



# Welcome Channel Masters May 2017 Class



# The Value of Segmentation in the Channel

## Continuing Education for IPED Channel Masters

## **Segmentation:**

- Customer & Product
- Product as it Relates to Acquisition
- Partner (Introduction)

# Disclaimers

---

The terms Market and Customer are used interchangeably at times.

---

Segmentation is a flexible and dynamic tool. Today's discussion looks at a few examples to provide view to different types of segmentation and how they may be used.

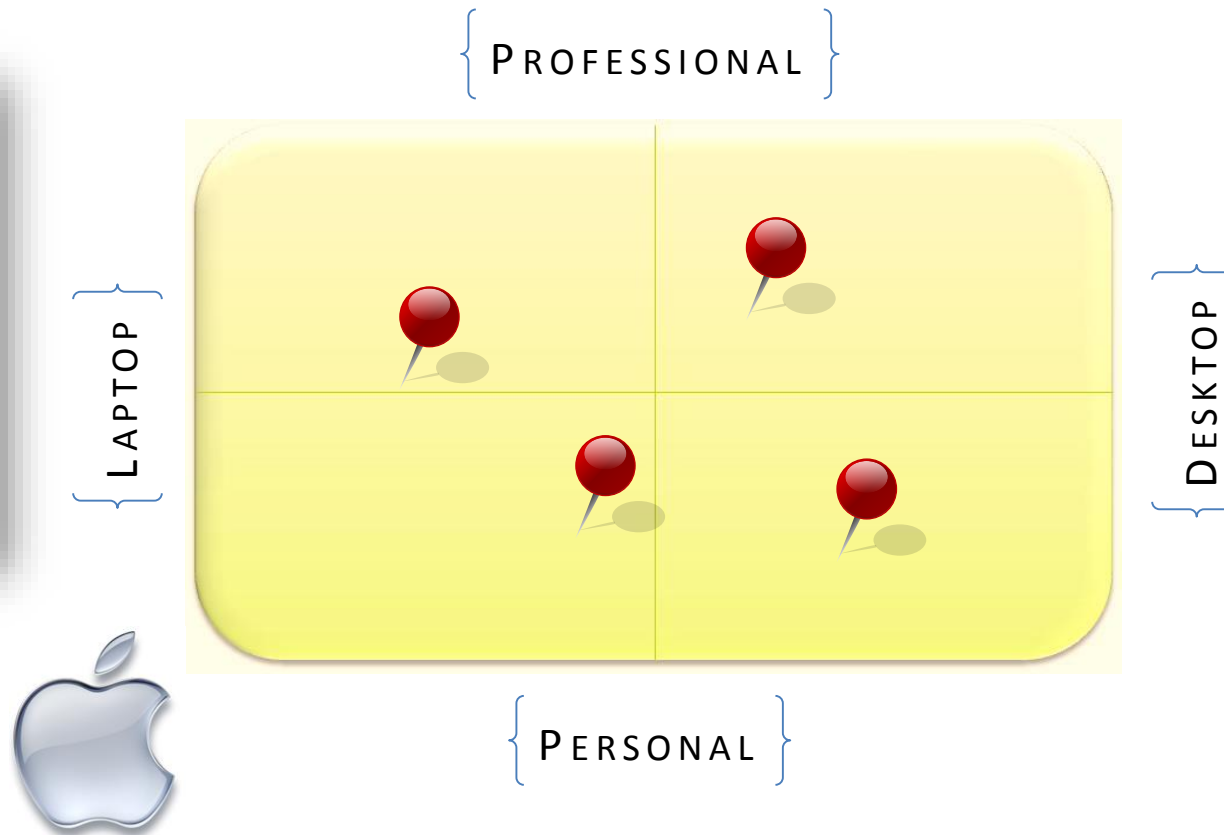
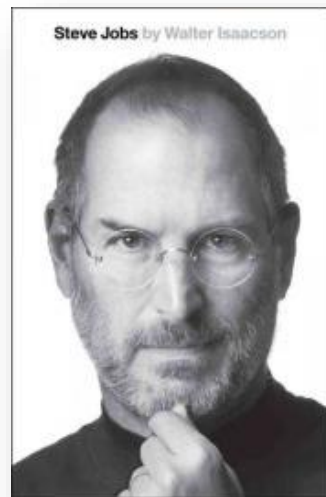
---

Your situation will be different.

