



**Set Your Partner  
Program Budget  
Phase 1**

# Phase 1: Simulation Business Problem to Solve

- ❑ You are spending money to build your channel budget
- ❑ Your **annual budget** is \$2M
- ❑ Your **annual revenue goal** to achieve is \$5M
  - *The 3-5 year ramp of this program is expected to deliver a \$150M to \$250M channel in terms of indirect revenues*
- ❑ Headcount spend has already been allocated and hired; **you are building the program spend** portion of the budget
- ❑ **The Product:** “MacroSoft’s CloudOne Appliance”
  - *Traditional Resell Offering: ASP \$50,000*
  - *Managed Services Offering: ASP \$1,000 per mo./ per appliance*
- ❑ **Target market:** SMB, upper mid market, departmental users in enterprise customers
- ❑ **Competitive landscape:** one major appliance competitive vendor competes but many larger HW & SW vendors claim capabilities via alliance or OEM relationships
- ❑ **Single tier channel** of highly productive HW & SW VARs *with solution and managed services capabilities.* Annual revenues \$3M+ and growing

# IPED Vendor Benchmark Research: Helping Channel Chiefs Justify Spend

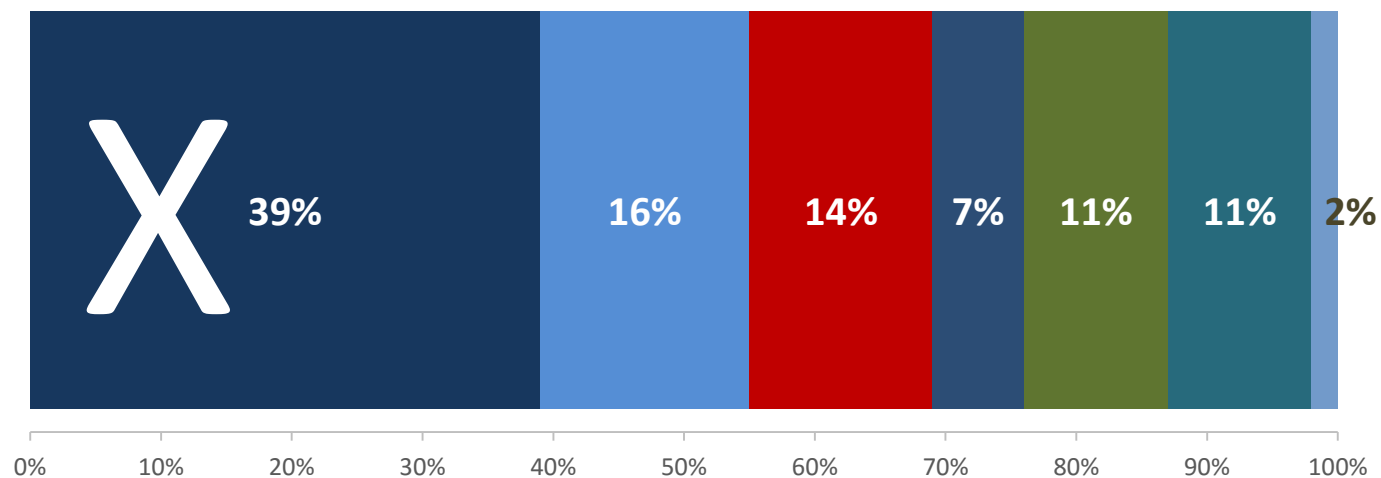
This is a Channel Chief task in real life!



You will allocate budget across these categories in your teams.

There will be no budget targeted to headcount, it has already been allocated for you!

## How is the total channel budget allocated?



- All channel-related headcount
- Incentives
- Demand generation funds
- Program or other partner marketing excluding MDF
- Infrastructure and operations
- Education budget
- Other

*HC has been hired, do not allocate budget to headcount*

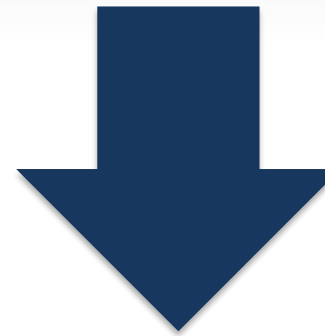
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# Why Might the Benchmark #s Offer Insight, but Not the Entire Answer?

**It's not a question of which tool is best, or even which programs are most effective  
... it's about what you're trying to accomplish**

*Consider This Question:  
Which Tool Is Most Valuable?*

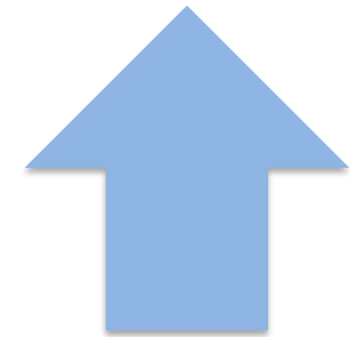
Wrench? or Screw Driver?



**What causes  
success in the  
channel?**



**Why do some  
channels thrive  
while others  
languish or fail?**



## Avoid One Size Fits All... What are the Stated Objectives?

{ Is It Possible To Do All Of These At The Same Time? }



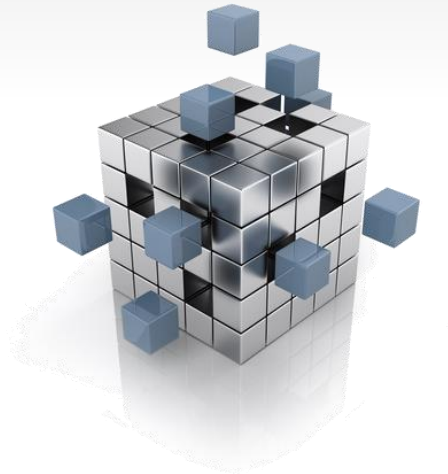
This is **“Channel Context”** ...  
and there is **NO SUCH THING**  
as a Single Right Answer

- New or Mature Product?
- New or Existing Channel?
- A Program for the Masses or Targeted Few?
- Volume/Commodity versus Complex Solution?
- Customer Target Market Enterprise or SMB?
- Which Routes to Market? Customers they Reach?
- Fulfillment versus Value-Add Channel
- Product and Brand Awareness & Share

# What's in a Word...Context?

## How product goals dictate the:

- ✓ Partner strategy
- ✓ Routes to market
- ✓ Partner program
- ✓ Field execution
- ✓ The impact of IoT, Cloud, Mobility & Hardware Function Shift to Software (e.g. SDN, SDDC)



***All are building blocks  
(one linked to the other)  
to achieve a desired end***

# Let's Use a Methodology Based on Context to Solve our Simulation Business Problems



## PRODUCT STRATEGY

### REQUIRED INPUT

- ✓ Product ASP
- ✓ Target Markets
- ✓ Buying Behaviors
- ✓ Competition

## CHANNEL STRATEGY

### RTM

- ✓ Routes to Market Selection
- ✓ Partner Profile Development
- ✓ Value Proposition Development

### Capacity

- ✓ Partner Productivity Assumptions
- ✓ Capacity Planning

## PROGRAM DEVELOPMENT

### Enable

- ✓ Sales & Technical Training
- ✓ Tools & IP Sharing
- ✓ Field Mentoring or teaming

### Market

- ✓ Market to, through, with strategy
- ✓ Demand generation tools
- ✓ Co-marketing funds & rules

### Sell

- ✓ Pre- and post-sale support
- ✓ Incentive structures
- ✓ Pricing and discount models
- ✓ Deal Registration

## FIELD EXECUTION

### Recruit

- ✓ Staffing model
- ✓ Onboarding activities
- ✓ Role of distribution

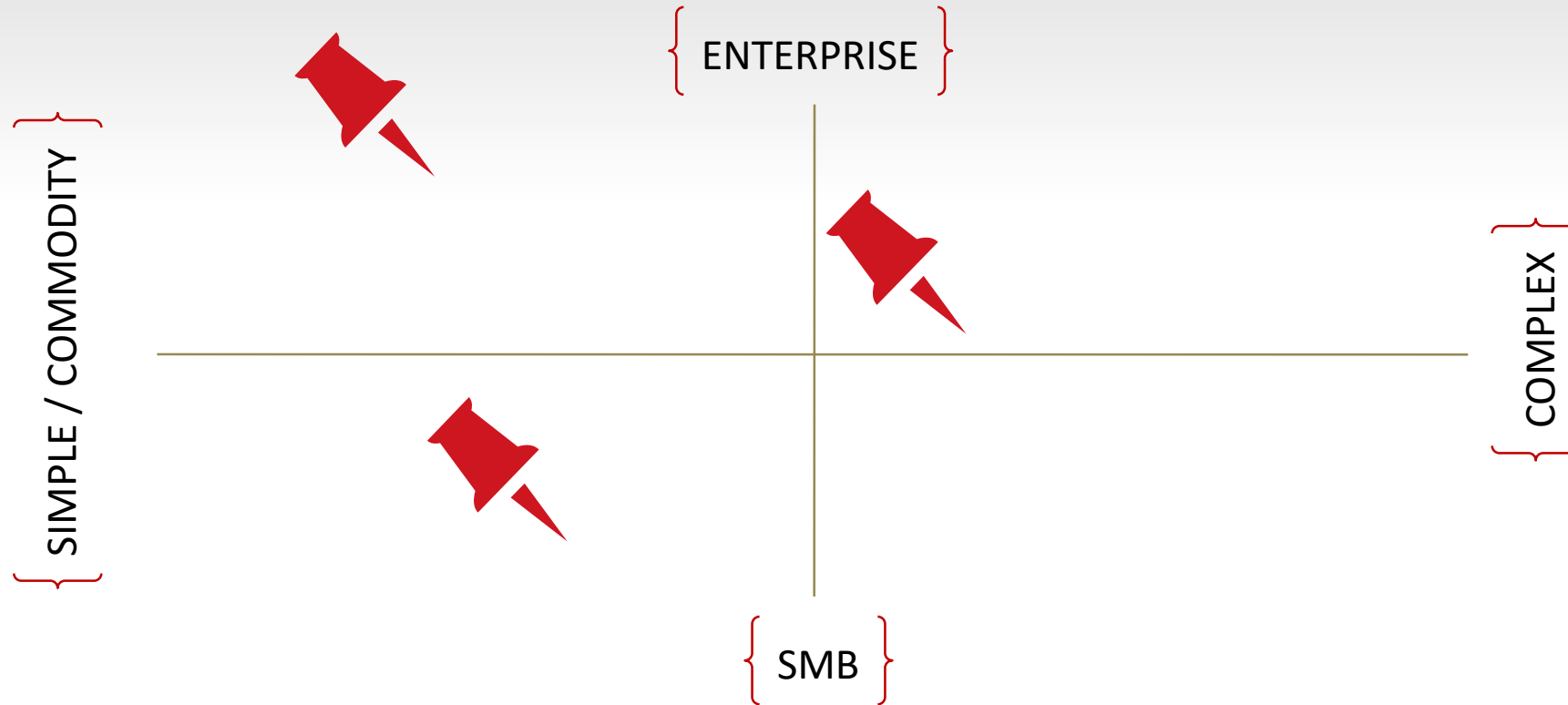
### Manage

- ✓ Program metrics management
- ✓ Joint business planning
- ✓ Rules of engagement



