, the key to understanding partner desire is to firstly accept, appreciate and understand that partners want to sell stuff, they want support selling stuff and they want it to be as easy and as straight forward as possible to deal with you – when selling your stuff! Everything else should support these key elements or otherwise it just confuses matters. And partner confusion is not something a vendor wants. Confusion leads to frustration and that leads to inactivity... or worse, preference for a competitor.

So, routing this all back to MDF, what does this mean? Well, let's break it down: on the one hand partners are consistently telling vendors, year on year that they want more sales, lead gen and support to sell more stuff, and yet one of the biggest mechanisms in place to offer this support does nothing (or very little) to speak to sales... because it speaks only of marketing... and it's fairly well established that sales and marketing are not always the best of friends. As disciplines, there is an uneasiness between them in most organisations. And partner organisations are no different.

Sounds reasonable, right? The trouble is, it's not happening that way. Instead of focusing on supporting partner sales, many vendors are continuing down the same old path of MDF – offering marketing funds as a reward for sales efforts. And as we already know, salespeople don't always warm to the prospect of doing marketing!

So, if we agree that partners prefer to sell – rather than create marketing campaigns – it follows that MDF simply won't give them the support they want because at the very least it is met with a natural, mental barrier. Which might largely account for the fact that they're not applying for it or using it successfully and therefore millions of pounds are going unused and/or wasted every quarter.

**So, we've thought about this a lot, and actually, we believe the issue is clear.**

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*"Vendors need to make it simple, fair, and easy to manage. They need to share best-practice amongst channel partners and trade cookie-cutter economies of scale for a more holistic approach to partner enablement and enrichment. Vendors need to trust partners – because funnily enough partners realise that hot air is a waste of time."*

**Polly Lambert**

Lifelong Channel Veteran/Guru. Advocacy Consultant.

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# THE PROBLEM WITH MDF... IS THAT IT'S CALLED MDF!

Which, when you think about it is quite ridiculous. To tackle and respond to the key, sales-orientated priorities of partners, we have for many years, been leading with a message of marketing. We are not speaking the same language – and that needs to change. Or at the very least – and to offer some benefit of the doubt – we have been providing partners with support for the ‘what’ (do more marketing) rather than the ‘how’ (if you do more marketing, it will impact your sales leads in this way, and this is how you could do that...).

‘But wait!’ we hear some of you cry. ‘We’ve been running MDF initiatives (and calling it MDF!) with our partners for years! No one’s ever complained about it or asked us to change things – and everyone knows what it is.’

Well, that may be true. But that doesn’t mean MDF is working. Let’s consider the evidence. Recent EDGE research commissioned by IDG and delivered together with Tech Research Asia revealed a glaring – and widening – gap between the amount of MDF allocated and the amount actually spent<sup>4</sup> as part of vendor, distributor and partner strategies. In fact, of those partners studied, marketing made up only 6% of their activities, highlighting the misunderstanding in perception between what management teams believe is right and what partners on the ground are actually doing.

And then once you have pumped your silver marketing bullet through a reluctant sales-focused partner, how then is everything tracked? Were appropriate KPIs agreed upfront... and were you talking MQLs or SQLs – and were each of these terms standardised between you? Do you even know what you were tracking, and did you agree what success looked like? Did you consider the sales cycle that was being potentially fed by all the new leads generated by this marketing activity? And what is the contingency for when another vendor comes along and woos your partner, with a better offer, deeper pockets, or a tempting trip to Barcelona?!

Simply put, MDF needs to change. So, what do we do about it?

We change the name. And with it, an entire approach to partner incentivisation. We change the name, we change the perception, we change the behaviour, we change the results!

# FAREWELL MDF... HELLO BDF!

Purechannels has the answer to partners' MDF inadequacies. By simply changing the name to BDF, 'Business Development Fund', we can widen the playing field for vendors to provide their partners with greater benefits that are more relevant to – and designed for – their businesses.

*Disclaimer: It doesn't have to be BDF, it could be LDF (Lead Development Funding) or SDF (Sales Development Funding). A new mindset is required, a different perception, a behavioural change, switching it out and creating a new environment of inclusion, that is much more relevant for today's partner needs.*

'BDF' will change partners' perception of what they're receiving support for – which in turn, will change the way they behave. No more 'marketing' funds, but instead, funds to help partners develop their business, and then wider support that will help them to generate leads and sell more. Understanding the priorities of partners and their business objectives will drive change through providing the right support that helps to produce new sales, rather than trying to push them to do something that naturally, historically and typically they are not super keen on!

Of course, this transformation will take a lot more than semantics. BDF must take the form of a comprehensive, end-to-end solution that works for everyone involved – internally as well as externally. This will be a culture change as much as it will be a perception and behavioural change. A complete Business Development Programme, potentially even outsourced and managed 'as a service', for partners that includes sales and marketing, working together seamlessly. This will also mean that the process will have to become more sophisticated and closely managed – sorry, you'll need to say goodbye to the spreadsheet. There are additional things to consider. BDF will require new, and potentially different levels of investment in time, finance, knowledge, resource. This is where an understanding of the benefits of outsourcing elements of this type of activity will also come in handy – dare we pose the acronym and future outsourced BDF hashtag #BADAAS (Business and Development as a Service).

