

WHITEPAPER

How to use
vendor market
development
funds (MDF)
to grow your
business





The problem with MDF when you're a channel partner

If you're running a successful IT services business, then you probably qualify for market development funds from your vendors. It's most likely come up in quarterly business reviews with various vendor channel account managers or regional channel directors where the pitch goes like this:

“In return for promoting our solutions, you can receive up to 50 per cent of your marketing campaign cost as a refund.”

Even though MDF is probably the cheapest money a business can find to fund their marketing, it's often left on the table by partners around the world.

The reasons this happens falls into one of these categories:

- 1 You don't need it.** You are growing organically through word-of-mouth networking and client referrals. This yields a steady stream of profitable work. You might not have a marketing function and new business enquiries mostly result in closed deals. You're busy enough as it is without leveraging MDF.
- 2 You don't know how to get it.** As much as vendors would love their partners to use all their available MDF, sometimes it's not very clear how, when or why you are eligible for funds. The time it will take to understand the application and compliance process is too onerous.
- 3 You don't want it.** You lead with your brand and your value proposition in the market. Your business is client-centric and your unique selling proposition lies in your service delivery model and intellectual capital, not the widgets you sell.
- 4 You don't know what to do with it.** Successfully getting MDF is one thing. Creating and executing an effective B2B marketing MDF program is another. You might not have the marketing experience or resources you need to pull together a winning lead acquisition program.

No matter which of these categories you might fall into one fact remains constant: Vendors want their partners to use MDF.

We want to show you to how to pitch for funding on your terms and some of the best ways to use MDF to drive your business growth.



The MDF landscape

Vendors know that the partners they recruit and support are the secret to their ultimate sales success.

Even vendors with direct sales teams recognise that scale and velocity are only achievable by engaging and activating channel partners. This is particularly true where enterprise-oriented vendors are adding mid-tier offerings to their solution line-up and need to extend their market reach.

Most vendors today select partners for MDF allocation who they believe meet certain criteria. This includes:

- year-on-year revenue growth (is this partner going somewhere?)
- business maturity (stability and predictability of performance)
- capability of the partner to partner well (technically and entrepreneurially)
- existing vendor alliances (complimentary versus conflicting)
- sector speciality
- customer satisfaction levels or other measures of customer success
- marketing competency
- structured sales process
- completion of required certification training and minimum headcounts in required roles.

Vendors know that mid-tier partners are where the action is and where they want to invest the bulk of their MDF.

The issue becomes when vendors can't get their partners to engage with their MDF programs. Unspent MDF means two things for vendors:

- 1 The money that channel partners should use to drive sales and help build market share is not being deployed. That means lower sales and loss of market share.
- 2 It is a liability on the vendor's balance sheet. MDF can only move to the profit and loss statement when it is expensed. Companies that carry large liabilities that serve no real purpose get asked tough questions by shareholders.

Most vendors are highly motivated to find a (compliant and useful) home for MDF.

“If only partners would apply for the funds,” is the catch-cry of channel marketing managers around the world.



How MDF applications work

Many partners don't receive MDF simply because they aren't sure how the process works. This generic explanation may help.

First, we need to acknowledge a few things:



Every vendor has a different process for applying for and distributing MDF to partners.



You won't get it if you don't ask for it.



There are rules for what you can spend MDF on.



There is usually a requirement to show you used the money for what you said you would.



There is a time limit on how long you have to deliver your program.



If you are a single-vendor partner then you may find it easier to stretch the MDF rules. A vendor that knows it is the sole recipient of the downstream impact of your marketing is more open to business-building ideas.



In essence, MDF applications follow this process:



As a partner, you ask your channel account manager (CAM) if you can be considered for MDF (or are automatically eligible). The fact that you're asking about it can move you to the top of the list. If you don't have a CAM then call the channel marketing manager.