**SUPPORTING INFRASTRUCTURE (PRM, 800#, SUPPORT LINE, PORTAL)**

# Which Target Markets are You Going After?



✓ *Different again for components or embedded software versus whole products*

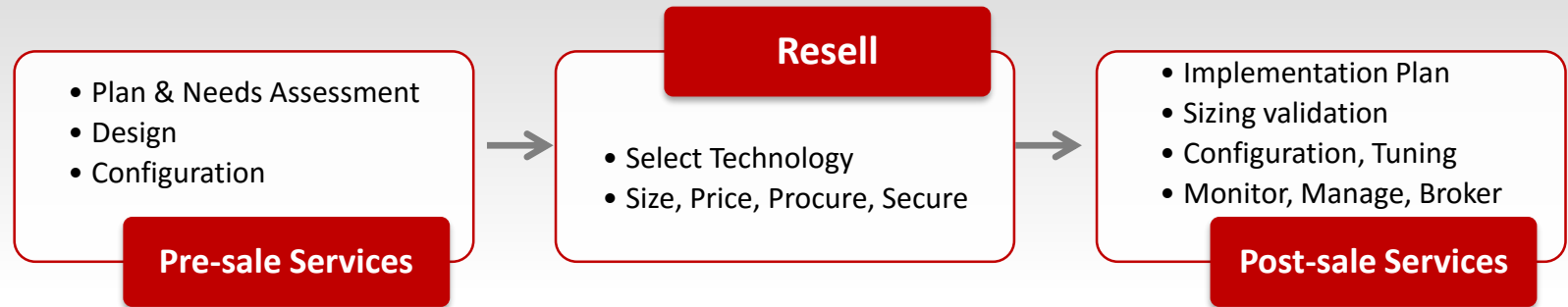


# Which Partner Business Models have Access to the Target Markets?

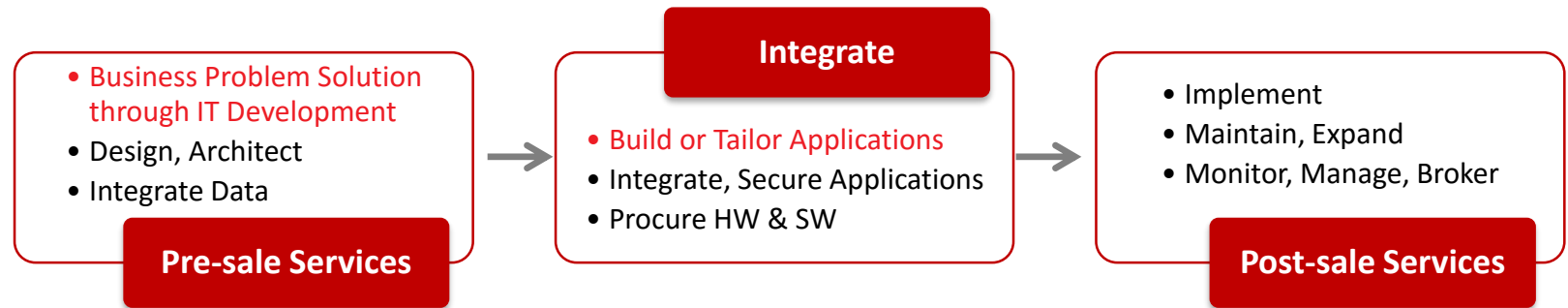
	Global SIs	ISVs	Service Providers	Distributors & VARs/MSPs	OT Distributors & Integrators	DMR & Web Sales	Direct Sales
	↓	↓	↓	↓	↓	↓	↓
<b>Target Market</b>	<ul style="list-style-type: none"> <li>✓ Global 1000</li> <li>✓ Complex Systems</li> </ul>	<ul style="list-style-type: none"> <li>✓ Vertical or Horizontal Solutions</li> </ul>	<ul style="list-style-type: none"> <li>✓ CIO, Dept. Buyers</li> </ul>	<ul style="list-style-type: none"> <li>✓ By VAR/MSP Specialty</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enterprise to SMB LOB by Vertical</li> </ul>	<ul style="list-style-type: none"> <li>✓ All</li> </ul>	<ul style="list-style-type: none"> <li>✓ Segmented by Vendor</li> </ul>
	↓	↓	↓	↓	↓	↓	↓
<b>Buying Behavior</b>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Custom</li> <li>✓ High Touch</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Vertical Expertise</li> <li>✓ Avoid custom development</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ OPEX</li> <li>✓ Low barrier to entry</li> <li>✓ May be lower TCO</li> <li>✓ Flexibility</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Technology Guidance</li> <li>✓ Solutions</li> <li>✓ Low barrier to entry</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Vertical Biz Problem Discussion</li> <li>✓ Edge &amp; Industrial System Knowledge</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Procurement</li> <li>✓ Competitive Pricing</li> <li>✓ Quick Turn-around</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Vendor Relationship</li> <li>✓ Development Access</li> </ul>

# Which Partner Capabilities are Required?

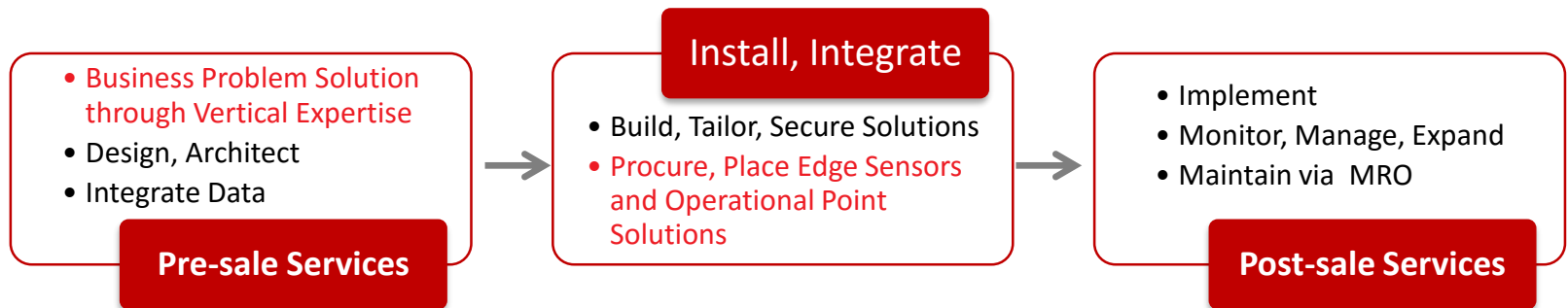
## IT Infrastructure



## IT Applications



## OT or OT Industrial



# What, then, is the Resulting “Ideal Partner” Profile? VAR/MSP Partner - Sample

## Potential

**Product Adoption Record:** The entire Product Line to enable cross-sell; adjacent vendor relationships to enable solutions

**Enablement:** Sales, Technical & Operational Training, Support Capabilities, Managed Services

- Dedicated Sales Staff Trained
- Technical staff trained for both pre-sales design/configure, post-sales implementation & operational managed services
- Maintenance: takes first line support calls

**Marketing Capabilities:** Dedicated Marketing coordinator, matches MDF, tracks leads and reports back on MDF usage, spends 8% of revenues on marketing

**HW, SW, Services, MRR Mix:** 40%-15%-35%-10%

**Top Line Revenue Growth:** 10%

## Revenue

**Sales Capabilities:** (Customer Target Markets, Industry Verticals, Horizontal Solutions, Customer Satisfaction, References, Average Deal Economics, Transaction Volume)

- Upper mid-market customers with specialization in Hybrid Cloud, Network Infrastructure Design and Operation (can provide MSP option)
- Receives high customer satisfaction feedback, i.e. a ready reference
- ASP is \$10,000 OTC and \$3k/month managed desktop
- Last FY annual product revenue \$100,000 in vendor product

**Check Navigator for Ideal Partner Profile**

# What if your Partners started as Consultants? Born in the Cloud?

## Potential

- **Product Adoption Record:**
  - ✓ Core product and cross sell products
  - ✓ Developed proprietary extensions sold through our Marketplace
- **Enablement:** Sales, Technical and Services training
  - ✓ Implementation, Management, Development
- **Marketing Capabilities:** Can create pipeline and demand based on credibility, vertical expertise & solutions
- **HW, SW, Services Mix:** 100% Services
- **Top Line Revenue Growth:** 15%

## Revenue

- **Sales:** To which Customer Target Markets does this Agent have access? Which Industry Verticals, Horizontal Solutions? What are the Average Deal Economics, Transaction Volume?
- Can co-sell with with our team and with other Partners



## Based on the Ideal Partner Profile...

Let's prioritize the type of benefits required to make that partner immediately successful in the ROLE he/she is playing with your product, service or solution.

# Sales Education: Content and Duration Matter

## Easy to Use

- ✓ Short and to the point
- ✓ Easy, clear and time efficient
- ✓ Practical and easy to understand
- ✓ It was available when I needed it
- ✓ Simple, easy, but accomplished a goal
- ✓ Effective and quick
- ✓ Well planned, executed and available in multiple formats
- ✓ Easy to use, flexible, reliable, credible

## Leads to Sales

- ✓ Includes information that leads to customer sales
- ✓ It focused on the entire sales cycle
- ✓ Drove quick sales
- ✓ Enhanced my product knowledge to better close sales
- ✓ Taught me how to diagnose a customer situation and build a win, win scenario

