

**Shift Happens: How Business Partners can profit from change.
A blueprint for distributors, solution providers and system
integrators seeking to survive and thrive in the current
economic environment.**



Chapter 1: Market Management for Business Partners

By Allan Bebhrens, Taxal



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With details from IBM on sales and marketing support services for Business Partners.

A changing landscape

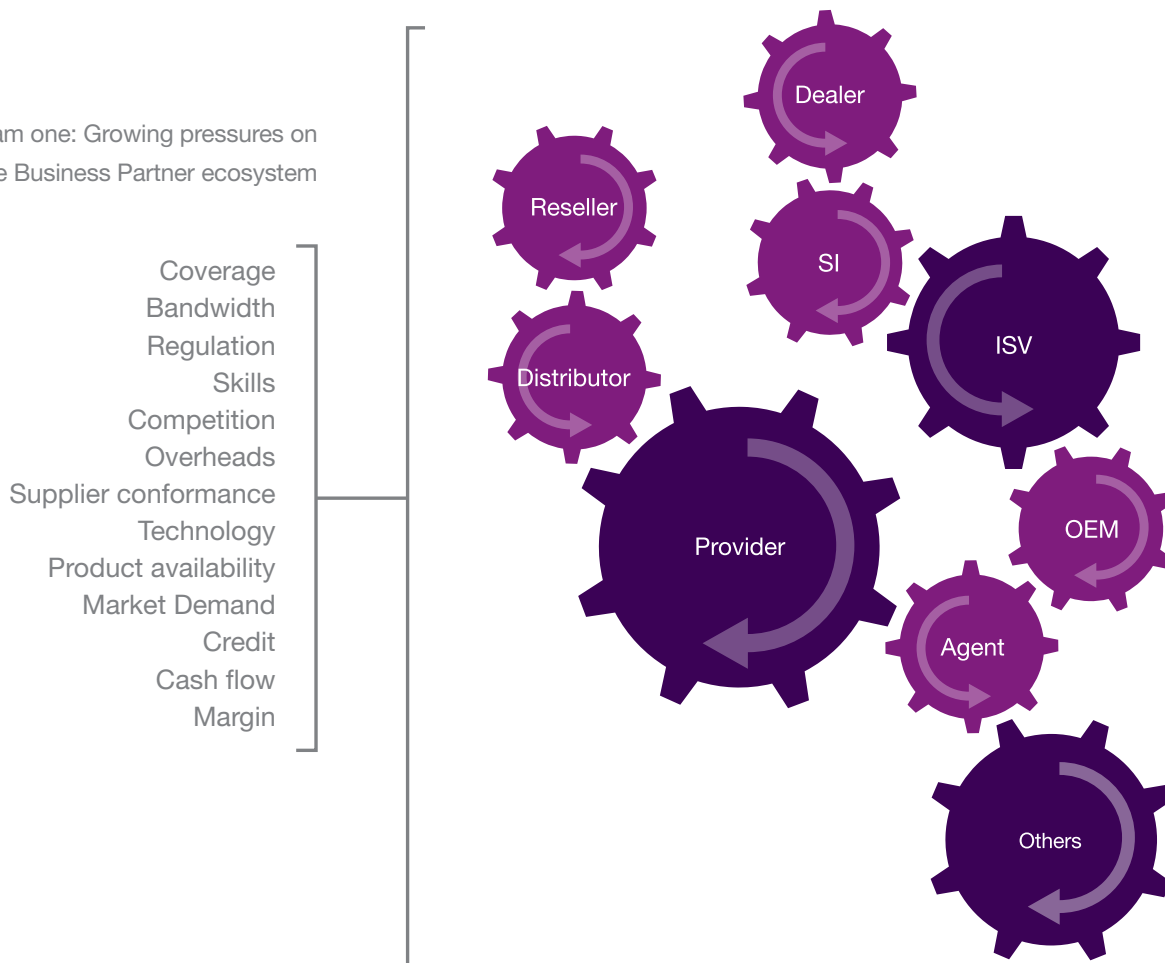
Market dynamics are shifting. The unpredictable economic climate of the recent past has undoubtedly affected a change in the business landscape with clients' concerns stimulating a number of notable new technology trends.

