

The Value of Segmentation in the Channel

Practical Tools & Information To Accelerate Your Channel Sales Cycle

THE **CHANNEL** CO.™ | **IPED**® Consulting

Agenda: Segmentation

- 1** Customer & Product
- 2** Product as it Relates to Acquisition
- 3** Partner (Introduction)

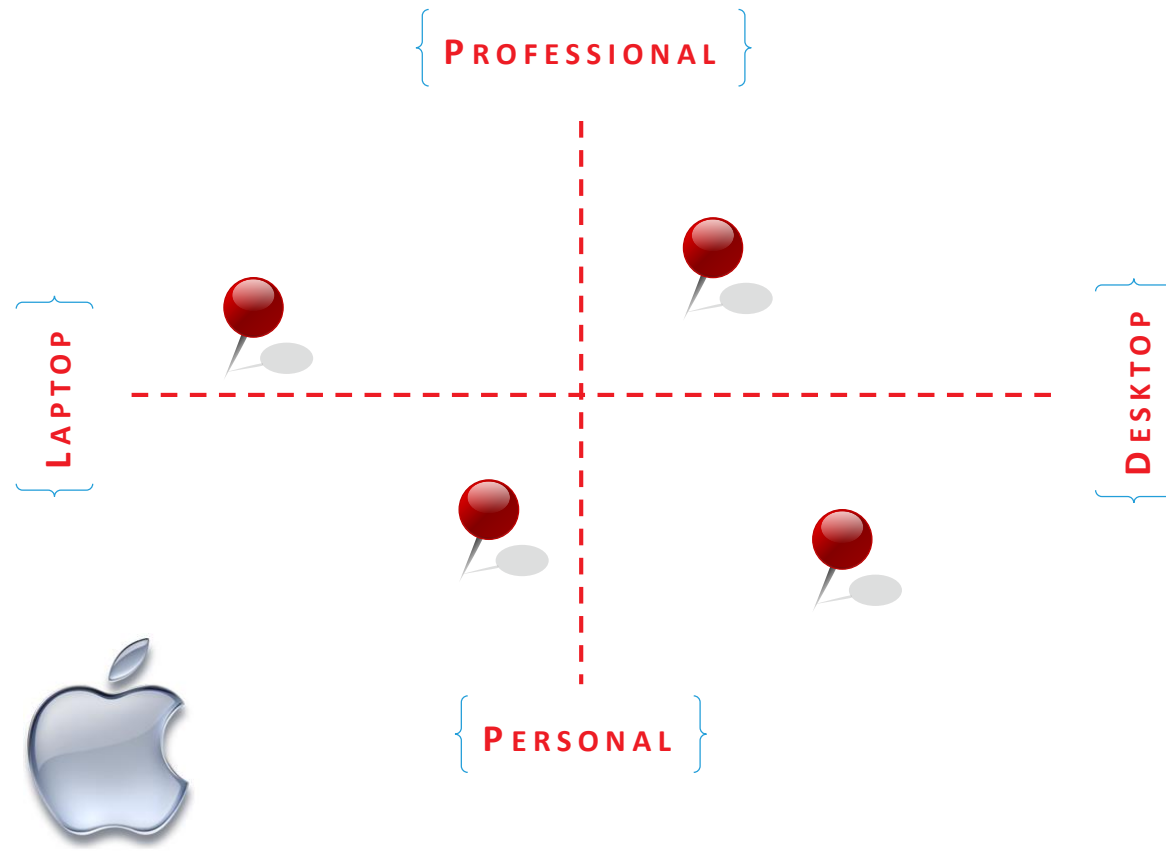
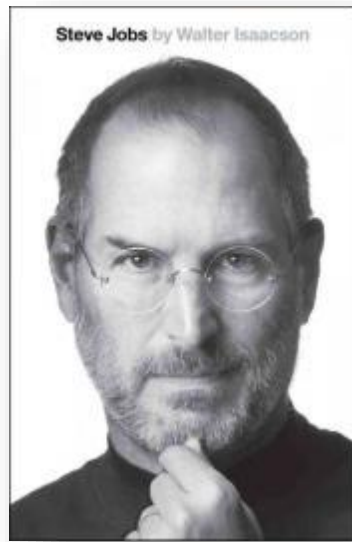


Disclaimers

- 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 a view of 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.)