You propose a program of marketing works that meets the vendor's MDF expenditure rules. Things that are usually 'in' include prospecting events, advertising (co-branded), email marketing, webinars, creation of downloadable content for digital lead generation campaigns and campaign landing pages. Things that are generally 'out' include paying for a website build, SEO, sponsorships and buying tools and infrastructure you need to run your business. You may also need to explain what you believe the MDF program's return on investment will be, depending on the vendor.

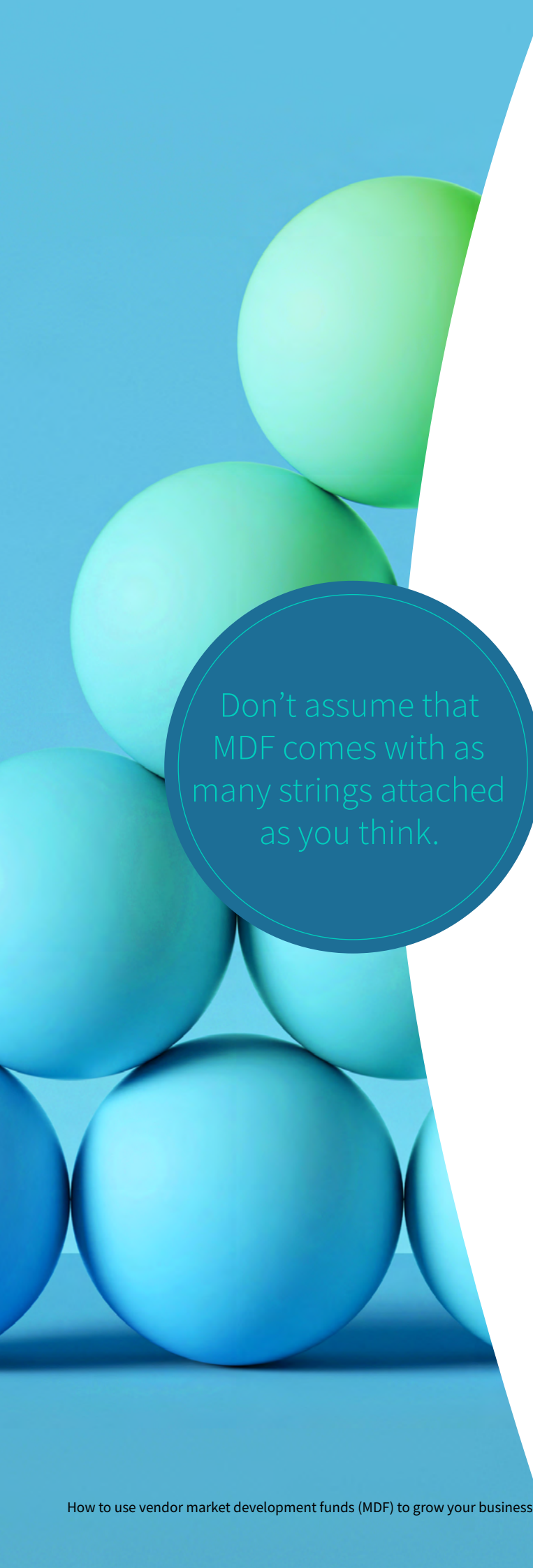


You build your campaign. In many cases, this is done by your marketing agency of choice. This agency should build your project plan, create the campaign and get it into market, with your approval along the way. In some cases, your own marketing team will work alongside an agency and in others, there is no agency. Keep in mind that agencies help you get more campaigns in market, faster. They reduce the opportunity cost of accepting MDF in terms of internal resourcing.



Usually, once a campaign is in market, you can show proof of execution to the vendor (or the distributor administering the MDF fund) and claim your rebate. This is most commonly 50 per cent of the cost of the marketing program. Some vendors may offer 100 per cent. Payment terms can vary. Some vendors will pay almost instantly while others might only pay at the end of the current quarter. Factor this into your cashflow projections.





Don't assume that
MDF comes with as
many strings attached
as you think.