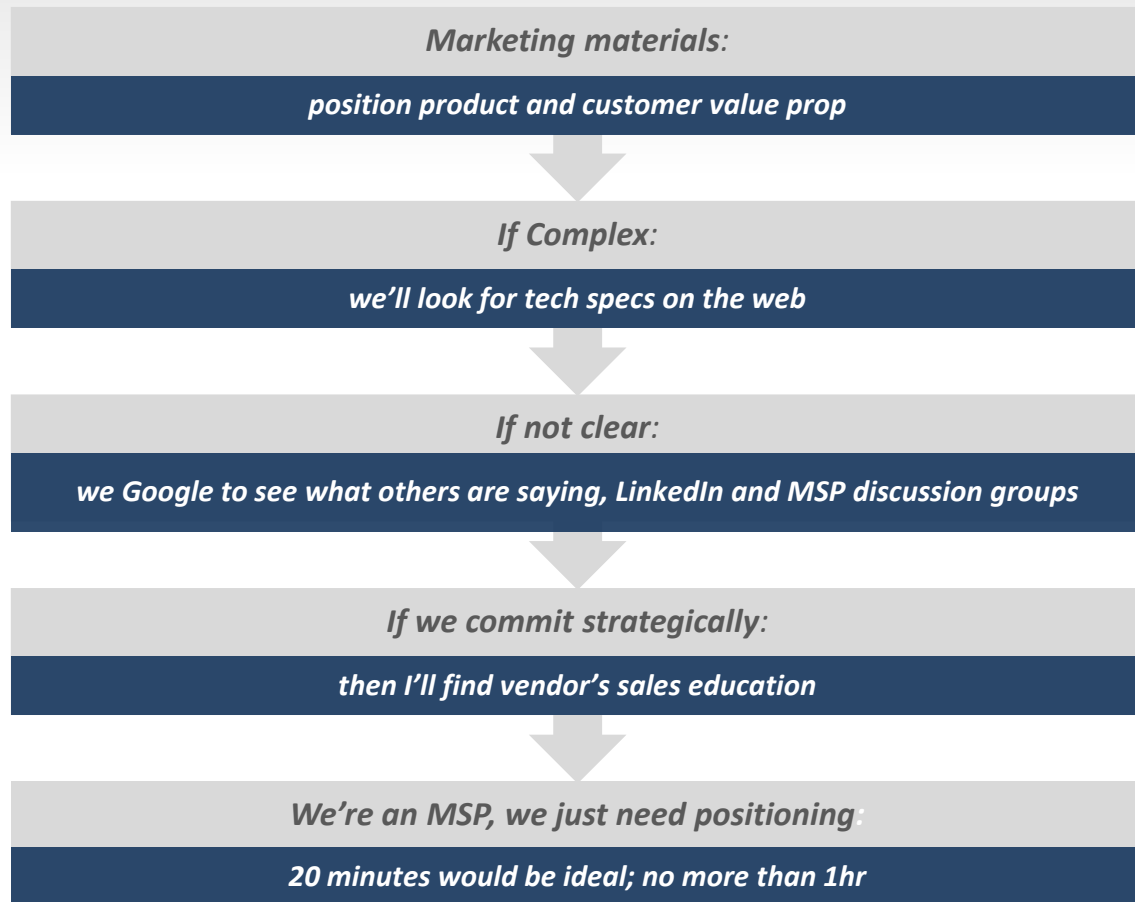
## Product Sales

- ✓ Taught employees to respond to customer inquiries
- ✓ Taught me new features on best of breed product
- ✓ Allowed me to leave with a working demo

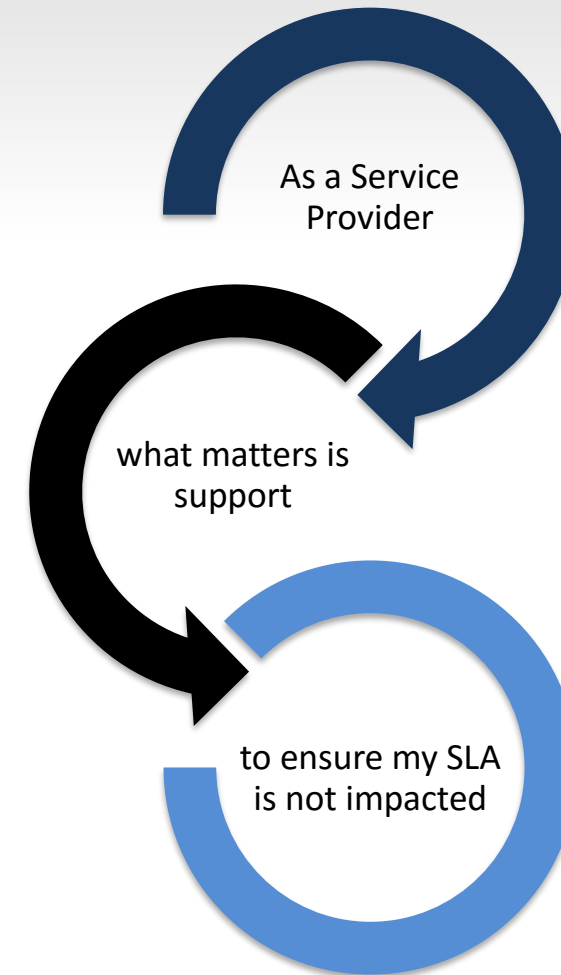
# New Business Models Require New Education & Support Offerings

## THE MSP EDUCATION PROCESS

*"The right sales education is hard to find."*



## SUPPORT

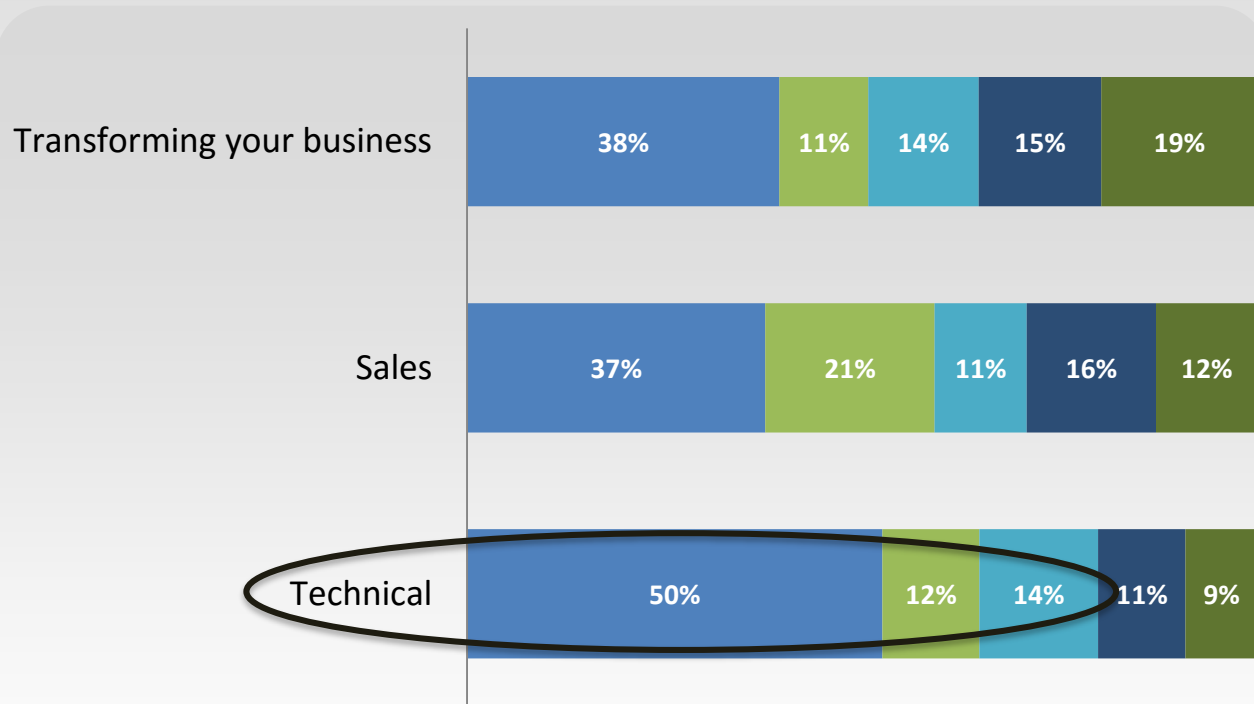


*"Regarding education, our needs are a bit different. We're an MSP, web based, free or on-site for our team works. I don't think I should have to pay to understand how to sell the product."*

*"We would pay for post sales support then pass that on to the client in our service level contracts."*

Source: IPED Enablement and Marketing Study

# Who Should Deliver the Different Types of Education?



- Product or Service Vendor (e.g. Microsoft, Rackspace, etc.)
- Your Distributor
- An Association (e.g. CompTIA, HTG, etc.)
- Independent Consultant
- Don't know / Don't Use

*“Our training is sourced from a combination of distributors and vendors.”*

*“Best of Breed is efficiency when we need it!*

- *Basic features*
- *What business problem it solves or the intended purpose*
- *Why is it different or better than the alternatives*
- *Sizing, configuration and model differences”*

*“Our CEO will not invest in non-technical training... I look at CRN, Infoworld, RSS feeds, network or vendors visiting. I don't need to pay CompTIA to tell us.”*

*“What matters is fast and efficient, let me download materials/audio and use while I drive.” (non-major metro area)*



# Best of Breed Technical Education includes a “Virtual Sandbox” Lab

**Vendor:** 

**Compelling event:** Citrix acquires XenSource

**Objective:** train global partner ecosystem on the newly acquired Citrix XenServer (virtualization technology)

- In a compressed timeframe
- Requiring a cost effective and on-demand delivery

**Solution:** Citrix XenServer integrated within the Toolwire “virtual sand box” platform. Provides each user the ability to access physical servers for the labs focusing on a range of technical topics. (e.g., users have the ability to install and configure Citrix XenServer components on a physical server as well as on a virtual machine image, as needed.)



Supporting onsite, online, and hybrid classrooms. The “virtual sandbox” provides students with instant, on-demand access to virtual lab environments from the convenience of a web-browser and allows students to build technical skills.

*"Working with Toolwire to develop and deliver an experiential training solution to meet our Citrix XenServer global training objectives has enabled us to cost effectively extend our training footprint. We see on-demand, hands-on training as a value add to our partners and a differentiator that will contribute to an increase in our global virtualization market share."*

*-Julieann Scalisi, Managing Director of Education for Citrix Systems*

Source: <http://www.prnewswire.co.uk/news-releases/toolwire-to-deliver-virtual-hands-on-learning-for-citrix-xenserver-152658325.html>

# Education Table Stakes

## Provide Content & Learning Paths by Role

- E.g. Sales, Developer, Implementer, Architect, Service Level Manager, etc.

## More often, Educate for Solutions Rather than Products

- Private cloud solution versus server & storage

## Ensure Learning Path Ease of Access, Ease of Use and Personalization

- Learning paths should facilitate training plans and track progress via dashboards by individual
- Consider which content is available outside firewalls, e.g. YouTube
- Think hard before requiring expensive, in person training requiring travel and time out of territory
- Provide “test outs” and fast path education when a similar or competitive certification is held

## Facilitate Access to Developers & Communities

Both inside (authenticated) and Outside (YouTube, LinkedIn, Twitter) of your Partner Portal

# Education Best Practices

## The New Builders Podcast

By IBM developerWorks TV

To listen to an audio podcast, mouse over the title and click Play. Open iTunes to download and subscribe.



[View in iTunes](#)

### Description

Today's applications are central to decision-making at all levels of society - whether governments monitor critical infrastructure using smart sensor data, or helping consumers buy their favorite brand of cereal. The New Builders podcast features interviews with apps, in which they reveal their best practices, latest projects and favorite tools.

Name	Description	Released	P
1 Ep. 31: Data, Demos-N-...	This week, we're previ...	3/15/2017	Fi
2 Ep. 30: Meditations on Cl...	The TV landscape has ...	2/26/2017	Fi

Vendor Built Intellectual Property (IP) made available to partners to speed the ability to deliver services or to improve services profitability.