**Most
Importantly**

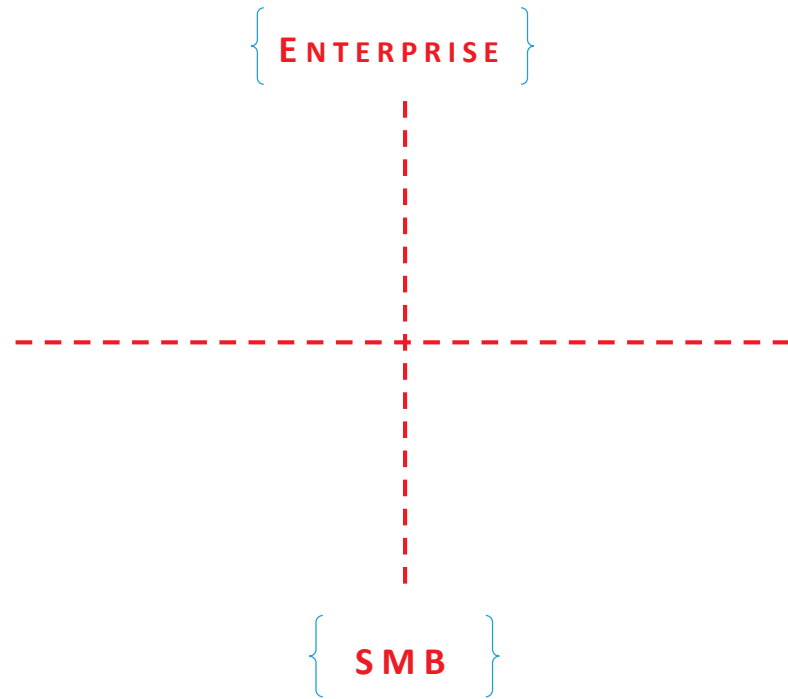
To deliver the best products, tailored to the characteristics of each customer segment served

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Customer (a.k.a. Market) Segments



Axes would change for hardware components (e.g. Intel or AMD products) e.g. HW OEM Mfg, Device Mfg, Tool, Sensor or other Component Mfg.

Customer Segments Reflect Different Customer:

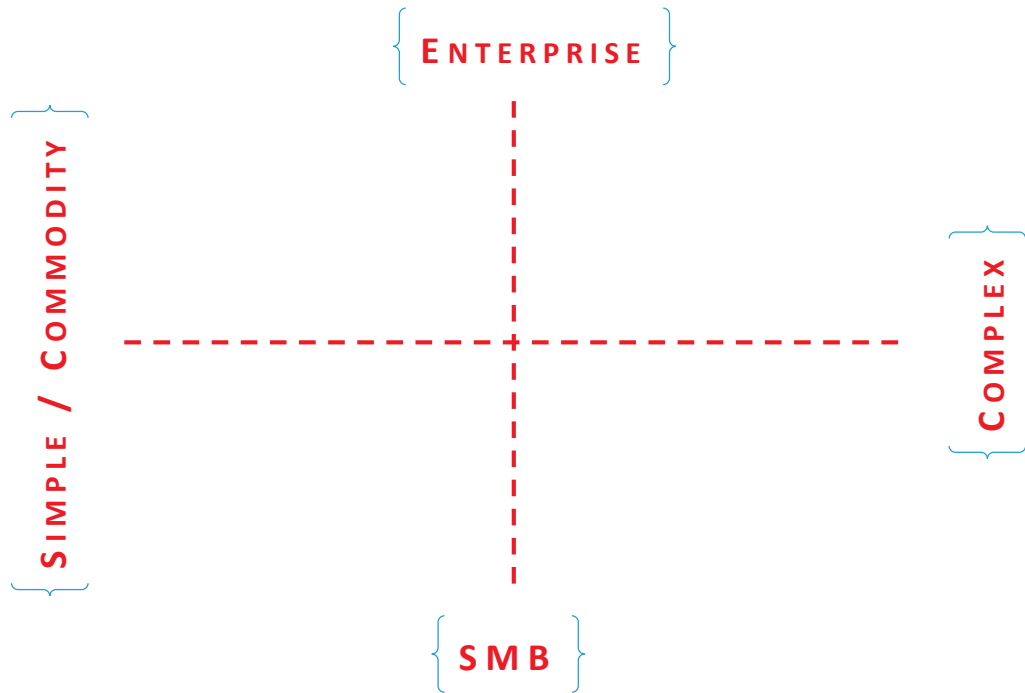
- Product needs
- Buying behaviors
- Price points and ROI requirements

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 or SW service (e.g. database, web servers, IoT platforms) versus whole products... e.g. degrees of embedding

Complex versus Commodity Products

- Keyboards, Toner, Laptops, Database
- ERP Financials, Order Management, CRM, BI, IoT Platform/AI

Product Segments Meet the Needs of Different Customer Buying Behaviors:

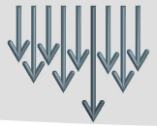
- SMB XaaS
- SMB pre-packaged solutions
- Price point & features may be different
- Buying behaviors & ROI needs may differ

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.

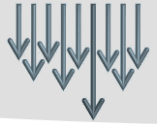
For example:

- ▶ Direct sales
- ▶ Tele-sales
- ▶ Indirect Channel:
 - ▶ Agent, Distributors-MSP/VAR, DMR, ISV, Carrier Service Provider, Cloud Service Provider

Which Partner Business Models have Access to the Target Markets?