Why you should apply for MDF

It might seem a little self-evident. MDF is cheap finance, and the kicker is that you don't need to pay it back. Yes, there are several reasons why you might not need it, want it, like it or otherwise not love it. However, if you see it for what it is, a low-cost pathway to increasing sales, then you will add it to your agenda in your next management meeting.

Let's look at some common reasons partners don't take up MDF again with the counterpoints to consider.

1 You've grown organically through professional networking and word of mouth. You have enough work and you don't see the point of taking on MDF.

Often we find clients who have grown to a size where it's simply not possible to feed a growing tribe through classic organic sales methods. Senior executives don't have an endless network to tap, and word-of-mouth marketing reaches diminishing returns.

Assuming that your business is growing, you will reach this threshold at some point. You will move from being artisan marketers to being industrial marketers and that's going to need funding.

The principle of 'other people's money' is as true in IT business marketing as it is in personal wealth creation. MDF is an accelerator. It can be the fuel you need to get the kind of growth you've been planning if you know how to deploy it effectively.

2 You don't know how to access it.

MDF is not as difficult as it looks in many cases. Keep in mind that most channel marketing managers are desperate to hear from partners who have ideas for lead generation programs.

Your CAM or channel marketing contact should be ready and able to assist. In many cases they will personally walk your application through the internal company processes, champion your application and help connect you to the right kinds of marketing resources you need to fuel your campaigns.



3 You don't want it. You lead with your brand proposition, not a vendor product.

Your customers work with you because they want your experience, vertical industry domain expertise and process intellectual property.

B2B vendors that sell high-value, complex products completely understand this. They know that buyers need to de-risk a purchase and while a vendor's technology is important, it only underlines the value proposition. It's not the headline.

As a result, vendors are insisting that partners stay true to their own value proposition, offering MDF for thought leadership-style, top-of-funnel campaigns that demonstrate a partner's expertise and intellectual capital.

Vendors want you to succeed and they're more aligned to the buyers' journey than ever before. Even if you need to find a compromise and put a vendor logo on your thought leadership material, if your content is good enough, it won't impact readability or positioning.

4 You don't know what to do with it.

Of course, you know what to do with MDF, in principle at least. Often the wheels fall off when it comes to specifics.

Building a multi-month, integrated, digital lead generation program means knowing how to produce a campaign plan. This involves creating on-message content, building landing pages, and leveraging paid and organic social channels (usually LinkedIn). You may even run Google retargeting to stay in contact with prior visitors to your website.

Few partners have all the necessary marketing, content and design staff to do this alone. With the right agency partner, you shouldn't need to worry about this level of execution. Find a specialist B2B IT marketing agency that has all these services in-house and knows the channel ecosystem inside out instead.

You can focus on innovation, sales and customer engagement while the agency prepares your plans, puts them in market and delivers the results. Usually at least half the cost of this is covered by the vendor. In many cases, vendors prefer this model because it ensures the partner will deliver once they get MDF.

Scalable marketing and sales processes will essentially work while you sleep.





What next?

Market development funds are there to use.

Almost every vendor has a challenge when it comes to placing MDF with partners, mostly because partners don't ask for it.

MDF is a powerful growth tool, brings limited risk to your business and is one of the cheapest sources of funding you can find.

Find a specialist B2B IT channel marketing agency who can help you make the most of your MDF entitlements across every vendor on a monthly basis and can scale up your marketing engine, and deploy optimal campaigns, without you taking on additional costs.





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Every day Outsource works with vendors and partners to build and execute advanced, multi-channel lead generation campaigns.

For vendors, we build **channel-friendly concierge programs** to help partners apply for and use MDF.

For partners, we deliver **lead generation campaigns funded through vendor MDF** or their own direct marketing budgets so they don't need to build their own in-house marketing infrastructure.

Our team of digital strategists, designers, marketing specialists, copywriters and marketing consultants design and deliver programs in North America, EMEA, Australia and New Zealand.

For more information on how to better support your partners and leverage MDF programs for greater success and business growth opportunities, [contact Outsource today](#) or visit our [website](#).