- Virtual technical labs with continued access after class
- Mobile device delivered content
- Determine what must be ubiquitous and outside the firewall versus inside
- Individual incentives to achieve required learning including, cash/debit cards, points programs for merchandise, access to developer or Vendor Partner forums, individual designations/badges/certification titles

Spiffs

*MSP education needs differ.*

*Sales education is considered best of breed when the curriculum provides revenue generating direction in the least amount of time, when needed.*

*Best of breed technical training requires the use virtual labs where work can be saved for reference after class.*

# Education: Biggest Inhibitors...Does the Partner Believe You Understand?

- Time and Money
- Cost and ROI
- Opportunity Costs:
  - Keeping the business running while participating in education
  - Pulling people out of the field
  - Project delays if we pull people off projects to train



Almost **80%** of respondents expect free (47%) or vendor funded (33%) support and education.

*“Lack of executive support.”*

*“Lack of proximity (major metropolitan area) and we prefer in person training.”*

*“Our CEO will not invest in training.”*

# Partners Declare Marketing a Significant Weakness



## Marketing

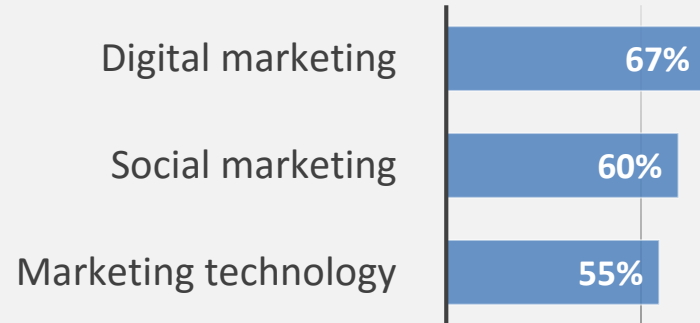
- ✓ Assistance to supplement Partners' acknowledged poor marketing skills is highly valued
- ✓ **28%** of solution providers utilize vendor self service marketing assets.
- ✓ Some, looking for high touch support, opt for lesser known vendors who will allocate full marketing support.

***“Ruckus isn’t necessarily best of breed, but I’m building a pipeline with them. Ruckus is trying to capture share from the big guys, they tailored demand creation to meet our needs.”***

***“Both Cisco and EMC have invested in Channel Partner Marketing Certification.”***

# Marketing Considerations

## New skills requirements



## Strategies deployed by Cloud Solution Providers

- Try and buy programs
- Focus on thought leadership
- Digital transformation
- Pre-sales consultancy
- Assessments
- Packaged solution offerings
- Account based marketing (expand part of land)

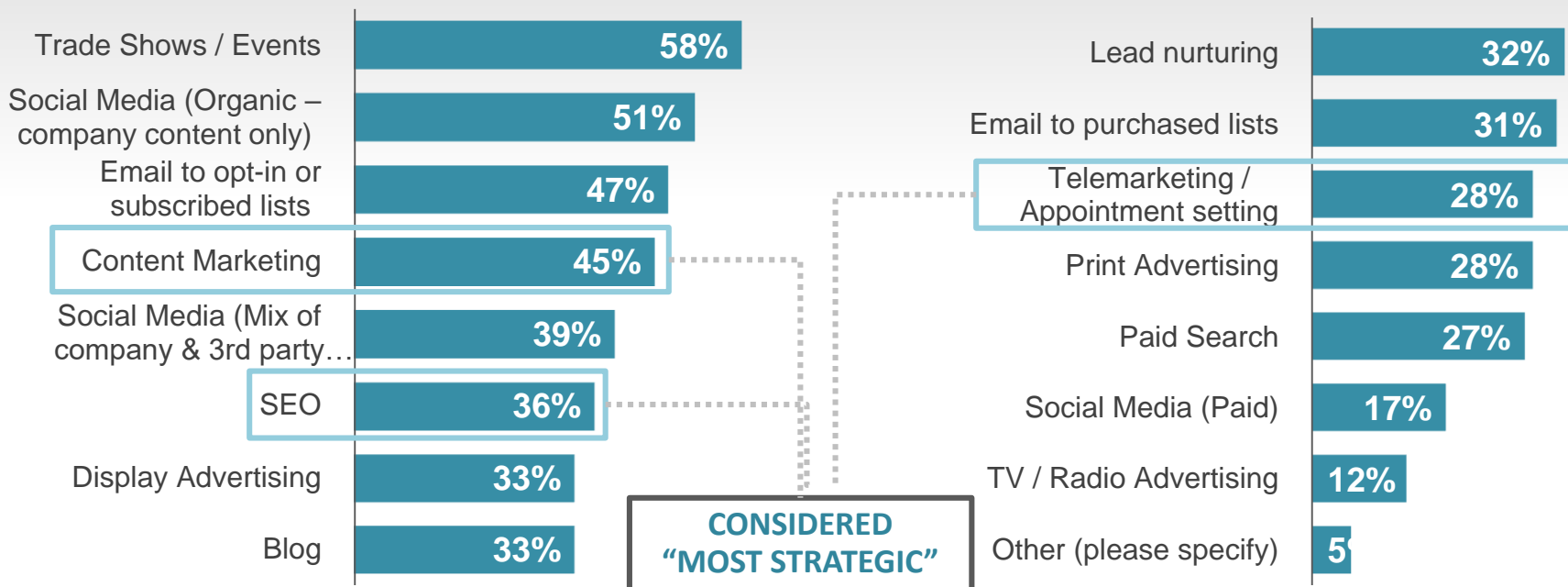
## Activities are potentially different



Customers and buyers are different; activities and target audiences must change;  
Do your business plans reflect their changes?

# Self Serve Model Shifting to Vendor-Supported or -Managed

## PARTNER MARKETING ACTIVITIES



**MARKETING BUDGET AS A % OF COMPANY'S REVENUE**

**8%**

(median)

Nearly 50% of respondents spend 5% or less of company revenues on marketing

# Self Service Tools Demonstrate A Less Than 35% Adoption Rate

Vendor Support Is Needed To Supplement The Typical Partners' Capabilities.

## The Question

*Can high touch capabilities scale to the masses through a marketing automation investment driving greater participation?*

### BEST OF BREED OPTIONS

28% ADOPTION

#### PARTNER SELF SERVE

- Templated materials around which partners can customize & create campaigns (no other vendor role)
- Enable partners with simple, easy to use, turnkey campaigns

#### VENDOR SUPPORTED

- Vendor supports partner planning, or materials and/or execution; partner leads
- Deliver guidance and direction to partners and assist with planning, setup and execution of campaigns
- Single point of contact for all marketing inquiries
- Focus on high value partners

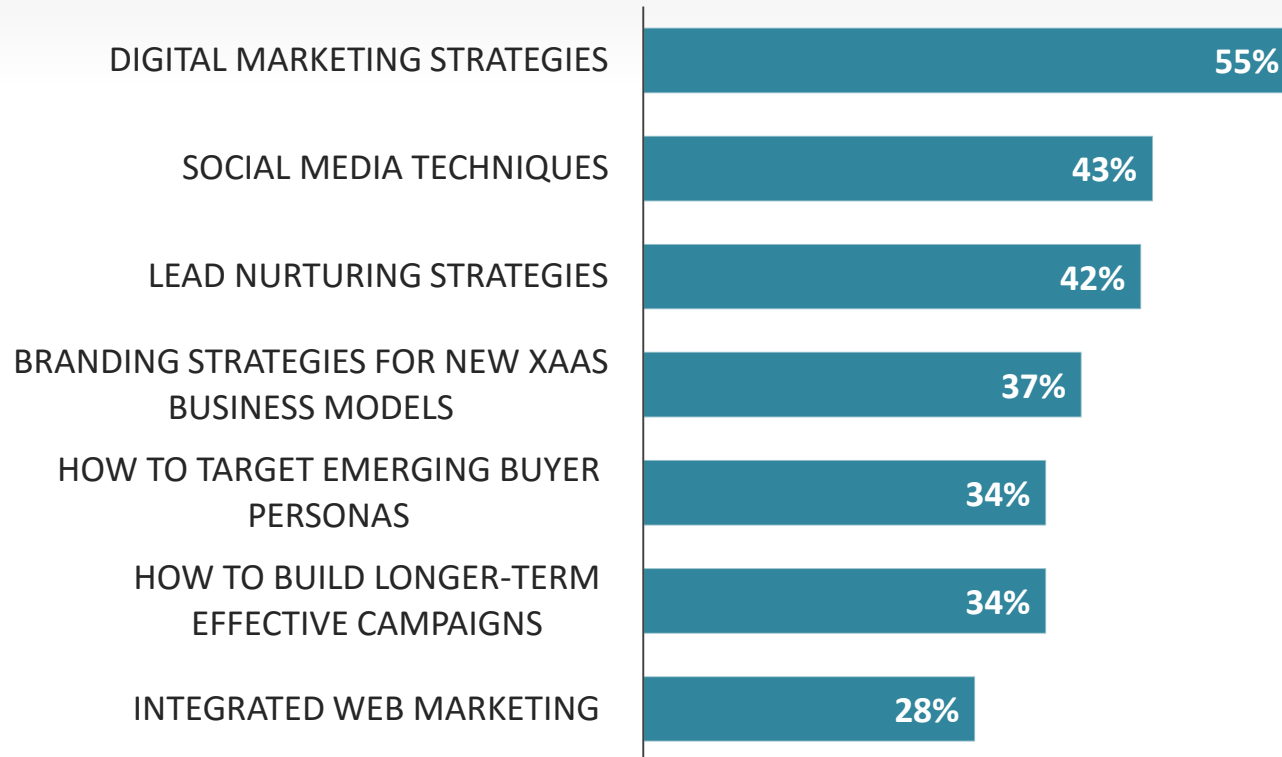
#### VENDOR MANAGED

- Vendor and/or partner materials, managed as a complete campaign on an ongoing basis by vendor
- Offers highest level of automation and integration
- Designed to minimize partner effort
- Focus on highest value marketing activities and partners



# Best of Breed Partner Marketing is a Supported or Managed Service Typically Allocated to Strategic Partners

## TYPES OF MARKETING INSIGHTS OR TRAINING DESIRED FROM IT SUPPLIERS



*“Web page optimization and lead generation training are the most valued.”*

*“\$2,500 in MDF, not matched, requiring a 40 to 1 ROI. It happened simply across multiple product lines. Yes, it was proposal based. I reported back on a spreadsheet.”*  
 - provided by a major HW and SW vendor alliance

*“Complete end to end support, funded through MDF, including mailings, website support (with content syndication) and twitter tie-in.”*