---

# If You Had Time to Read Steve Jobs by Walter Isaacson...published 2011

*When Steve Jobs returned to Apple Computer, after Pixar, the first thing he did was cut the myriad of Apple products to four product lines aligning with four market segments*



# The Biography Cites an Example of Segmentation Used to Achieve:

Clarity of product line

*(four vs many product families)*

Conservation of development resources

*(R&D costs, manufacturing set up and production costs, etc.)*

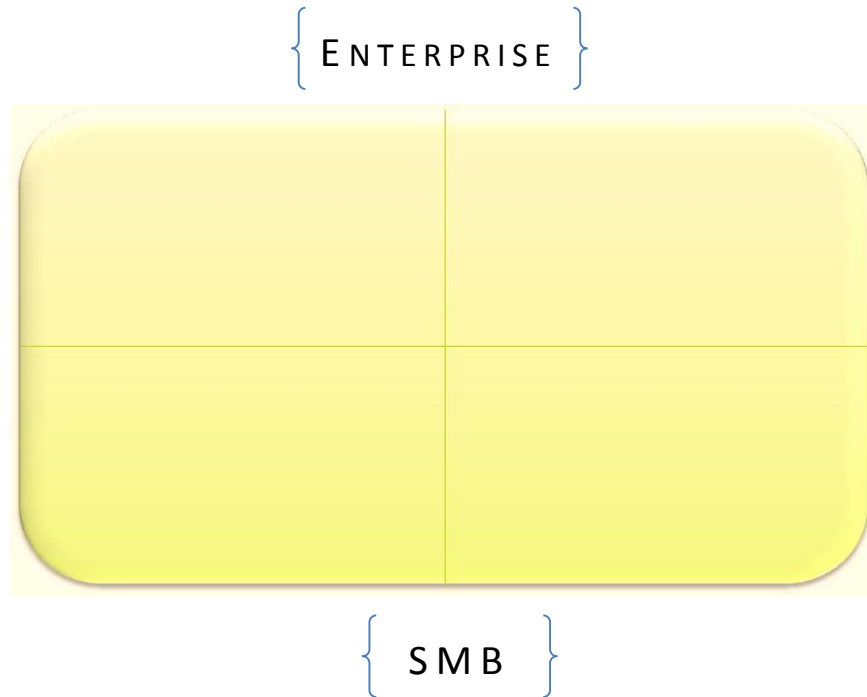
To deliver the best products, tailored to the characteristics of each customer segment served

**Most  
Importantly**

## **Segmentation:**

- Customer & Product
- Product as it Relates to Acquisition
- Partner (Introduction)

# Customer (a.k.a. Market) Segments



*Axes would change for components  
(e.g. Intel products) or embedded software*

## Customer Segments Reflect Different Customer:

- Product needs
- Buying behaviors
- Price points and ROI requirements

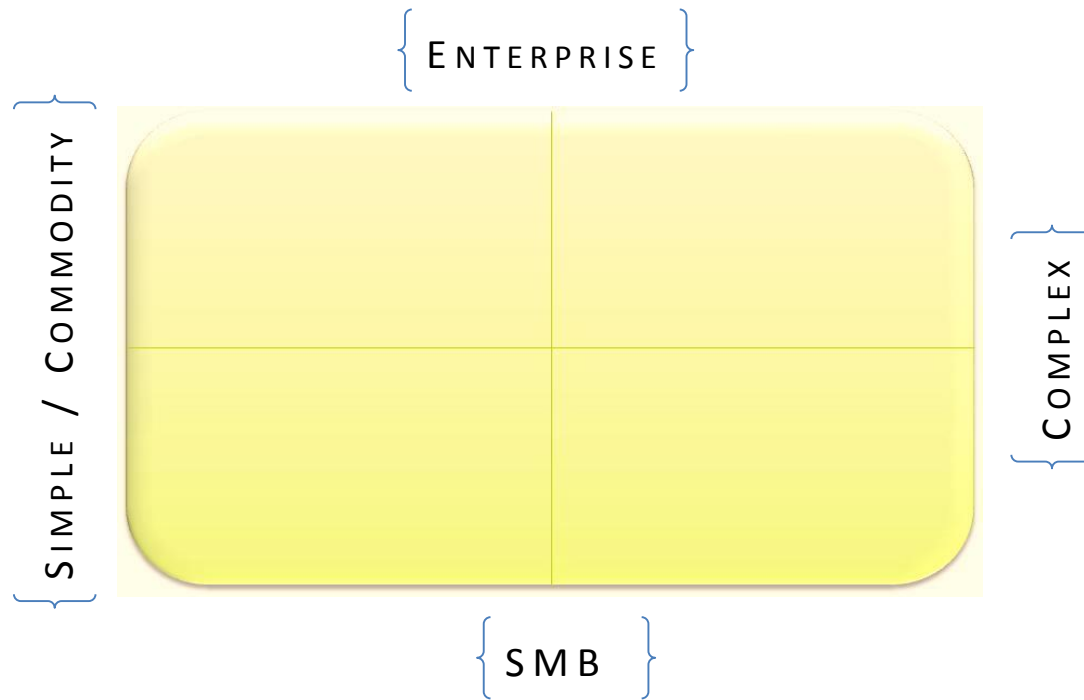
## Your Company may identify Customer Segments by:

- # of employees
- Customer annual revenues
- Other

Federal , SLED, Higher Ed or  
any other vertical customer segments



# Product Segments...we will come back to this in more detail later



*Axes would change for components or embedded software versus whole products*

## Complex versus Commodity Products

- Keyboards, Toner, Laptops, Database
- ERP Financials, Order Mgt, CRM, BI

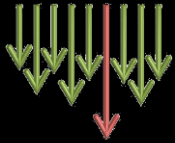
## Product Segments Meet the Needs of Different Customer Buying Behaviors:

- SMB XaaS
- SMB pre-packaged solutions
- Price point & features may be different
- Buying behaviors & ROI needs may differ

Customer  
& Product

# What is the Most Common Use of Customer Segmentation?

# Customer Segmentation Used to Decide Coverage Models and Routes to Market (RTM)



## Routes to Market (RTM)

Different sales or distribution channels demonstrating reach and access to target customer buyers in their respective market segments. For example:

- ✓ Direct sales
- ✓ Tele-sales
- ✓ Agent, Distributors
- ✓ Indirect Channels: *e.g. Disti/VAR, DMR, ISV, Carrier Service Provider, Cloud Services Provider, etc.*



## Decisions by Customer Segment

Separating customers into differing groups allows for different:

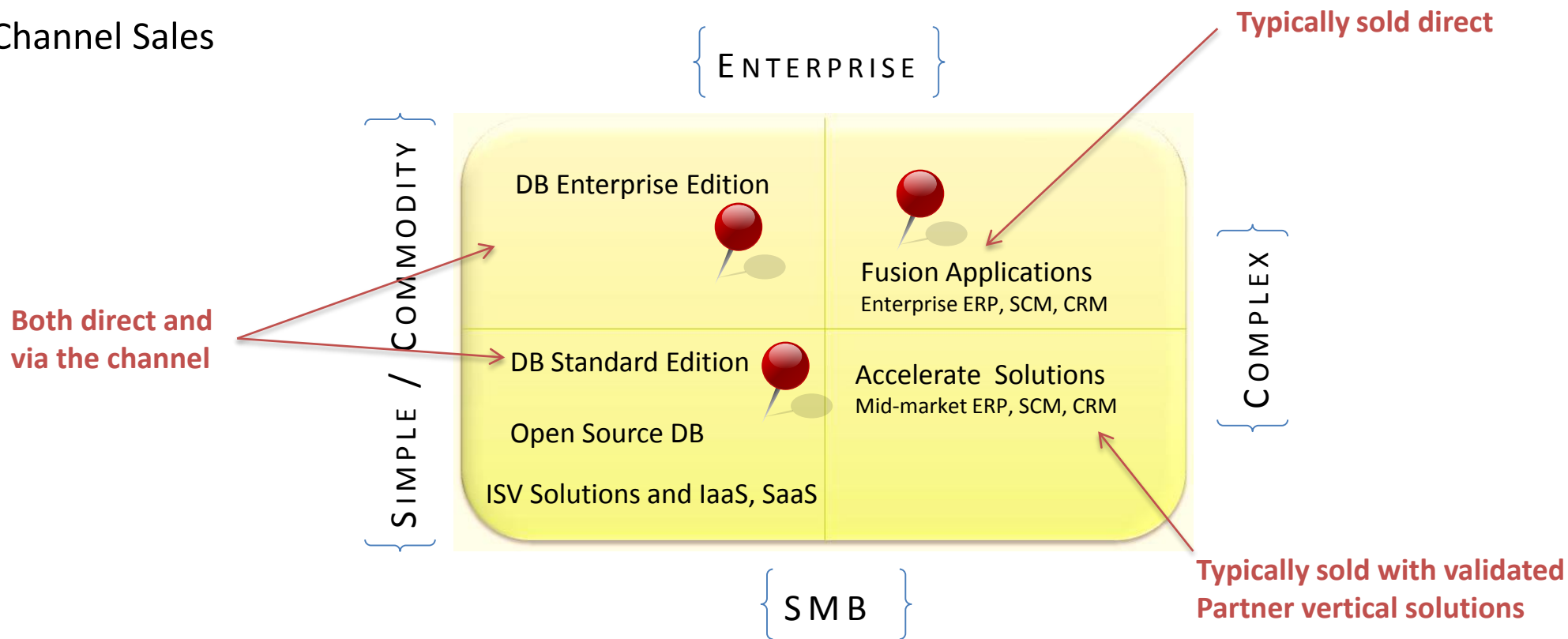
- ✓ Routes to market: **Direct, VAR, MSP, ISV, Inside Sales**
- ✓ Product strategies: **SMB version of Software**
- ✓ Policies and promotions: **SMB new logo incentives**

*Why? To achieve optimal cost of sales, achieve temporary commercial advantage, expand market reach, etc.*

# Sales Coverage Examples:

To decrease channel conflict, reflect the complex nature of the product sale, spur sales of a product direct sales won't sell, decrease cost of sales or reflect customer buying preferences, products may be segmented into those sold by:

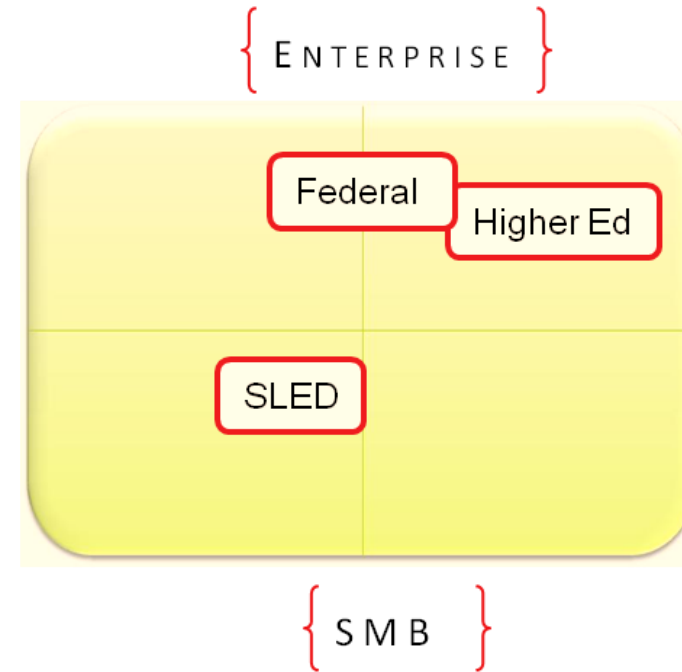
- Direct Sales
- Channel Sales



# Different Routes to Market May Achieve Various Goals:

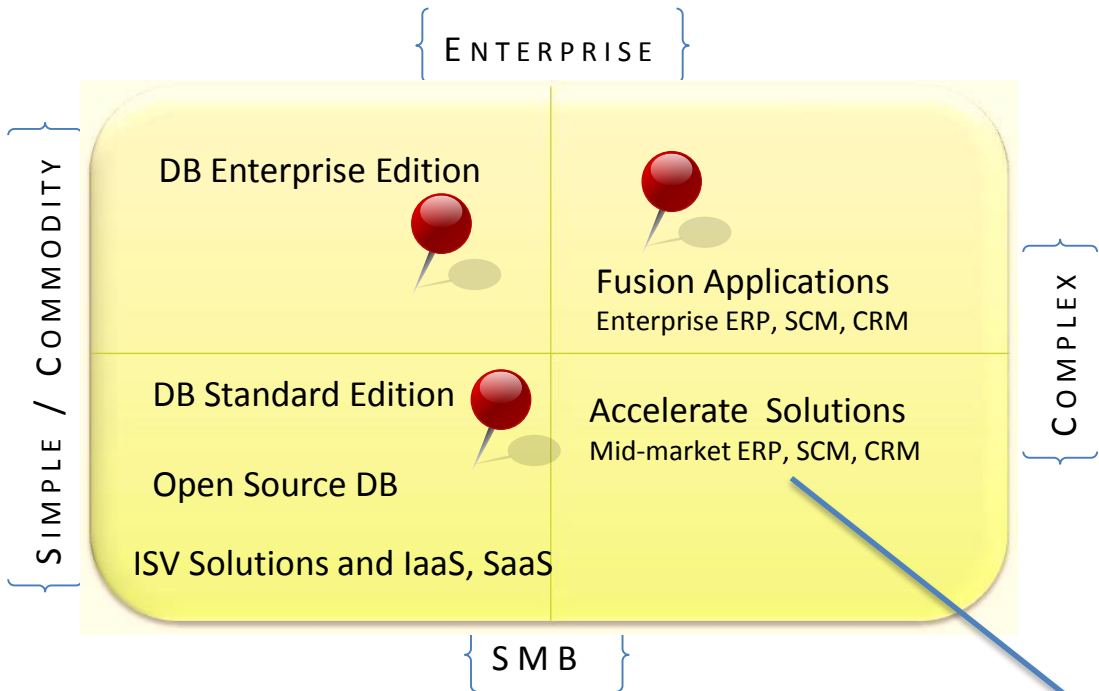
- Increase coverage in segments with special needs  
*e.g. Federal or SLED selling credentials (8A, GSA, MWBE)*
- Leverage ISV Intellectual Property (IP) and vertical knowledge in a targeted segment *e.g. Higher Ed, Healthcare (regulated market)*
- To decrease channel conflict, or ensure clear lines of sales coverage, *e.g.:*
  - *Enterprise or Complex are sold Direct*
  - *SMB or Simple are sold through Partners*

HP Hard Deck



Your Examples?