	Global SIs	ISVs	Service Providers	Distributors & MSP/VARs	OT Distributors & Integrators	DMR & Web Sales	Direct Sales
Target Market	✓ Global 1000 ✓ Complex Systems	✓ Vertical or Horizontal Solutions	✓ CIO, Dept. Buyers	✓ By MSP/VAR Specialty	✓ Enterprise to SMB LOB by Vertical	✓ All	✓ Segmented by Vendor
Buying Behavior	Want: ✓ Custom ✓ High Touch	Want: ✓ Vertical Expertise ✓ Avoid custom development	Want: ✓ OPEX ✓ Low barrier to entry ✓ May be lower TCO ✓ Flexibility	Want: ✓ Technology Guidance ✓ Solutions ✓ Low barrier to entry	Want: ✓ Vertical Biz Problem Discussion ✓ Edge & Industrial System Knowledge	Want: ✓ Procurement ✓ Competitive Pricing ✓ Quick Turn-around	Want: ✓ Vendor Relationship ✓ Development Access

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.

Sales coverage 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:

1. **Routes to market (sales coverage):** Direct, MSP-VAR, ISV, Inside Sales
2. **Product strategies:** SMB version of Software
3. **Policies and promotions:** SMB new logo incentives

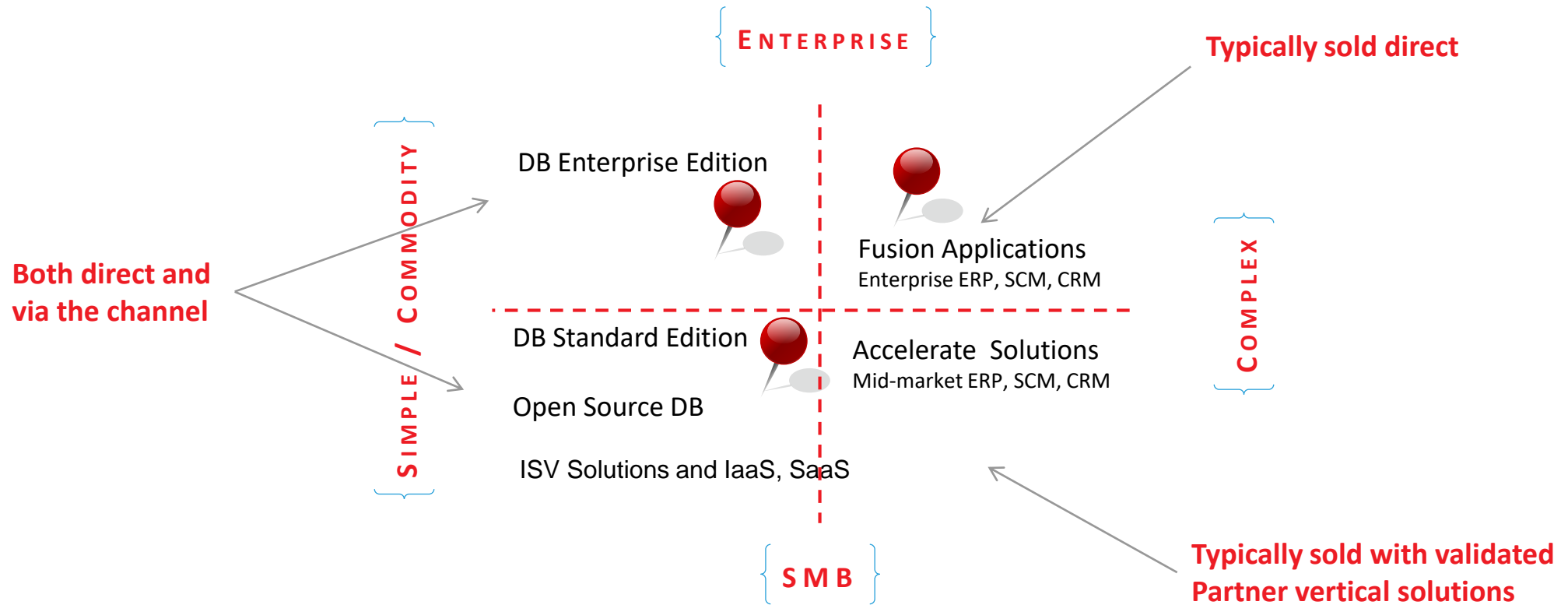
Why?