Embracing a new 'BDF' approach will have a number of benefits for those organisations involved. Our conviction to recommend this shift is based on our many years of experience working on MDF programmes, providing partner marketing services and observing the results and feedback – from both the vendor and the partner. By changing the language and intention, we change the patterns of behaviour and this over time will help to drive culture change. This will also be accelerated when the change in results starts to occur. This in turn will transform performance and revenue growth.

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*"Partner sales teams have a choice of what vendors to promote to their clients, so vendors need to provide the best possible experience to stay front of mind. They need to be introduced to the brand, and consistently engaged in a memorable and inspiring way, such as via an out-of-the-ordinary lunch and learn, or an engaging video – or series of videos. They need to be trained how to sell not just the technology with ease, but how to take the proposition to market. They need to be given the right tools to sell, such as playbooks, apps and in-pocket prompts, and be rewarded for registering qualified deals. MDF rarely extends to wider sales education and enablement, yet without that crucial component you are never going to achieve real partner behaviour change."*

**Darren Spence**

MD, Boost Performance.

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# KEY BENEFITS OF A BDF APPROACH

- 1 A BDF approach will increase partner sales by supporting partners with what they want, helping with lead gen.
- 2 A BDF approach will remove fear and reduce the perceived risk associated with 'marketing' – because this is about business development (of which marketing is one part).
- 3 A BDF approach will encourage planning, tracking, measuring and reporting on activity and pre-defined KPIs, delivering genuine ROI...not compromised 'MQLs' guaranteed per £pend, or assuming a download is to be considered a good enough lead.
- 4 A BDF approach will improve partner experience (PX), by creating a more meaningful and fulfilling environment, demonstrating that vendors understand the key priorities of their partners, and helping them to drive sales.
- 5 A BDF approach will eliminate some competitors – those still stuck in the dark ages of MDF!
- 6 A BDF approach will increase applications, reduce wastage and deliver much better results from the funding available.
- 7 An outsourced approach will ensure everything is planned, executed and managed according to the agreed objectives, timeline and KPIs. By outsourcing this – or at least including some element of outsourced management, focus is retained on the project in hand – it is not lost to:
  - Other 'in-business' priorities.
  - Other sweet-talking vendors.
  - Sickness, holidays exclamation that 'something came up and we have had to shelve this until next month'.

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The theory of BDF is very positive. But it can only work if sales and marketing teams work side-by-side. The essence of BDF is understanding the needs and objectives of the partner, what impact the activity will have (on them and on the vendor) and what results will be generated and tracked back to prove ROI.

The absolute starting point, and benchmark, should be around expectations of what a BDF approach will deliver and the ROI it will produce, how it will be measured and what value can be attributed to it. In fact, just mentioning ROI – tracking and delivery – to partners is much more likely to get them excited, when they understand actual figures, than asking them to 'do some marketing'.



*Closed loop reporting is the final challenge. What was the proof of performance agreed? How can this be demonstrated by the Partner and verified by the vendor? Who checks that any ROI is in line with expectations? How long do you wait after an activity has concluded before you check for ROI? 1 month? 6 months? 12 months? Never?*

*And the elephant in the room is that we're just one of the vendors that the Partner is working with!"*

**Neil Walker**

EMEA Channel Marketing, PFU (EMEA) Limited - a Fujitsu company

# CONSIDERING ROI

Talking about ROI is something of a novelty when it comes to partner initiatives of this nature. So, before you define the parameters of ROI, there are many things to consider in developing your new BDF approach. Here are a few.

## HISTORY

What have you done before for partners in terms of MDF, sales support, lead gen? Will you need to 'start from scratch'? And if so, does that mean that any ROI is better than the 'no return' you've had to date? Will your partners embrace change easily – or will they need persuading?

## CAPABILITY

Do you know how much time, resource, expertise and priority your partners put into their marketing vs sales activity? What can you do to ensure they 'understand' this shift from MDF to BDF – and the associated benefits?

## DEAL SIZE

What is the average deal size you might expect from a partner in each product area?

## DATA

Where will relevant data come from? You, your partners, or a third party? How good will the data be, in quality, accuracy and volume? What do they do for existing/past customers vs prospects?

## MEASUREMENT

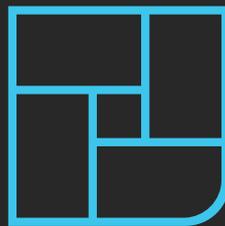
How will success be measured? What are your/their KPIs? How will you be jointly tracking results and calculating ROI?

## MATURITY/AUDIENCE

Who are you offering this new approach to, and can they manage it? How much do you need to support, or do you need to outsource to a dedicated agency?

## PLANNING AND OBJECTIVES

Who is writing the partner application/plan? Are they qualified to write it? Do they have the skill set to recognise what activity will deliver the greatest return?



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[www.purechannels.co.uk](http://www.purechannels.co.uk)

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- <sup>1</sup> <https://go.forrester.com/blogs/time-to-rethink-channel-incentives-and-program-management-cipm/>  
<sup>2</sup> <https://go.forrester.com/blogs/time-to-rethink-channel-incentives-and-program-management-cipm/>  
<sup>3</sup> <https://www.linkedin.com/pulse/why-channel-partners-do-use-market-development-funds-mdf-sanyal/>  
<sup>4</sup> <https://sg.channelasia.tech/article/664809/problem-mdf-channel/>