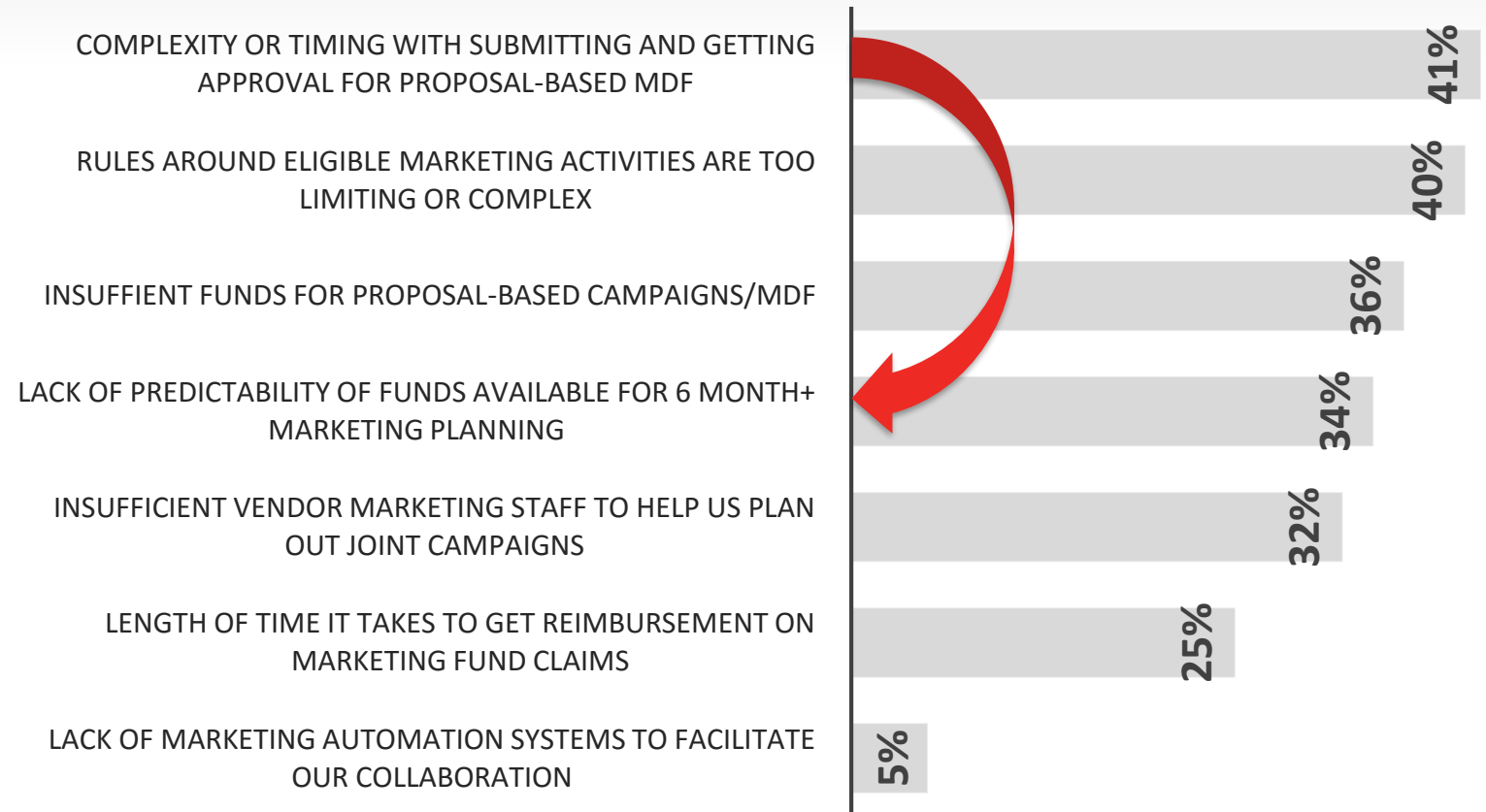
*“Integrated marketing automation solution with CRM to provide visibility to sales and letting them help provide lead scoring with aggressive tele-follow up by the vendor and distributor.”*

# Biggest barrier to vendor marketing is MDF program complexity; funding levels and staffing support perceived to be less challenging

## Top 3 Barriers Overall: (mean)

- 1 Complexity or time involved in MDF up-front approval process
- 2 Rules around eligible marketing activities for MDF
- 3 Insufficient proposal-based MDF funds

## ▶ IT SUPPLIER MARKETING BARRIERS



# Pre and Post Sales Support

## Technical Support and Types of Offerings:

- 800# Unlimited
- 800# Limited Calls
- Field based systems engineer
- Field based services division mentor
- Distributor technical resources

How do these affect  
a partner's P&L?

Demo Systems, Not For Resale Code

MSP Expedited Product Support when a Customer experiences an Outage or High Severity Product Issue

MSP Operational Support: Cisco



- Cisco's Land, Adopt, Expand & Renew Lifecycle Services Model
- Lifecycle Advisor program helps partners build and reward investments in Lifecycle practices
- Supports partners recurring revenue services and Cisco's investments in subscription services
- 397 Customer Success Managers hired by partners this past fiscal year

## Creating the customer experience

#successtalk



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# You Now Have Your Channel Context!

## Context Factor Your Simulation Context

### COMPANY

Newly established division utilizing direct sales, DMR and National Solution Providers

### PRODUCT

MacroSoft's CloudOne Appliance™

### CUSTOMER

Small, upper mid market, enterprise departmental who may have the following needs: Backup Disaster Recovery, Web Based Applications, IoT, Etc.

### CHANNEL

Single Tier, services capable value added solution providers with managed services

### RESOURCES

People, Programs, Budget, etc.

### OBJECTIVE

\$5M Revenue on a \$2M budget spend. Set Program Funding to **Build out Program... Recruit ... Enable ... Win**

## Use Cases

- Managed Networking
- Managed Security
- Enterprise Departmental Server
- Cloud Server
- IoT Application Server
- Any Line of Business Application Server
- Backup-Disaster Recovery

## Key Product Feature:

Includes embedded Splunk to offer enhanced security, insight to operational efficiencies and customer behaviors

## Customer Business Value:

- Reduced costs
- Faster time to market
- Reduced risks

## When Sold as MRR:

- Internally consumed in order to offer a service
- Priced as a service

# Now, **Prioritize** Your Budget Spend Priorities for Your Ideal Partner

All are important,  
**RED** Indicates Partner Priorities

## Product Focused Resellers

- ✓ Predictable product flow
- ✓ Competitive SRP pricing & Rebates
- ✓ **Strong brand presence**
- ✓ **Clear, stable front-end margins**
- ✓ On-line sales & technical training
- ✓ Deal protection/reg.
- ✓ Affordable training
- ✓ Access to Channel rep
- ✓ Minimal channel conflict

Simplicity & affordability

## Solution Focused Resellers

- ✓ Standards-based product
- ✓ Technical training
- ✓ Tech. architectures and tools
- ✓ **Certification & specialization status**
- ✓ Deeper technical support
- ✓ Performance incentives/rebate
- ✓ Deal protection/reg.
- ✓ **Co-marketing support & MDF**

Tech. depth & differentiation

## Services & Solution VARs & SI's

- ✓ **Reference architectures**
- ✓ Sales influence – recognize/reward
- ✓ Clear rules of engagement (w/vendor and other partners)
- ✓ Use-cases and references
- ✓ Field sales teaming model
- ✓ **Prof. Services mentoring & tools**

Services-attach & influence

## MSPs & Service Providers

- ✓ Deep technical relationship
- ✓ Classroom and lab based training
- ✓ **Utility-based licensing models**
- ✓ **Expedited support**
- ✓ **Creative financing**
- ✓ P2P collaboration program visibility
- ✓ Compensation neutrality for vendor field teams

Solid technology Financing/licensing

# Match Your Spend Priorities to the Navigator Simulation Buckets



	<b>Incentives</b> <i>(OPEX only and includes business development funds*)</i>	<b>Demand Generation Funds</b> <i>(includes all MDF)</i>	<b>Program or Other Partner Marketing Activities</b> <i>(excluding MDF)</i>
<b>Description</b>	<p>This category includes all of the program elements associated with partner incentives to drive:</p> <ul style="list-style-type: none"> <li>• Product sales</li> <li>• Education</li> <li>• Training behavior, etc.</li> </ul>	<p>This category includes all of the program elements that are related to driving end user demand with and through your partners.</p> <p>Note: this does not include corporate end user demand generation, advertising, trade shows, etc.</p>	<p>This category includes all of the program elements that relate to marketing your program and all aspects of “marketing to” your partners.</p>
<p><b>Includes:</b> <i>These are items that may be included in this budget section. This is not an exhaustive list, so other items can be included.</i></p>	<ul style="list-style-type: none"> <li>• Business development funds</li> <li>• Sales SPIFFs</li> <li>• Rebates</li> <li>• Performance incentives</li> <li>• Deal registration incentives</li> <li>• Special pricing programs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• End-user targeted advertising</li> <li>• Promotions</li> <li>• Marketing activities designed to generate qualified leads</li> <li>• Trade show participation</li> <li>• Joint seminars, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Channel based print/web advertising</li> <li>• Industry events</li> <li>• Emails</li> <li>• Newsletters</li> <li>• Self-created webinars</li> <li>• Partner road shows, etc.</li> </ul>

*\*This includes OPEX funds only so do not confuse this with any contra-revenue items or discussion. We will address contra-revenue later in the Channel Masters curriculum.*



	<b>Infrastructure and Support</b> <i>(includes eval units, POCs, Pre/Post sales support items &amp; portal)</i>	<b>Education</b> <i>(Sales and Technical)</i>	<b>Other</b>
<b>Description</b>	<p>This category includes all of the program elements that are necessary to:</p> <ul style="list-style-type: none"> <li>• Execute and implement your partner program</li> <li>• Support partners during sales engagements.</li> </ul>	<p>This category includes all of the program elements that are related to enabling your partner’s technical or sales teams.</p>	<p>This category is open ended and designed to be a place to make investments outside of what is listed. This is intended to be a place to add creative ideas that might be outside of the normal investments.</p>
<b>Includes:</b> <i>These are items that may be included in this budget section. This is not an exhaustive list, so other items can be included.</i>	<ul style="list-style-type: none"> <li>• Partner portal (content updates)</li> <li>• Pre-sales technical support for partners</li> <li>• Eval units and proof of concept sessions</li> <li>• Post-sales tech support for partners (above normal tech support)</li> <li>• Concierge services</li> <li>• Professional services support</li> <li>• Technical best practices, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Technical training programs</li> <li>• Product or solution certifications training webinars/in-person sessions sales education programs</li> <li>• Product training for sales reps</li> <li>• Sales webinars</li> <li>• Customer education</li> <li>• Competitive positioning, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Focused investments in a targeted competitive partner</li> <li>• Ability to make un-budgeted investments (i.e. consulting assistance) in the real world that is not part of standard partner operations, etc.</li> </ul>



# **Team Workshop Phase 1**

**Set Your Partner Program Budget**

# Reading the Navigator Handbook

## Four Case Study Sections in the Navigator are each color coded.

### Section 1: Company Overview

### Section 2: Product Overview

### Section 3: Customer Overview

### Section 4: Go-to-market Overview

### CASE STUDY: COMPANY OVERVIEW

Let's look at the case study information that you will use during the simulation. The company, product and market information is fictional, but is grounded in relevant, real world examples. As always, you will never have all of the information you will need, so you will need to use what is provided. Good luck and we hope you enjoy the simulation.