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

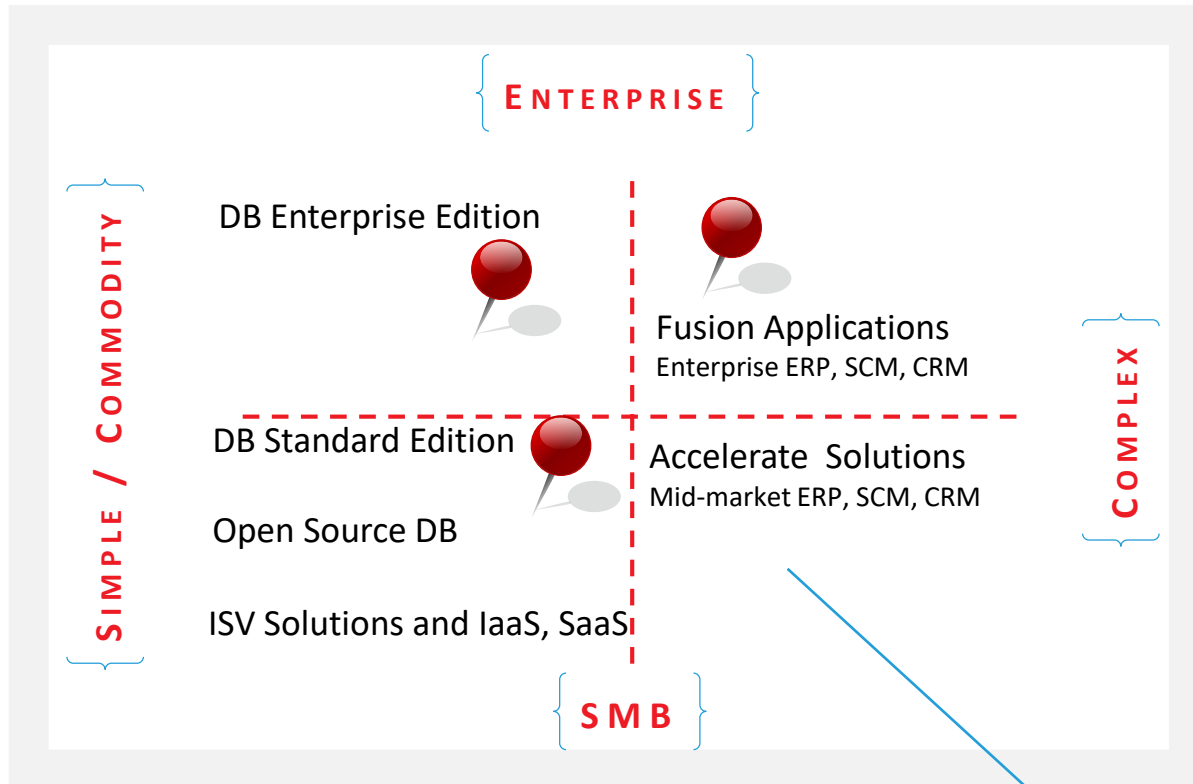
Sales Coverage Examples:

To decrease channel conflict, consider an **Oracle** example. Segmentation reflects 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



Products May Be Re-packaged for Different Customer Segments (Oracle) or Use Similar Branding though were Previously Acquired (Microsoft Great Plains)



- **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

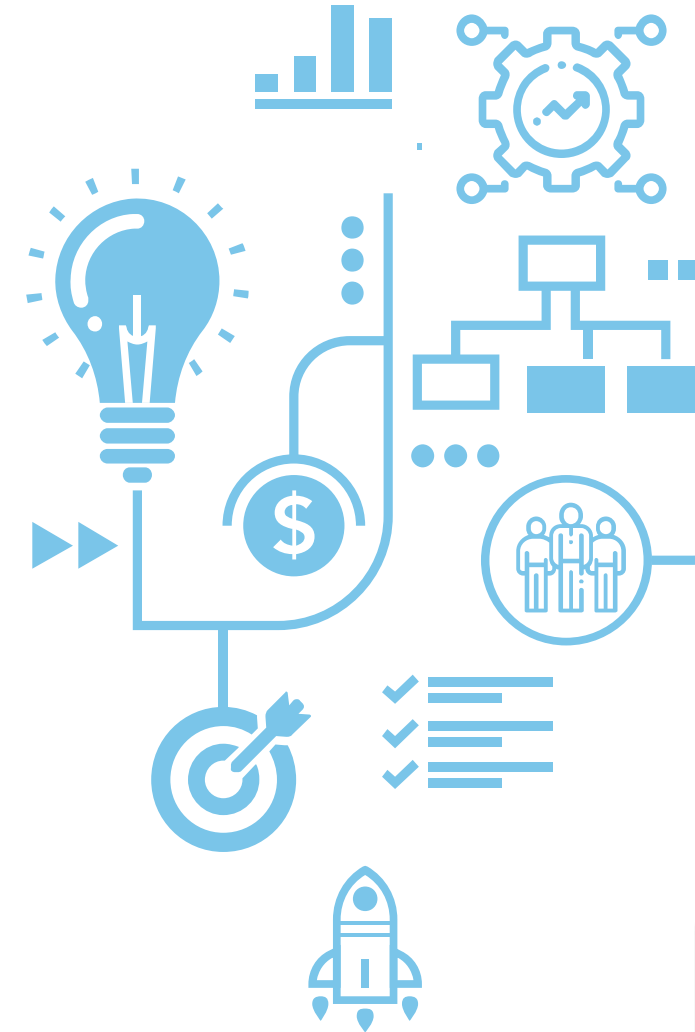
to grow their business with Oracle Accelerate solutions. Oracle Accelerate solutions enable growing midsize organizations to easily adopt Oracle's enterprise class software. Created by Oracle's expert