# Products May Be Re-packaged for Different Customer Segments



- *Customer needs are understood by segment.*
- *Products are modified or re-packaged to meet customer buying needs.*
- *Examples:*
  - Enterprise ERP product
  - SMB ERP packaged into vertical solutions
  - Mid-market/SMB DB sold through ISV solutions
  - Mid-market and below have moved to cloud based solutions at a faster rate than the enterprise; *e.g. NetSuite, Salesforce, Vertical applications*

to grow their business with Oracle Accelerate solutions. Oracle Accelerate solutions enable growing midsize organizations to easily adopt Oracle's enterprise class software. Created by Oracle's expert

Source: Oracle website 2017

# If Customer Segments Were Not Handed to You; How Do You Go About Understanding Them?

- Ask Product Marketing
- Ask Product Management
- Ask Field Sales

Document them yourself  
to starting point, ask  
for input and edits

## **Segmentation:**

- Customer & Product
- Product as it Relates to Acquisition
- Partner (Introduction)



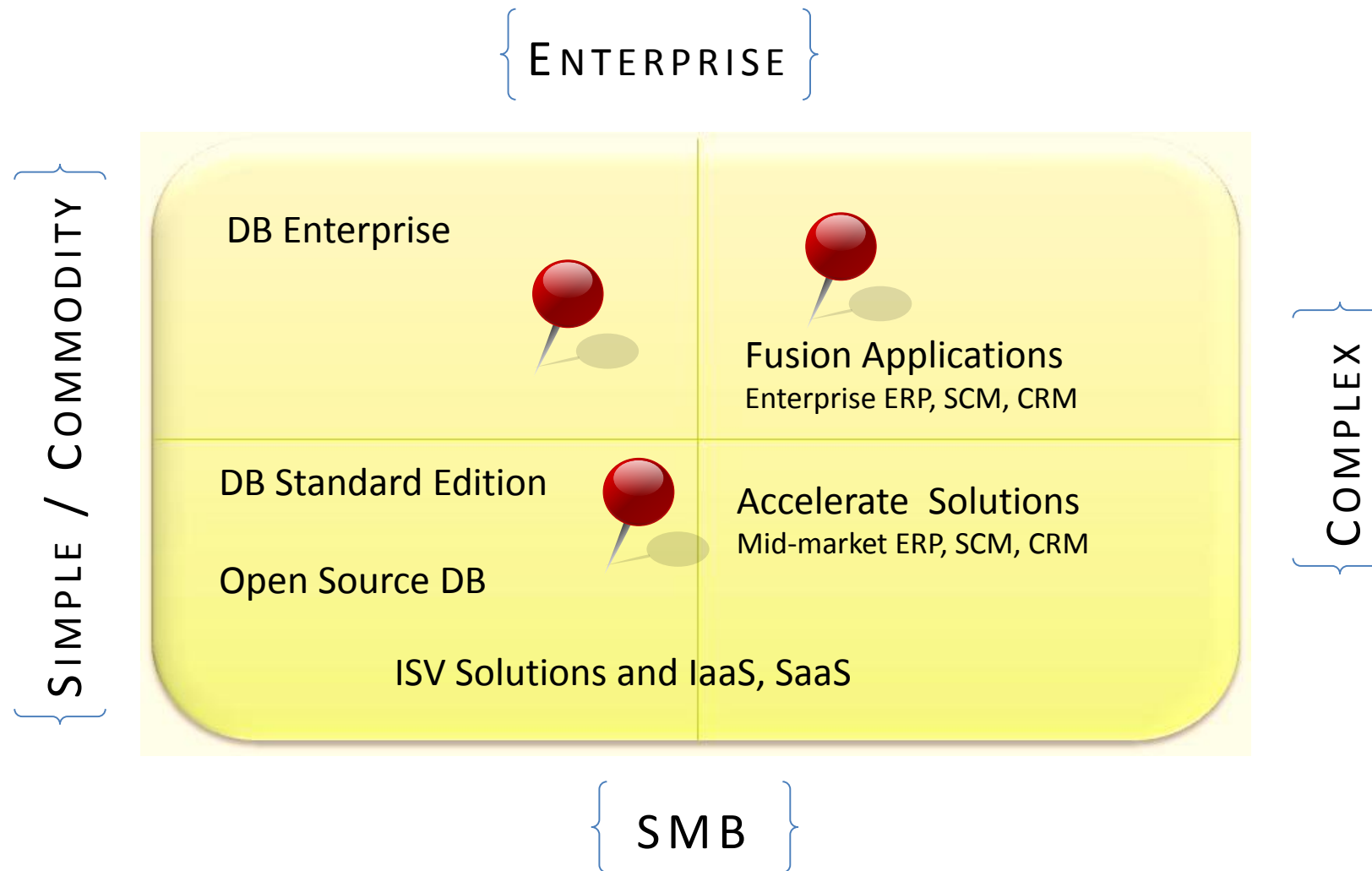
# As Product Lines Become More Broad, Product Segmentation Also Dictates Go to Market Decisions