Faced with complex business issues, customers are increasingly looking for solutions and services that deliver increased business value in ever reducing timescales. IT suppliers and the channels, in response, have to re-evaluate both their deliverables and value propositions, focusing on tangible and sustainable offerings to satisfy client expectations.

How can IT suppliers respond to these trends? Indeed, what role will the channel play in delivering the value necessary to satisfy customer needs and differentiate themselves in the market? On considering these changes, one might argue that a good starting place might be to consider what customers need and how they define value add.

It seems equally prevalent to identify where customers do not see any value. Where, in the IT industry, we used to make money from complexity and in many cases product supply alone; as technologies become simpler to implement coupled with dramatically increased price-performance, one can see commoditisation reaching areas unimagined just a few short years ago. With the plethora of forces acting on our markets the effective margin in the entire supply chain becomes increasingly elusive.

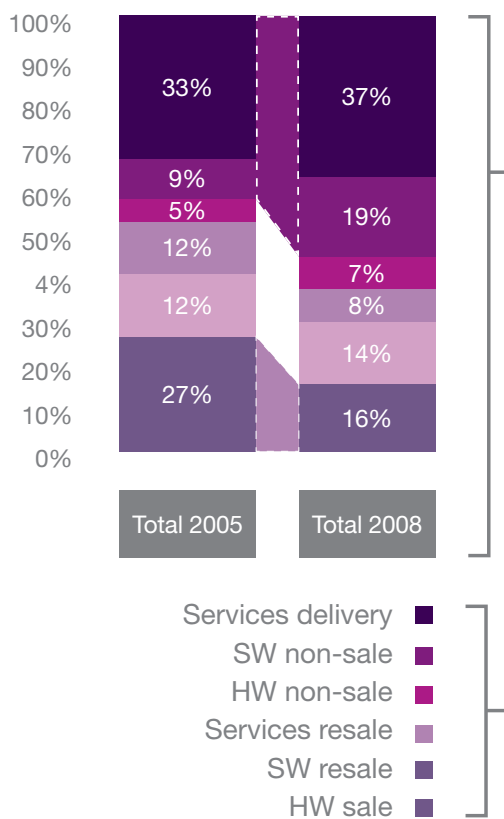
Diagram one: Growing pressures on the Business Partner ecosystem



“Customers are far more educated in the context of what they want, and they demand ever increasing value from companies like ours.”

Graham Kingsmill, CEO Maxima

Diagram two: IDC Business Partner profitability study¹



1. IDC Business Partner Profitability Study

Market studies in the channel have echoed these trends. Recent IDC research (diagram2) shows hardware resale occupies a declining portion of the market¹. With smaller margins than other Partners within the IT supply chain, revenue is often centred on a traditional transactional paradigm with many customers, specifically in the mid-market, now opting to buy from direct sources or lower cost distribution outlets. This is further exacerbated by recent shifts of consumer services to the Cloud, with the concept of Software as Services™ (SaaS) in areas such as email becoming commonplace and increasingly valued. A downward trend is also reflected in value channels that add low levels of value-add to other areas such as services. These dynamics in turn drive change within the ecosystem and traditional business models of IT supply and distribution.

This is not to say that the margin in these areas has become extinct, of course, but it does appear to be migrating to new areas. We are all finding it more and more difficult to make money from what was lucrative just a few years ago, and this is presenting both challenges and opportunities for Business Partners within the channel.

“We’ve seen a significant shift of retained margins from our platforms business to areas such as bespoke services,”

Don Phillips, Sales and Marketing Director, Kavanagh
(now part of the SCC Group)

It has been noted that organisations that possess client-centric models, those focused on consultative approaches to their customer relationships and where skills and innovation have been applied well, have shown a marked increase in their portion of the revenue share.

More often than not, these channels focus on delivering to customers’ individual business problems with solutions that are client- rather than product-centric. Examples of these would include those supplying service-oriented value propositions such as IT outsourcing and business oriented solutions such as those delivering supply chain management capabilities. Indeed, this service trend is also being mirrored in the market share of Managed Service Providers, whose own share of the supply chain is growing, but this area too may face competition from the embryonic Cloud Service market.

For the time being however, many suppliers have responded by adopting hybrid approaches to service delivery, combining tangible solutions and virtual services as the market makes its first forays into the new complexities of the Cloud arena.