Source: Oracle website

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 as a starting point, ask for input and edits, then socialize your segmentation to get buy-in, etc.



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As Product Lines Become More Broad, Product Segmentation Also Dictates GTM Decisions

The Breadth of Product Line may be great due to:

▶ Organic Product Line Expansion

- *Microsoft added Azure*
- *Azure added IoT Platforms to a set of share winning development tools, etc.*

▶ Acquisition

- *HPE acquires Aruba for Wireless capability*
- *PTC purchased ThingWorx and others to add IoT to Computer Aided Design (CAD) Software products*
- *Dell acquires EMC*

▶ Organic & Acquisition Combined

- *Oracle Database/Middleware to ERP/CRM/SCM to BI (Hyperion) to Vertical Applications (Micros in Retail POS) to Hardware (Sun) to Cloud SaaS solutions*



Product Line Breadth through Acquisition, a PTC Example

Traditional PTC Product Solutions:

- ▶ **Computer Aided Design (CAD)**
 - *CAD software for product engineering design, e.g. Creo Parametric Suite for 3D CAD modeling.*
- ▶ **Product Lifecycle Management (PLM)**
 - *Product lifecycle management software, similar to Oracle and SAP PLM offerings*
- ▶ **Service Lifecycle Management (SLM)**
 - *SLM software solutions*

Additional PTC Product Solutions:

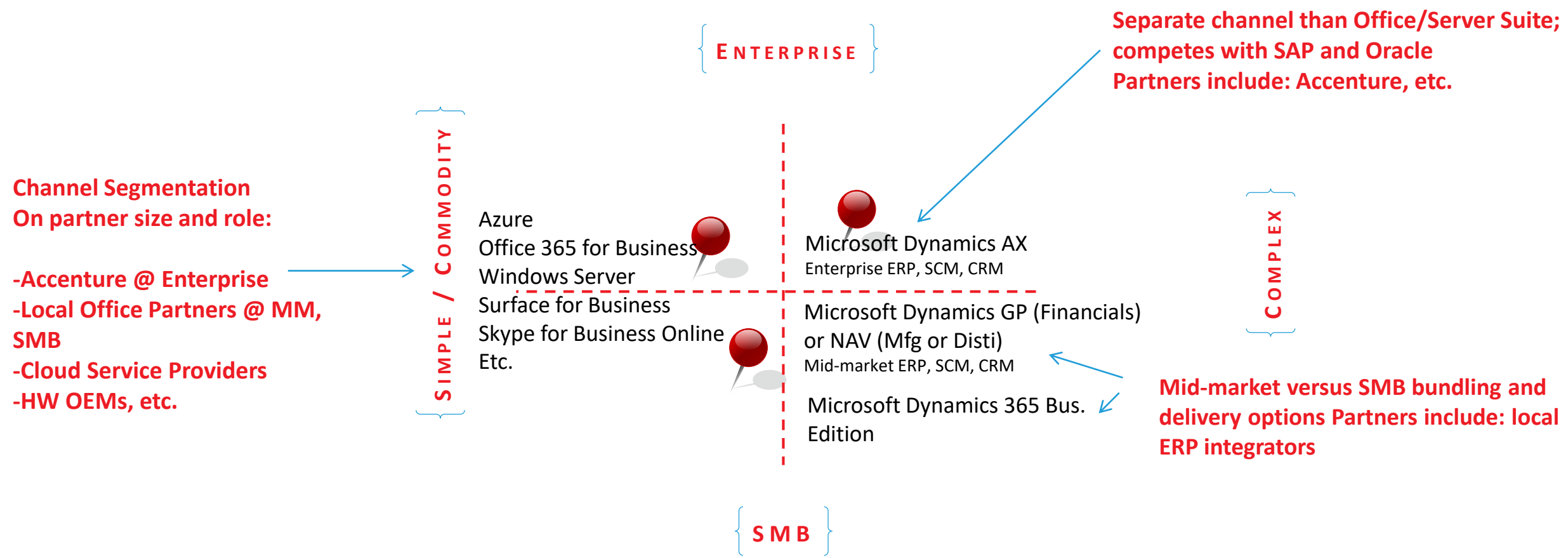
- ▶ **IoT Platform**
 - *ThingWorx Industrial IoT Platform tools for development and deployment.*
- ▶ **Augmented Reality (AR) Platform**
 - *AR development and operation platform*
- ▶ **PTC Mathcad**
 - *Solve, analyze and share engineering calculations*