## The Breadth of Product Line may be great due to:

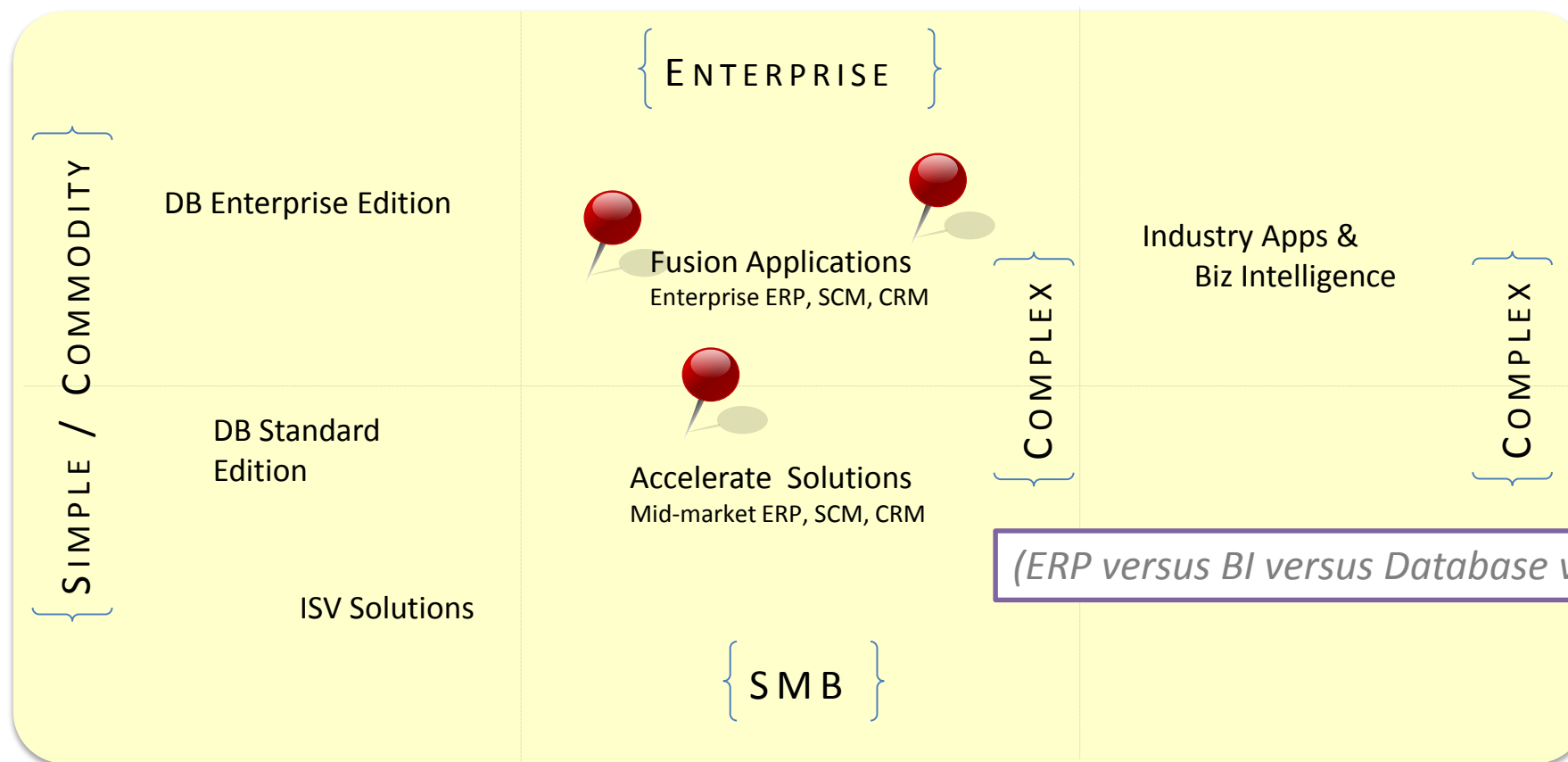


- Organic product line expansion
- Acquisition
  - *HPE acquires Aruba for Wireless capability*
  - *IBM acquired SoftLayer to become a Public Cloud Service Provider*
  - *PTC purchased Kepware and others to add IoT to Computer Aided Design (CAD) Software products*
- The desire for a vendor to serve a market from end to end
  - *Oracle Database/Middleware to ERP/CRM/SCM to BI (Hyperion) to Vertical Applications (Micros in Retail POS) to HW (Sun)*

# With Broad Product Lines, Levels of Complexity or Similarity Matter



# Sample of Product Segmentation Use Following Acquisition to Make Partner Program and Coverage Decisions



## *Sales Coverage Decisions:*

- *Same Customer Buyers?*
- *Sold the same way?*
- *What % of existing customers have purchased the new solution?*

*(ERP versus BI versus Database versus Sun)*

The answers were different when Siebel & BEA were acquired.

## *Partner Program and Staffing Decisions:*

- *What % of acquired company's partners overlap with existing partners?*
- *What are the Partner Enablement, Specialization, Certification, Marketing, Program Support needs? Are these different enough to justify a separate track?*

# If Not Established, How Do You Go About Capturing Territory for Partners...in a Segmented Go to Market Plan?

## Political Climate

- Internal Policies?
- Politics?
- Negotiation?