The competitive sales environment

Delivering the easiest option may not always be the most profitable solution. Within the reach of almost the entire market, focusing on ‘low hanging fruit’ can bring with it aggressive competition from established players as well as lower cost start-up operations and those with low cost distribution models. The commoditisation of certain markets has resulted in competitors scrambling to compete on price. But experience shows that customers rarely buy on price alone.

Thus, instead of competing merely on price, one has to consider that profitable opportunities may only be had by changing the basis of competition; providing customers with solutions that are differentiated by their value-add, market expertise and associated specialist services. Whether this is generated through client-specific solutions or the strategic alignment of knowledge based service contracts for customer support, this has added value in turning individual transactions into longer term relationships.

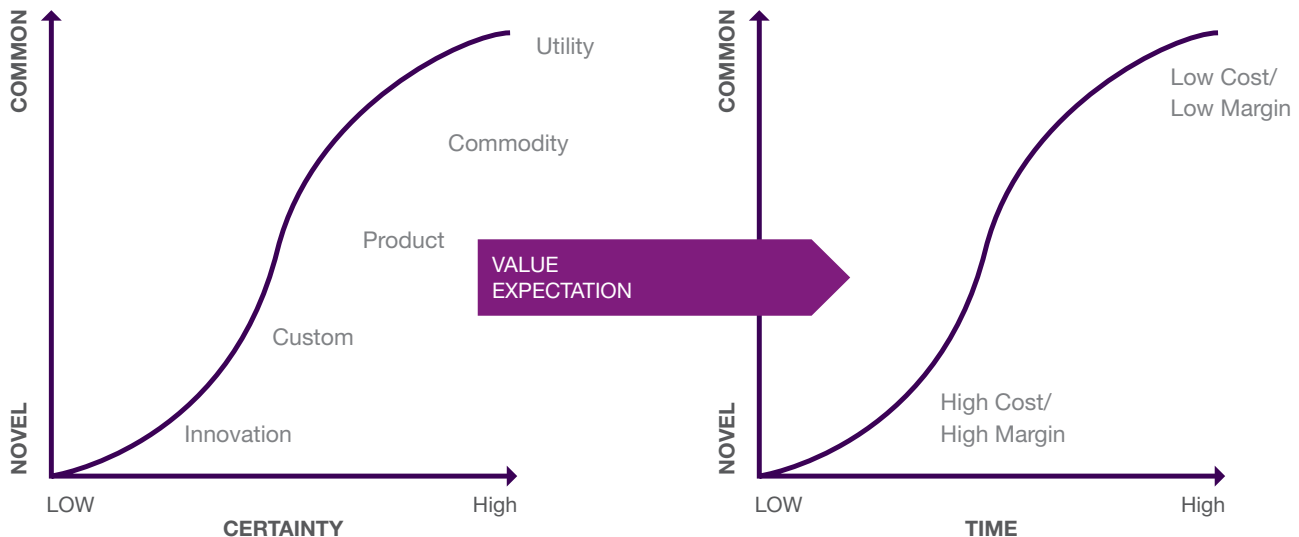
Sales coverage is a term that’s often misunderstood, but in essence involves nurturing the existing client base while simultaneously and successfully engaging new customers. This is not an easy feat at the best of times but to address all available opportunity and stay ahead of the competition, particularly in leaner times, arguably one needs to be an expert at both. Together they require high-level skills in sales and solution offerings, necessitating unique capabilities in the organisation to deliver effective customer management, as well as targeted marketing and effective sales programmes.

Business opportunities not business threats

So how can one convert these market shifts into business advantage? One observation is that forward-thinking organisations need to be cognisant of new opportunities and competencies. Knowing our own strengths and weaknesses, we can migrate from old supply models to new enabling innovative methods of value-add.

Pro-active in striving to create our own ‘playing field’ of activity, we can become masters of our own destiny rather than servants to circumstance. To achieve this long term goal we must identify gaps in markets and adjust the business model accordingly; taking advantage of good opportunities as they present themselves. Building on existing products and services, inter-related offerings such as software maintenance and security solutions can be added to core business strategies with relatively little capital expenditure. Scrambling to compete on the new turf, the competition will effectively be playing catch-up.