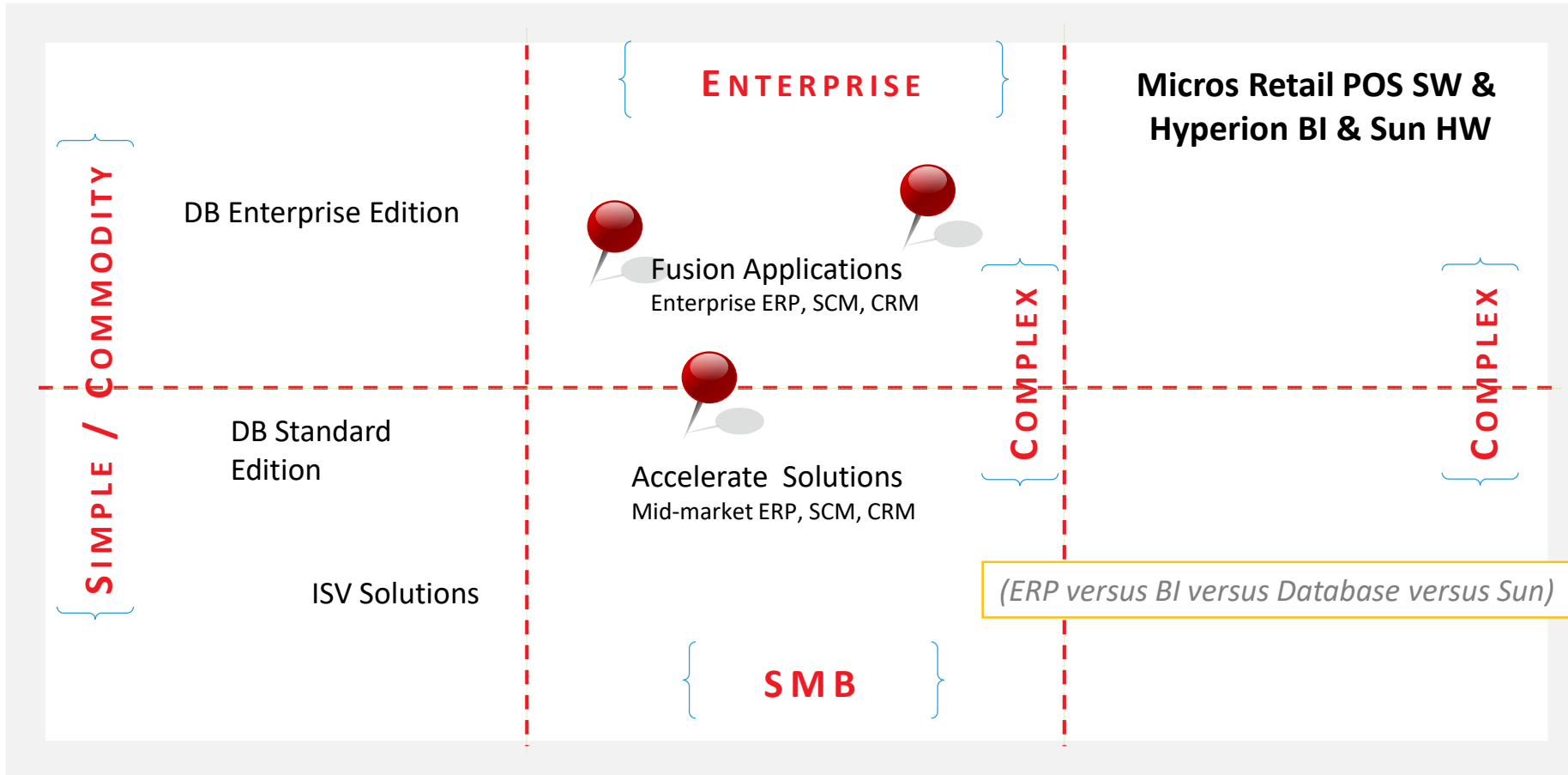
*Building Partner Programs to Support Different Product Lines
Must Incorporate Different Benefits to Meet Different Partner Needs*

Product and Channel Example: With Broad Product Lines, Complexity Matters

This is not comprehensive, but a couple of **Microsoft** examples shows packaging of solutions based on customer buying behaviors and business problem needs, embrace differing channels based on skills and access to different customers. Our job is to build the right programs in support.



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?

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?