## Proof Points

- History of Partner Success?
- Promote WinWires (Win Case Study)

## Direct Sales Support

- Joint Go-to-Market Planning with Direct Sales Leaders?

## Pilot Support

- Pilot Programs to Prove Partner Capacity?

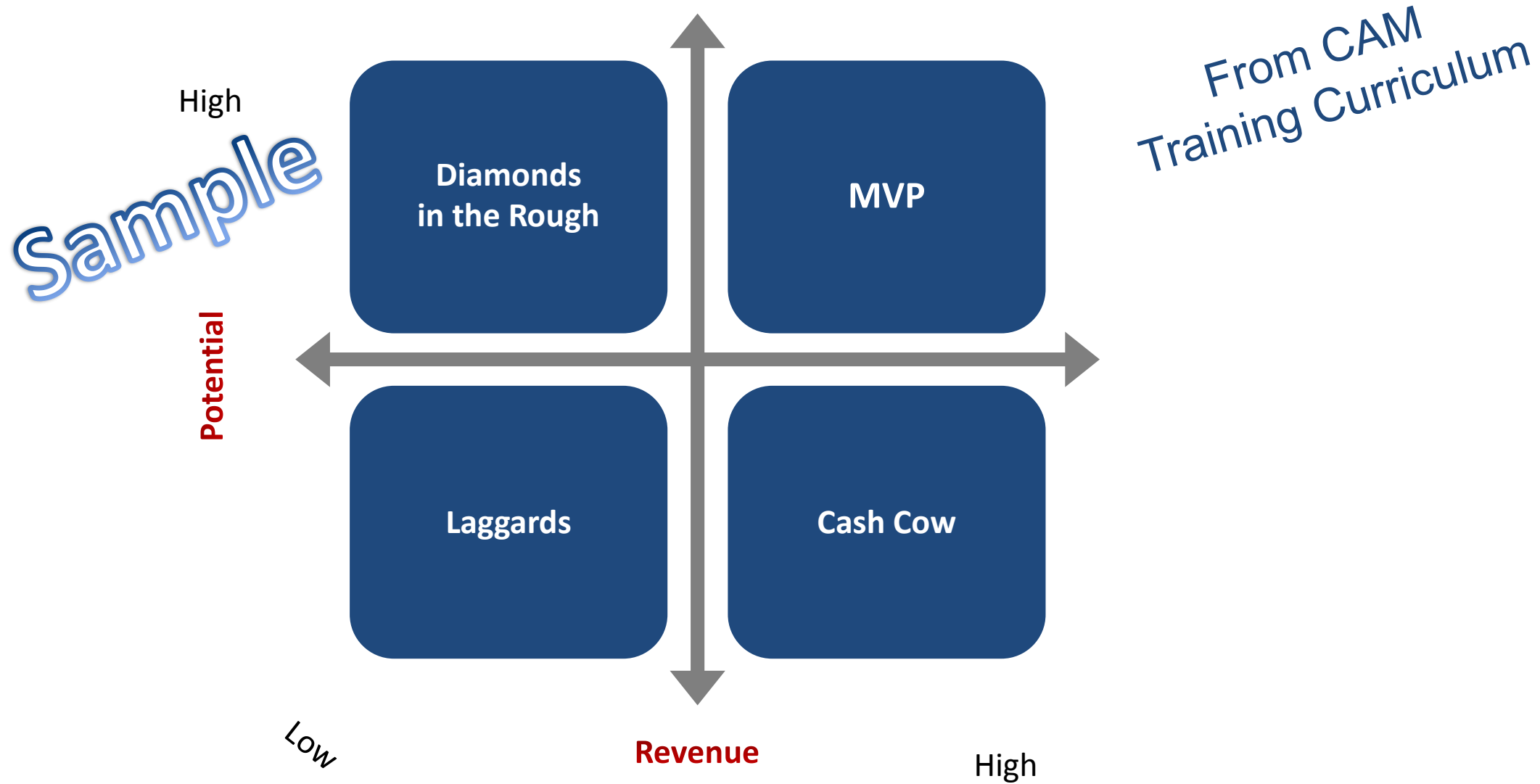
**The closer to the customer success the easier to gather the necessary data to prove a point!**