**COMPANY BACKGROUND**

Your business organization is a newly established company in selling on promise based hardware products.

- Channel History:** The company has a long history consistently recognized as a 5-Star vendor. Key partners including:
  - DMRs (Direct Marketing Resellers)
  - Local and regional solution providers
  - to a lesser extent, Managed Service Providers

The company has recently developed a new solution since this solution will go beyond the current channels.

**NEW CHANNEL TEAM CREATED TO DRIVE**

In order to drive the appropriate focus, the original solution offering to market. The mission of the new channel team is to recruit those partners and ultimately drive the business forward.

- Focus on new partner recruitment:** While management may be a good fit for the new solution, newly developed ideal partner profile.
- Channel only product:** Management has direct sales force will not have direct relationship with the channel.
- Tier 1 initially:** While management supports a direct sales force, they do not endorse a direct sales force. You will need to consider the scope and channel management team and resources.
- 2-Tier distribution model:** is a future distribution model and understands that in the next 12-18 months you will need to consider the scope and channel management team and resources.

**COMPLEMENTARY PROFESSIONAL SERVICES**

The company has a professional services organization at the stage of the product lifecycle. The mission and goals are:

- Ensure customer success:** Since this is a new organization to stay involved and offer high quality support.
- Partner enablement:** The executive team will ensure the partner's teams are enabled to support the customer.
- Funding allocated from channel team:** partner program to mentor and assist in the go-to-market plan.

### CASE STUDY: PRODUCT OVERVIEW (CONTINUED)

**PRICING AND PARTNER DISCOUNT**

The company has developed two offerings to address the market:

Product Offering	End customer list price (one time, upfront)	Partner price (25% discount)	Approximate number of users per system
<b>Traditional Resell Offering</b>			
<b>Managed Services Offering*</b>			
	End customer list price (per month)	Partner price (per month-25% discount)	Approximate number of users per system

\* (At this time, this option is only available to Solution Providers. MacroSoft does not sell this directly to customers)

**IMPLEMENTATION AND MANAGEMENT SERVICES**

Based on the Pilot Flagship customer program (CSP), the amount of professional/managed services needed is:

- Pre-sales consulting opportunity: (i.e. requirements development, POC, implementation, planning services, etc.)
- Implementation services opportunity: (i.e. installation, configuration, data migration, etc.)
- Managed Services opportunity: (i.e. monitoring, break/fix support, help desk, patch management, backup/DR)

Approximately 1 out of 4 customers have stated they do not have the advanced capabilities of the appliances by delivering consulting, application integration and development, that have these capabilities:

- Perfect for your partners to host any customer or managed security contract where an on-premise appliance is required.

### CASE STUDY: CUSTOMER OVERVIEW

**TARGET CUSTOMER USE CASES**

The CloudOne solution has the potential to address the following customer use cases:

- Managed Malware
- Managed Security
- Enterprise Departmental Server
- Cloud Server
- IoT Application Server
- Key Line-of-Business Application Server
- Backup-Disaster Recovery

**CUSTOMER VALUE PROPOSITION**

CloudOne can be used to achieve various customer value propositions through the implementation of a CloudOne solution:

- Reduced Costs**
  - Control access to sensitive data while allowing for flexibility
  - Billing, resource usage as needed
  - One call lower cost of ownership
- Faster Time to Market**
  - Improve sales cycle time to customer
- Reduced Risks**
  - Integrated security
  - Customers can automatically monitor and respond to threats
  - Support response time reduction

### CASE STUDY: GO TO MARKET OVERVIEW

**COMPETITIVE LANDSCAPE**

Direct competition for CloudOne is limited to one major appliance vendor in the market, but several of the larger hardware and software vendors claim to be able to solve these same customer requirements via alliance or OEM relationships. The partner community is somewhat familiar with both types of vendors, but the following describes the basic competitive situation:

- Appliance vendor:** The only other appliance in the market is from a technology company as equally established as MacroSoft. They have a good technical solution but have limited market visibility. They are just starting to recruit partners, but their sales team is heavily involved in every deal since they are just starting to ramp their revenue. Their pricing is similar to CloudOne, but they have been known to cut deals (and partner margins) in order to get customers. Due to recent announcements, the partner community is concerned with the possibility that this vendor plans to offer a direct to customer solution and the role of the partner is ill-defined.
- Larger hardware and software vendors:** Two of the largest technology vendors have stated that they are very nervous about the MacroSoft solution since it will solve the same customer problems that their solutions do at a fraction of the cost. They offer a complete solution by effectively combining their hardware, software and services (directly or through partners), but their market has primarily been in the enterprise. They offer a complete solution but still sell them as standalone hardware, software and services offerings putting the burden of the integration and subsequent cost on either the partner or customer. Additionally they sell both directly and through partners.

**IDEAL PARTNER PROFILE**

The solution described should be an attractive opportunity for a variety of different solution providers, but based on the strategy work completed and the direction from senior leadership, we have determined that the best opportunity for success will lie with solution providers who roughly share the following characteristics:

Partner Type	Regional or local solution provider that has some managed services capabilities (at least 50% of their services revenue, not customer revenue, is from a managed services practice). Other capabilities include:
	<ul style="list-style-type: none"> <li>Offer at least two cloud services</li> <li>Have a partnership with at least one public cloud provider</li> <li>Not a requirement, but partners with application development skills will drive higher ROI due to their ability to capture application as well as infrastructure integration opportunities</li> </ul>
Product Adoption Record	These will be new partners, but they should have prior success selling hardware, software and cloud solutions.
Enablement	<ul style="list-style-type: none"> <li>Sales &amp; technical training, support capabilities</li> <li>Dedicated sales staff</li> <li>Technical staff trained for both pre-sales design/configure &amp; post-sales implementation</li> </ul>
Marketing Capabilities	<ul style="list-style-type: none"> <li>Dedicated marketing coordinator or agency relationship</li> <li>Have ability to create marketing campaigns with matched MDF; ability to track leads and report back on MDF usage</li> </ul>
Revenue Mix	<ul style="list-style-type: none"> <li>35% - Hardware</li> <li>25% - Software</li> <li>40% - Services (50% of the services total from managed services)</li> </ul>
Revenue and Revenue Growth	At least \$3M+ with annual growth of 10+%
Customers	Predominantly sell to SMB, upper mid market and enterprise departmental customers and have average deal sizes of at least \$25,000 - \$50,000 (Some experience with larger deals sizes \$50,000 - \$150,000 is extremely helpful)

# Team Workshop Phase 1 – Reading the Navigator Handbook

## Navigator (Simulation) Overview

- Pages 4-6

## The Business Environment

- Pages 7-14
- The Product: “MacroSoft’s CloudOne Appliance”
- Traditional Resell Offering: ASP \$50,000
- Managed Services Offering: ASP \$1,000 per mo./per appliance
- Target market: SMB, upper mid market, departmental usage in enterprise customers
- Competitive Landscape: limited to one major appliance vendor, but many larger HW & SW vendors claim capabilities via alliance or OEM relationships
- Single tier channel of highly productive HW & SW VARs with solution and managed services capabilities. Annual revenues of \$3M+ and growing

## Phase 1: Partner Program Budget Planning

- Infrastructure assumptions: Page 13
- Invest in the Right Program Elements: Pages 17-19
- Spend \$2,000,000 to build your program that will achieve a \$5,000,000 revenue contribution

**TEAM WORKSHOP PHASE 1**

**TEAM WORKSHOP PHASE 1**

**SET YOUR PARTNER PROGRAM BUDGET**

**Assignment**

As a team your assignment is to complete the following activities:

- Review and discuss the case study provided
- Discuss your basic direction on how you want to allocate your channel budget
- Complete the budget allocation using the spreadsheet provided
- Discuss your position as to why you allocated the budget as you did

**Time allocation**

- Team Presentation: 10 Minutes

**Information for your assignment**

- Total available funds to allocate: \$2,000,000
- First year revenue expectations: \$10,000,000 (Revenue expectations are defined as total sales of traditional offering plus the total 3 year contract value for the managed services offering.)
- 3 - 5 year revenue expectations: \$150 - \$250M annual revenue (Management has not set exact future year targets, but we know they believe we can grow at a faster pace than the market. The management team expects revenue to be exponential in the first few years.)
- Budget allocation:
  - Your job is to assign a portion of your \$2M to each budget category
  - You should make your allocations based on which categories are most important and require the highest investment.
  - You should allocate funds to each category and you are limited to \$750k in any one category

**Final Deliverable**

- Completed spreadsheet with budget allocation emailed to Lisa Sabouni and saved in your SharePoint team folder before you leave the work session.

You will be asked to present your spreadsheet in the class environment.

Be prepared to answer questions and be able to defend your positions.

The budget allocation will be graded against an "ideal allocation" that the IPED team has developed based on research, vendor input, channel partner input and our consultants own experiences.

Your goal will be to get as close as possible to the "ideal" allocation.

Other funds (includes all MOP)

This category is open ended and designed to be a place to make investments outside of what is listed above. This is intended to be a place to add creative ideas that might be outside of the normal investments.

- focused investments in a targeted competitive partner
- ability to make un-budgeted investments (i.e. consulting assistance) in the real world, that is not part of standard partner operations
- etc.

Allocating too much of your budget in unproven ideas might not score well on the "industry norm" comparisons that we are using for the simulation, BUT might be perceived as creative and new in later workshop phases. So choose this category wisely.