Microsoft and PTC Examples...What If You Have a Direct Sales Force That Does Not Overlay or Sell Side By Side The Channel? E.g. Oracle: How To Capture Territory for Partners...in a Segmented Go to Market Plan?



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

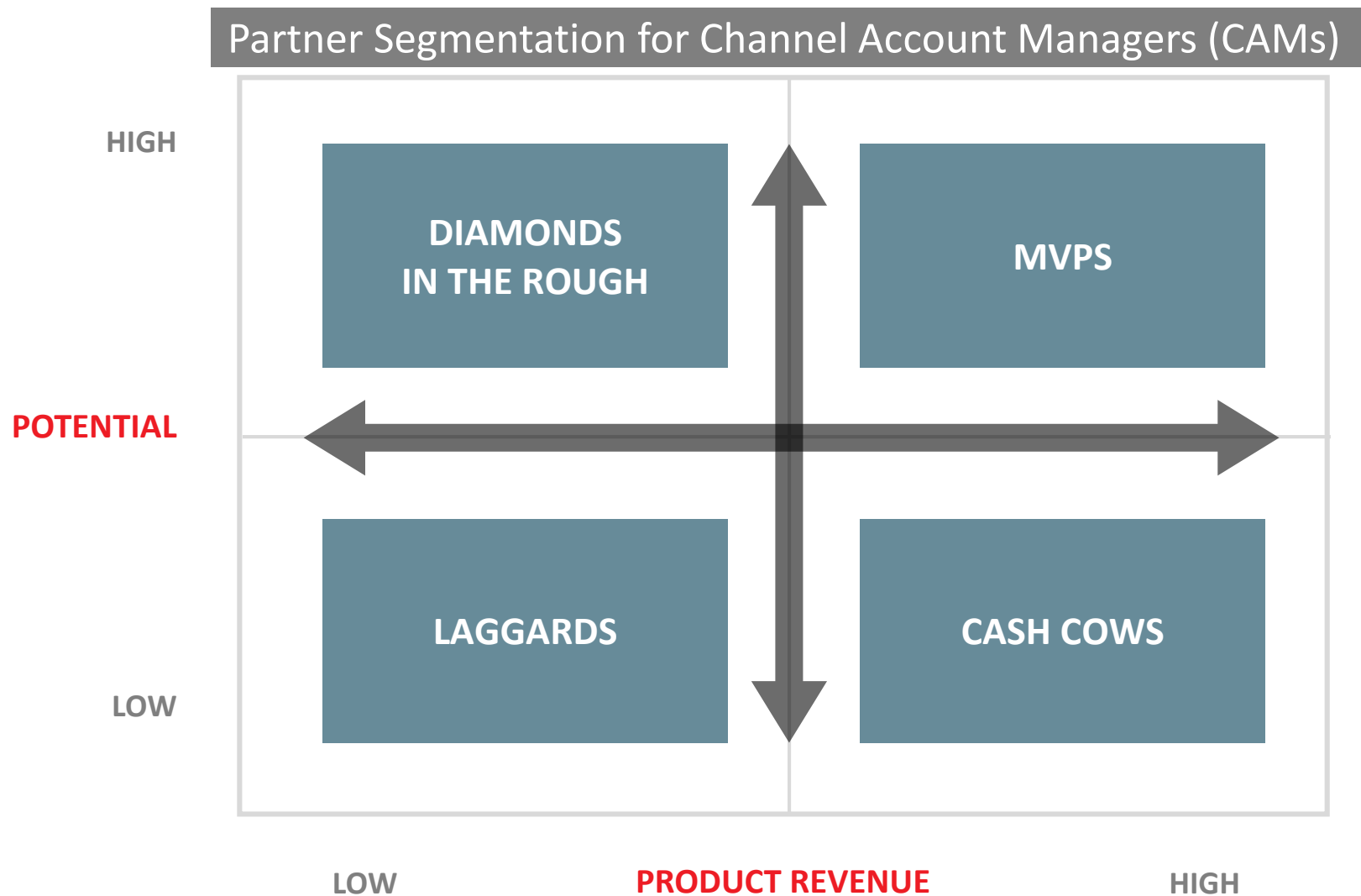
Field sales sponsorship and field thought leaders, are critical.