Diagram three: The value/margin S curve



Focus is arguably one of the most key attributes of success. Whether this be market or solution-specific, one is often wary of being faced with the dilemma of relinquishing tangible opportunity for sake of the larger potential opportunity ahead. However, honing capabilities and capacity in fewer areas in which we can excel may prove an invaluable point of differentiation over those competitors who seek to be just ‘good enough’ in many. Furthermore, building skills and reputation in a particular area is an effective way to boost customer confidence in our ability to deliver true value.

“Our verticals business continues to grow because of our increased competence.”

Graham Kingsmill, CEO, Maxima

This often requires a more consultative approach to our sales strategies; delivering to business pains and internal IT initiatives within our prospects to bring measurable benefit. As distinct from the ‘vend’ models of the past, we can capitalise on our increased knowledge of the customer’s business to deliver programmes that proactively identify their needs. In turn, allowing us to uncover new prospects and opportunity where they did not previously seem to exist.

Let’s consider a recent case study from the healthcare arena. Up until a few years ago, the healthcare operations of SVA System Vertrieb Alexander GmbH, an IBM Business Partner, were exclusively in the provision of infrastructure for the storage of medical imaging. Aware of the potential for growth within this particular market, SVA made the decision to develop their core business model to become managed service providers on top of their existing storage capabilities. Offering to host the images as well as provide innovative solutions for customer access, through Cloud and subscription based interfaces, SVA now provide an entirely holistic approach to their customer’s needs, and as a result have penetrated deeper into the vertical market as a whole.

Of course, such a business diversification programme will not suit all suppliers. Dependent on a Partner’s core business, core market and geographical location to name but a few factors, each Partner’s orientation will be somewhat unique. The key is to recognise this orientation and be proactive rather than reactive in tailoring strategies to suit this.

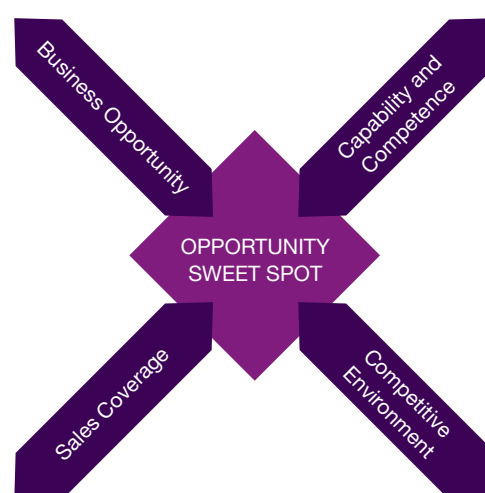
Improved alignment of deliverables to targeted market

With limited resources, a re-assessment of existing product and/or service delivery is essential for a business. This focuses on the ability to work smarter, scheduling existing resources where they will be most valued. To this end, it would be strategic to consider the following questions: Who exactly are our customers? Which markets do they operate in? What are their needs? Having addressed these preliminaries, we can start to think about our own role within the space, existing and potential: Are there any areas in which our products or services have a particular stronghold? What is the potential for growth within these areas? Should we look to partner with others to create innovative and tailored solutions for customers?

“We weathered the recession because we focused on vertical solutions that could deliver 99.999% availability to mission critical services.”

Don Phillips, Sales and Marketing Director,
Kavanagh (now part of the SCC Group)

Diagram four: The opportunity sweet spot



Having completed an initial assessment of our own deliverable paradigm, building on the findings could open a number of different strategic pathways. To complement and expand core sales, we might look into extending our hardware or software horizons to include new offerings that would increase our customers' perceived value of existing portfolios.

If a customer is looking to purchase software to manage the day-to-day operations of their supply chains for example, then offering inter-related technology that one could use to 'upsell', that would perhaps allow them to forecast and predict future operations, may be a profitable play. On the other hand, to offset the expense and indeed potential risk of taking on new products, as well as to improve the alignment of one's own deliverables to market needs, suppliers may well wish to link with fellow Business Partners, ISVs or systems integrators with specialist competencies.

“Partnering gives us the ability to extend our capability and enhances the solutions that we deliver to our customers”

Graham Kingsmill, CEO, Maxima

Building networks and integrating oneself within the customer ecosystem can provide the individual supplier with a diversity of opportunities, solutions and best practice structures. The customer, in turn, may be provided with a more holistic solution than previously envisaged. Linking with those who can provide hardware for your software deliverables, supply software for your hardware infrastructure or support adjacent solutions for the services you already provide, delivers value add to the customer and adds both credibility and revenue (in terms of compensation) to the relationship.