## *You are buying program components in the stated increments*

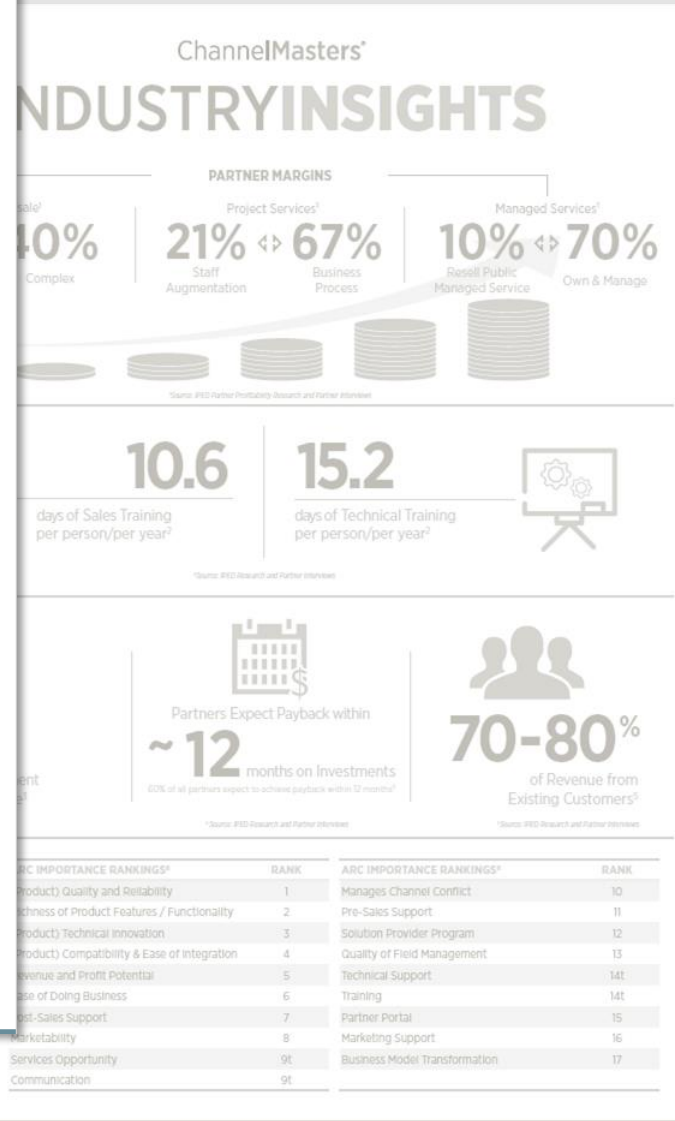
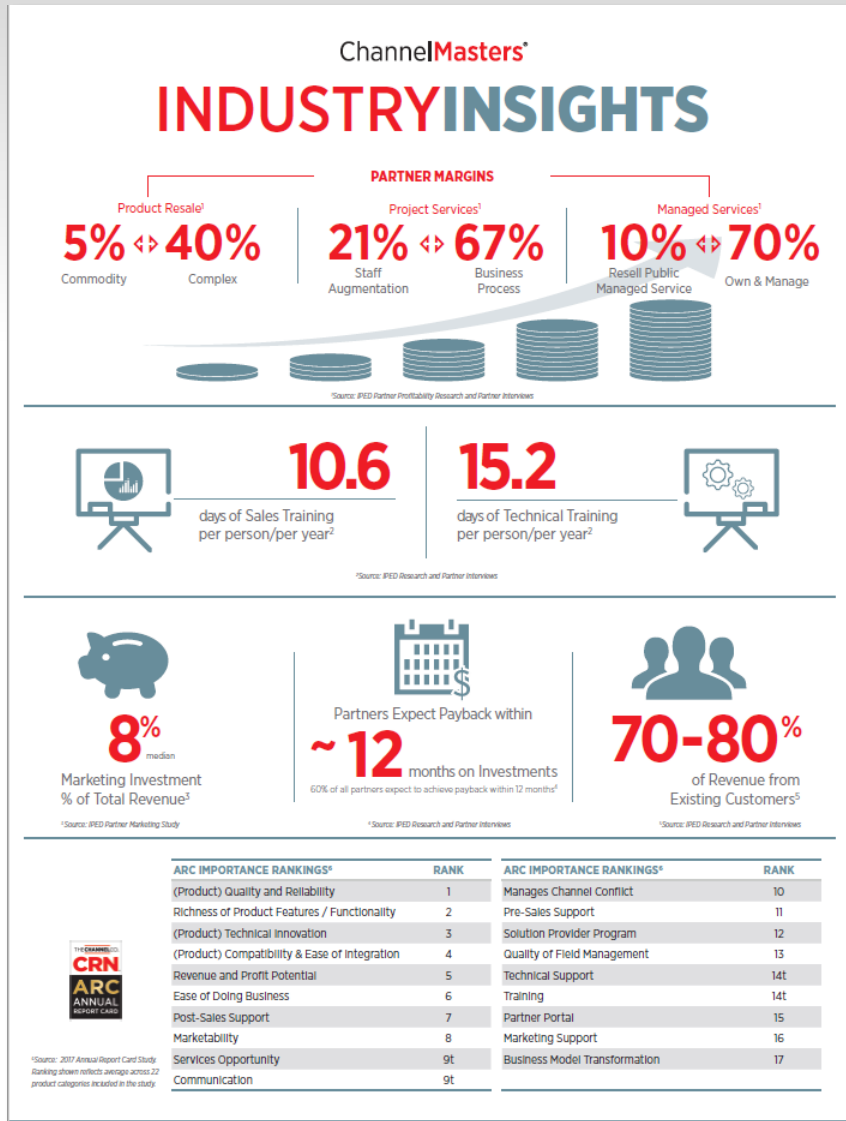
- Lisa will email the workshop documents to each team.
- Each team will receive:
  - ✓ Input Spreadsheet for Phase 1
  - ✓ PPT Templates/Reference Materials for Phases 2 & 3
- Using the Input Spreadsheet provided, complete your purchase of the program components until you spend your **\$2,000,000** budget to achieve a \$5,000,000 revenue number in Year 1  
*(Note: The 3-5 year revenue expectation is \$150 – \$250M in annual revenue)*
- Save your final budget allocation on your laptop
- Email a copy of your final budget allocation to Lisa ([Isabourin@thechannelco.com](mailto:Isabourin@thechannelco.com))



Note: Once emailed,  
you may not make  
any adjustments



# Posters In Each Team Room Offer Additional Considerations



### Note:

The CRN Annual Report Card (ARC) partners rank vendor evaluation criteria for 22 established product categories.

Newer solutions may require different priorities.

# Team Workshop: Complete the Budget Spend Spreadsheet



CHANNEL NAVIGATOR™

TEAM: **1**

ChannelMasters®

Simulation Phase I

Number	Program Element	Budget Amt (\$)	Budget %
Note: \$750K Maximum per Program Element			
1	Incentives (OPEX only)		37.5%
2	Demand generation funds (Includes all MDF)		5.0%
3	Program or other partner marketing excluding MDF		25.0%
4	Infrastructure and support (includes portal)		19.9%
5	Education budget		10.0%
6	Other		2.6%
		<b>Total Allocated</b>	<b>\$2,000</b>
		<b>MAXIMUM</b>	<b>\$2,000</b>
		<b>Amt left to allocate:</b>	<b>\$0</b>
		<b>% left to allocate:</b>	<b>0%</b>



**As we calculate your scores...  
please elect a speaker or speaker team**



- ✓ *What was your team process?*
- ✓ *Were your thoughts that impacted your allocation of funds?*
- ✓ *What was your view on what was important? and Why?*

# **Debrief Team Workshop Phase 1**

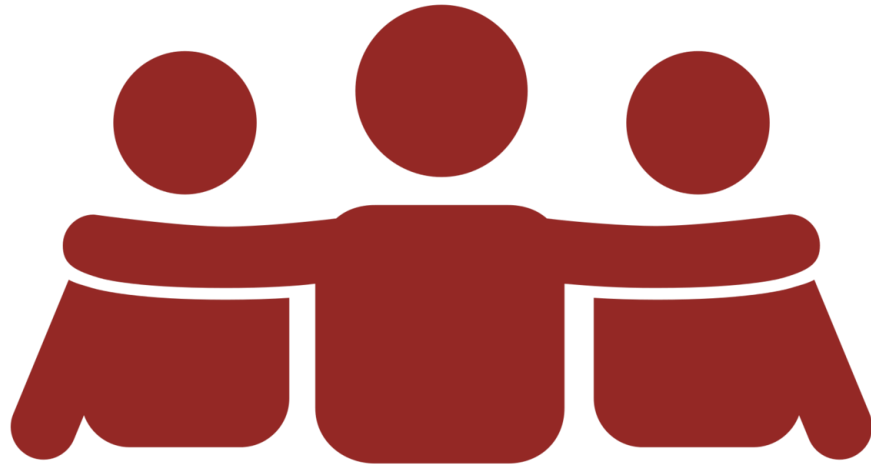
**Set Your Partner Program Budget**



✓ *What info did you have?*

✓ *What info did you need?*

✓ *How did you use it?*



# Partner Priorities. Sample: Annual Report Card

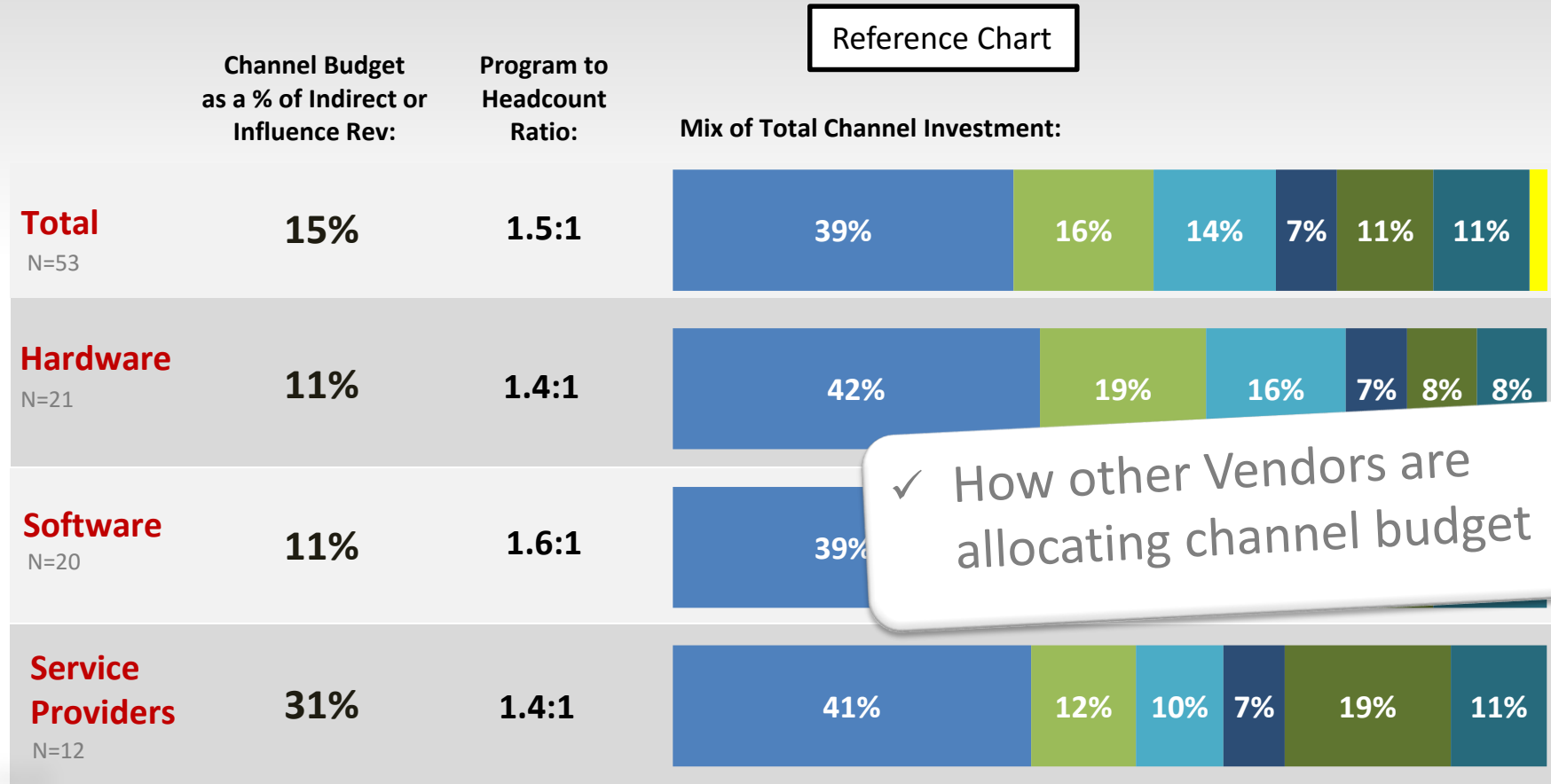
## What's Most Important When Evaluating Vendors