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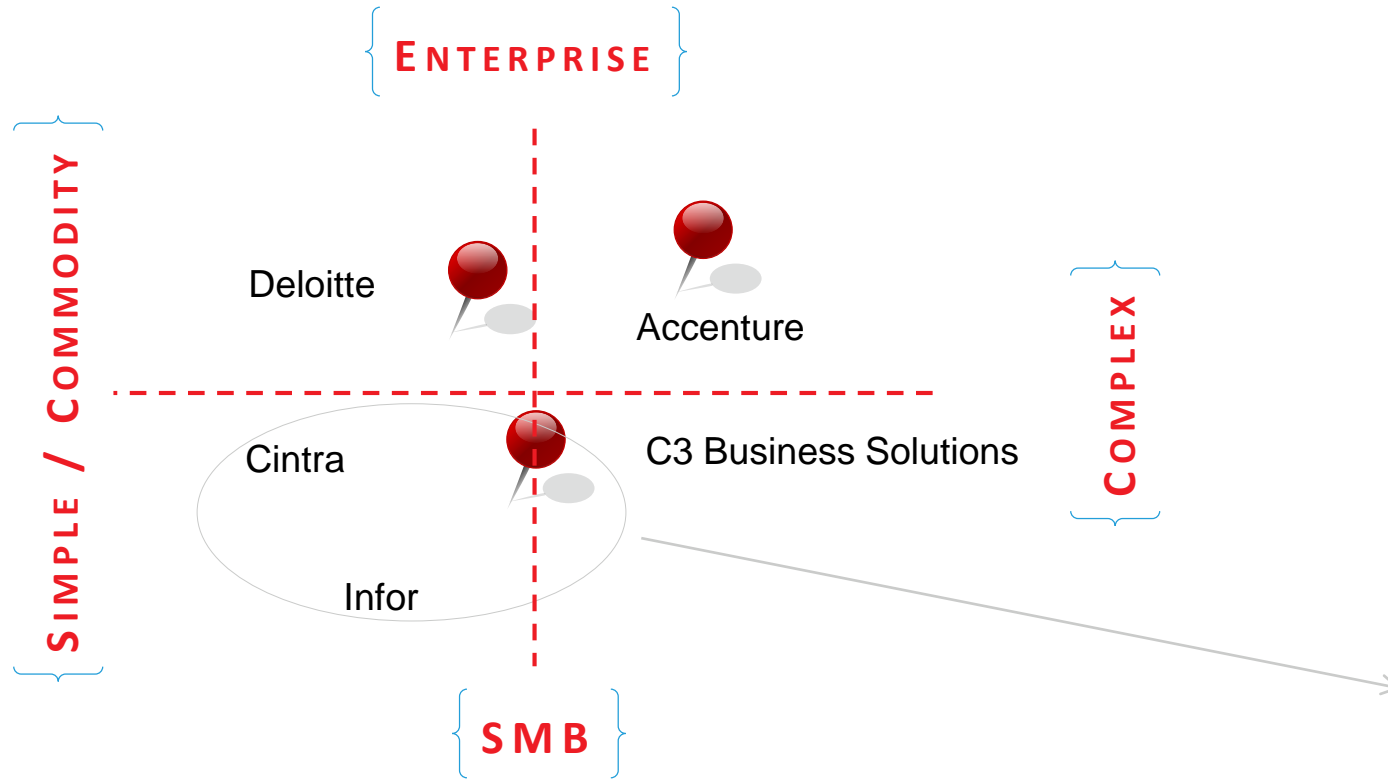


Within Any Program or Territory; Partners May Be Segmented



You Set the Segmentation Axes Based on Business Need & Strategy

Partner Segmentation Focuses on Managing CAM Time in a Territory Where Some Will Be Managed, Others Will Not. Note: Different Problems, Require Different Axes.

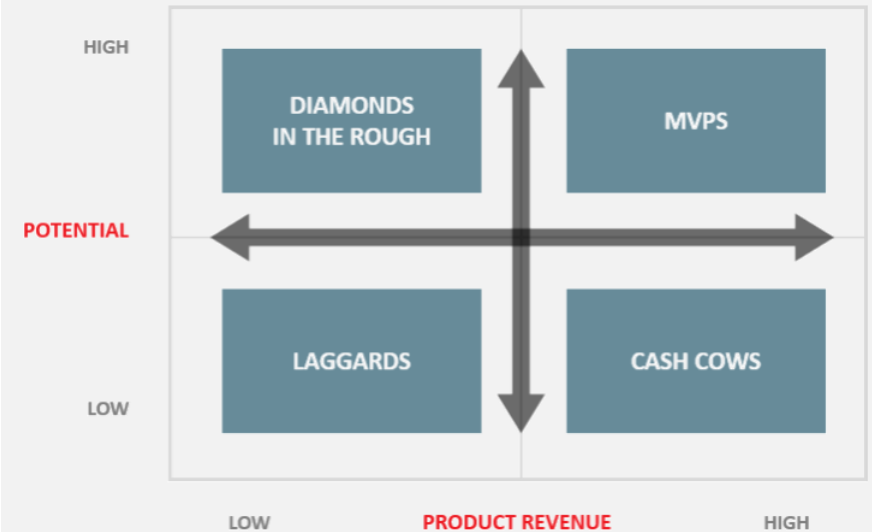


Question: With which Partners will I get the greatest return on the time I spend?

Segmentation:

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

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



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

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