**Field sales sponsorship and field thought leaders, are critical.**

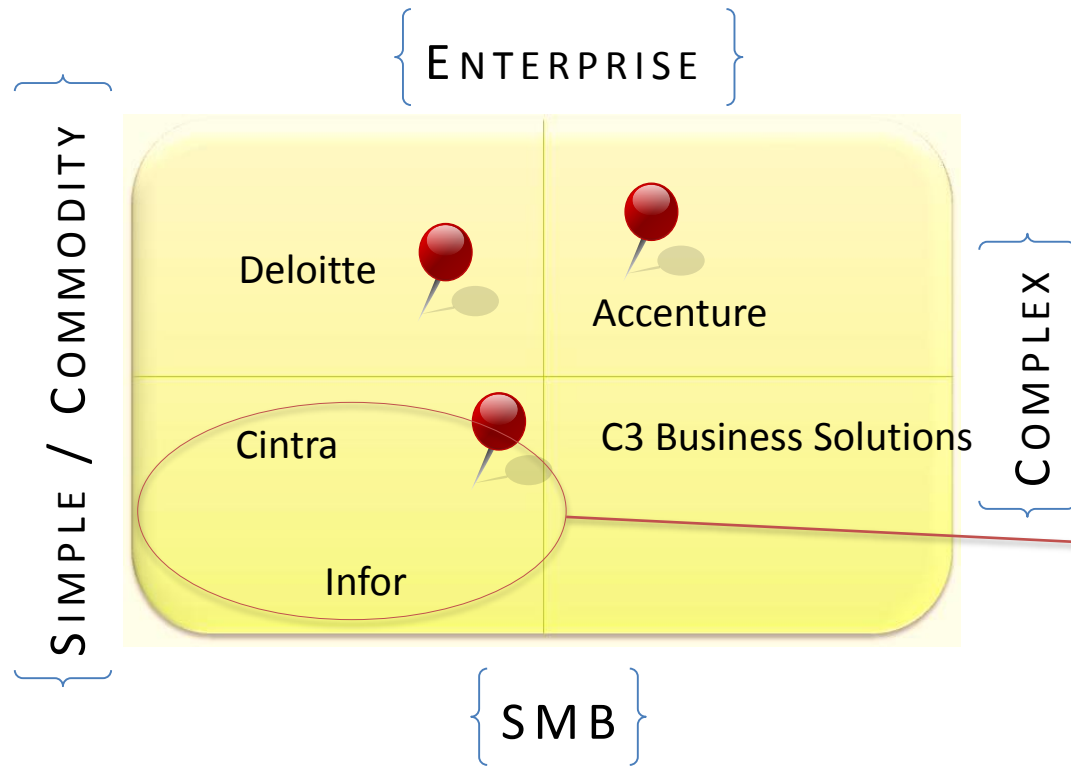
## **Segmentation:**

- Customer & Product
- Product as it Relates to Acquisition
- Partner (Introduction)

# Partner Segmentation for Channel Account Managers (CAMs)



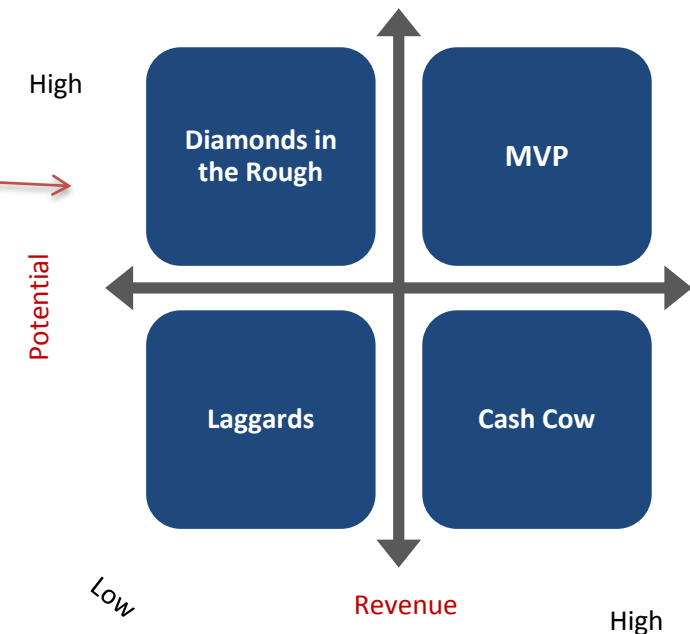
Partner Segmentation Focuses on Managing CAM time in a Territory where some will be Managed, others will not. The Axes are again Different.



## Segmentation:

At the Program or Country or Track or Customer/Product Segment level

- Where do I Invest and Divest?
- What tactics are required to achieve goals?



Question:

With which Partners will I get the greatest return on the time I spend?

# Today's Conversation

- ✓ Apple example of Customer and Product Segmentation to decrease R&D costs and better serve customers
- ✓ Customer (Market) Segmentation is used to better define customer needs, understand buying behaviors, formulate product and go to market strategy
- ✓ Product Segmentation may be used to set pricing, promotion, feature/function, packaging and product positioning
- ✓ Segmentation may be used to understand how better to set Partner Program priorities, decide acquisition integration questions like stand-alone-legacy-Partner program after acquisition or integrate to the existing Program and Tracks
- ✓ Partner Segmentation may be used by Field CAMs to determine how best to return on their time spent in territory...increased revenue attainment.



# Thank You



For More Information Contact:

**Lisa Sabourin**

Director of Engagements

C 561.339.5517

[lsabourin@thechannelco.com](mailto:lsabourin@thechannelco.com)

The Channel Company

[thechannelco.com](http://thechannelco.com)