- ✓ Different across 22 product categories
- ✓ Different for your specific products

ARC Importance Ratings	RANK
(Product) Quality and Reliability	1
Richness of Product Features / Functionality	2
(Product) Technical Innovation	3
(Product) Compatibility & Ease of Integration	4
Revenue and Profit Potential	5
Ease of Doing Business	6
Post-Sales Support	7
Marketability	8
Services Opportunity	9t
Communication	9t
Manages Channel Conflict	10
Pre-Sales Support	11
Solution Provider Program	12
Quality of Field Management	13
Technical Support	14t
Training	14t
Partner Portal	15
Marketing Support	16
Business Model Transformation	17

# Vendor Channel Benchmark on Budget



✓ How other Vendors are allocating channel budget

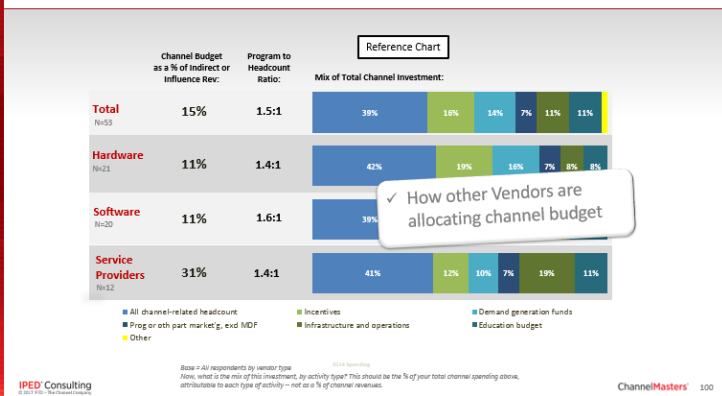
- All channel-related headcount
- Incentives
- Demand generation funds
- Prog or oth part market'g, excl MDF
- Infrastructure and operations
- Education budget
- Other

*Base = All respondents by vendor type  
Now, what is the mix of this investment, by activity type? This should be the % of your total channel spending above, attributable to each type of activity -- not as a % of channel revenues.*

# Simulation Calculation Methodology

## Vendor Investment Priority

Vendor Channel Benchmark on Budget



Focus on combination of HW and SW vendors



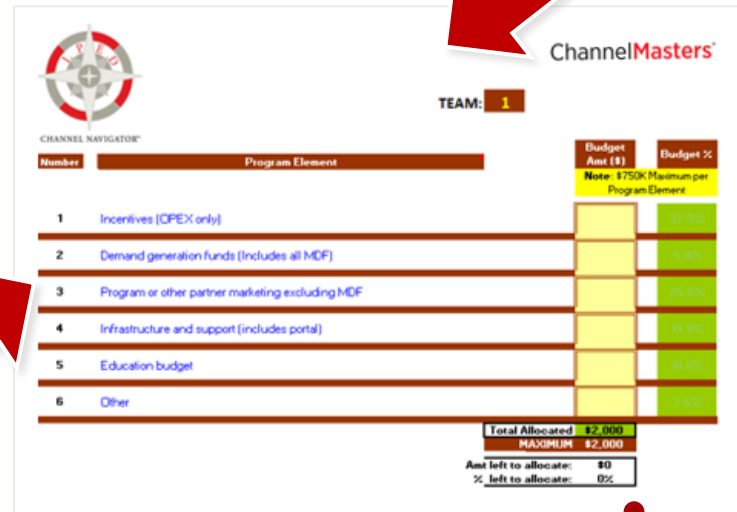
Based on average of all 22 ARC categories and includes Support and Partnership preferences.

## Partner Preference

ARC Importance Ratings	RANK
(Product) Quality and Reliability	1
Richness of Product Features / Functionality	2
(Product) Technical Innovation	3
(Product) Compatibility & Ease of Integration	4
Revenue and Profit Potential	5
Ease of Doing Business	6
Post-Sales Support	7
Marketability	8
Services Opportunity	9t
Communication	9t
Manages Channel Conflict	10
Pre-Sales Support	11
Solution Provider Program	12
Quality of Field Management	13
Technical Support	14t
Training	14t
Partner Portal	15
Marketing Support	16
Business Model Transformation	17

## Channel Experience

Used real world experience to rationalize model to simulation assumptions



## Results

# But Wait, There's More!



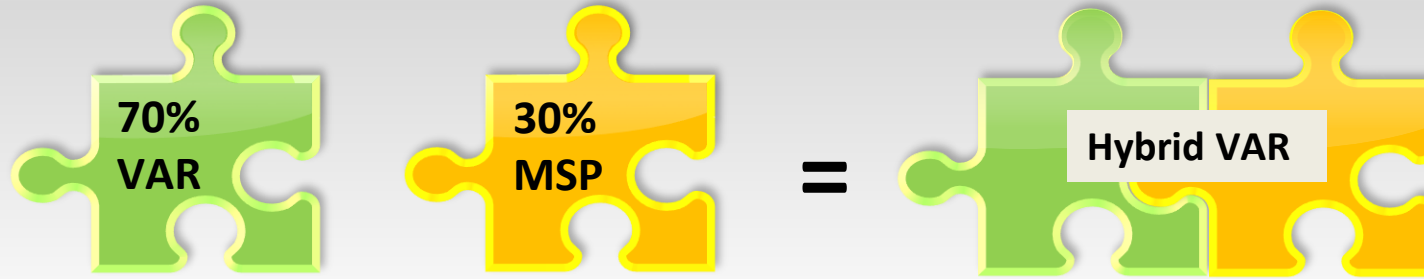
# What About Other Routes to Market; Stay Tuned for the IPED Profitability Webinar

Partner Type	Account Management Objectives Requiring Program or Contract Support		
ISVs	Development Design Win	Lead with Your Brand	Potential Royalty, Resale, Influence Revenue
DIRECT MARKETING RESELLERS (DMRs)	Heads on Call Center Floor	Design into Marketing Campaigns	In-bound, Outbound call centers, <b>Spiff Impact is High</b>
SERVICE PROVIDERS	Architectural Design Win	Share of “sell to” Revenue	With “sell to” relationship, investigate opportunity to coordinate reseller recruitment
MSPs	Architectural Design Win	Share of “sell to” Revenue	Influence as existing on-premise workloads move to managed service

# Which Partner Business Models have Access to the Target Markets?

	Global SIs	ISVs	Service Providers	Distributors & VARs/MSPs	OT Distributors & Integrators	DMR & Web Sales	Direct Sales
	↓	↓	↓	↓	↓	↓	↓
<b>Target Market</b>	<ul style="list-style-type: none"> <li>✓ Global 1000</li> <li>✓ Complex Systems</li> </ul>	<ul style="list-style-type: none"> <li>✓ Vertical or Horizontal Solutions</li> </ul>	<ul style="list-style-type: none"> <li>✓ CIO, Dept. Buyers</li> </ul>	<ul style="list-style-type: none"> <li>✓ By VAR/MSP Specialty</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enterprise to SMB LOB by Vertical</li> </ul>	<ul style="list-style-type: none"> <li>✓ All</li> </ul>	<ul style="list-style-type: none"> <li>✓ Segmented by Vendor</li> </ul>
	↓	↓	↓	↓	↓	↓	↓
<b>Buying Behavior</b>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Custom</li> <li>✓ High Touch</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Vertical Expertise</li> <li>✓ Avoid custom development</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ OPEX</li> <li>✓ Low barrier to entry</li> <li>✓ May be lower TCO</li> <li>✓ Flexibility</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Technology Guidance</li> <li>✓ Solutions</li> <li>✓ Low barrier to entry</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Vertical Biz Problem Discussion</li> <li>✓ Edge &amp; Industrial System Knowledge</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Procurement</li> <li>✓ Competitive Pricing</li> <li>✓ Quick Turn-around</li> </ul>	<p><b>Want:</b></p> <ul style="list-style-type: none"> <li>✓ Vendor Relationship</li> <li>✓ Development Access</li> </ul>

# Three Pure-Play Models from Which You Can have a Granular View of Profitability, Benchmark Your Program and Value Proposition



## Partner Profitability

**VAR Profitability Drivers**  
(with blended SI/Consultant functions)

**MSP Profitability Drivers**  
(with blended partner managed & partner owned model)

**Consultant Profitability Drivers**  
(Systems Integrator is apx. 70% Consultant & 30% VAR or MSP)

Profit Factors	Drivers
Revenue	Growth Rate, Competitive Win Rate, Avg Engagement Size/Duration, Strategic Value, Customer Sat/References
Solution Development	Methodologies, Implementation/Development, Repeatable Solution, Reference Architecture
Scope of Practice	Horizontal (OB65, SFDC), Vertical (SAP, Dynamics), End to End Provider, Alliances
Service Gross Margin	Prof Services % GM, Bench Utilization, Product Expertise, Delivery Process
Total Gross Margin	Service + Product GM%, Additional offerings
SG&A	Vendor IP, Vendor Co-selling, Access to Development, Tech. Training & Certification, Services Automation

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## Vendor Support Needs

**Lever of Partner Profitability: VAR**

Partner P&L Levers	Type	Vendor Tools / Resources
	Increase Revenue	Stronger sales tools 23%

**Lever of Partner Profitability: MSP**

Partner P&L Levers	Type	Vendor Tools / Resources
	Increase Revenue	Offer utility based or consumption based pricing 53%
MRR Sales	Decrease SG&A	More marketing visibility as part of vendors MSP partner ecosystem 38%

**Lever of Partner Profitability: Consultant/Systems Integrator**

Partner P&L Levers	Type	Vendor Tools / Resources
SOLUTION DEVELOPMENT		
Intellectual Property	Increase REVENUE	More IP to help us Architect Next-Generation Services 34%
DELIVERY EFFICIENCY		
Service Delivery Tools	Decrease COGS	Better Access to Service Delivery Tools, Best Practices (Architectures, SOWs, Integration Guides) 30%
STAFFING		
Resources and Development	Decrease SG&A	Easier Access to Field SEs for Joint Engagement 43%
	Decrease COGS	Field Mentoring for Consultants 35%
	Increase REVENUE	Access to Field Salespeople for Joint Engagements 26%
	Decrease COGS	Help us Get Access to Certified Technical Talent to Expand our Bench 29% Better Access to Demo Gear 22%
COST OF SALES		
Sales Process	Decrease SG&A	Sales Influence Fees to Reward Co-selling 26%
Program	Decrease SG&A	Reduce/Eliminate Channel/Alliance Program Fees 47%

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