Networking with other Partners can also serve as a valuable point of reference for business strategies and new opportunities. Indeed, one can always look to build on these networks through numerous different sources; existing customers, suppliers and trusted partners are good places to start. Many of us may choose to take advantage of the wealth of resources provided by larger trusted partners such as IBM, who provide points of interaction through their Partner Solutions Centre in Germany for example, as well as their multinational platform PartnerWorld®. This in turn can facilitate new relationships and generate increased revenue for Business Partners, both large and small.

With clients' demands increasingly bringing service solutions, such as Cloud, to the forefront, the onus is on the supplier to innovate on the changes within their target markets. With continued pressure of cost, many customers have lost IT expertise and expect their suppliers to fill the gap. Yet for many of us of course, service paradigms represent new technologies as well as challenges to our historic revenue streams. In terms of profit, in comparison to resale revenue generated through hardware and software transactions, service revenues typically have higher margins. Contracts for system maintenance, software integration and support (hosted on the cloud, on-site or a hybrid blend of both) can provide a steady stream of revenue through periodic subscriptions as well as via pay-as-you-go pricing structures.

“The evolution of Cloud will have an immense effect on our business, and particularly its financial model, as we move forward.”

Don Phillips, Sales and Marketing Director,
Kavanagh (now part of the SCC Group)

Recurring revenue streams in sufficient quantity can offset some of the transactional workflow cash overheads facing suppliers, freeing up capital to fund new product and service development.

With a collaborative approach facilitated by providing the customer with integrated services, the Business Partner is afforded greater control over project deliverables as well as deeper penetration into a client's business. Less subject to the intricacies and the complexities of the supply chain, as well as the (often tardy) delivery schedules of suppliers, the provision of managed services can be dealt with almost entirely in-house, potentially reducing payment times and financial overheads.

More focus on customers' business issues

Regardless of the technologies in question, in any sales-focused relationship customer satisfaction must always remain a central driver. As suggested earlier, an increasing focus on customer-centric strategies is a sound route forward. Based on customer initiatives rather than being product-led, one can identify solutions that deliver to the heart of their challenges. Presence on the business services layer, in providing software integration for example, could see Partners develop their role from supplier into customers' 'trusted informants'.

Although many in the supplier community cite this as a role of 'trusted advisor', pragmatically customers may view suppliers as being tainted by preference to their own specific portfolio. Nonetheless it is important to keep in mind the significance of the influence that the partner ecosystem has on customer education and decision-making.

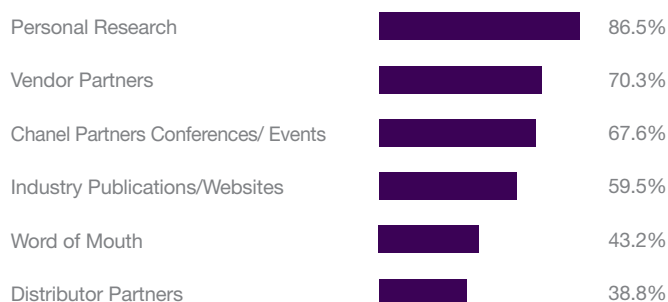
Whilst it is important to be sensitive to each client's individual needs, experience shows us that there are many common themes that play across market sectors. The development and provision of repeatable service or solutions focused on the needs of a particular segment (for instance in finance, healthcare or retail) can, in fact, be mutually beneficial. The customer experiences solutions tailored to their own particular requirements; whilst the partner builds assets that are re-usable and valued by others.

The resulting deliverables can be used as collateral to furnish a portfolio of best-in-class value propositions that address primary business issues.

Diagram five: Sources of information on new technology²

NEW TECHNOLOGY RESOURCES

VSR Readers note how they obtain new technology Information



2. [CompTIA – from 2010 Top Tech Trends Revealed](#), By Regina Ciardiello, Editor, VSR

With greater exposure to clients' business ecosystems comes the opportunity to become recognised as an expert. Confident that a supplier knows their business, clients are more likely to come to them for advice and indeed refer them to others. The symbiotic process of educating sales teams on the features and business benefits of the product and services they offer could, in turn, educate the customer; resulting in greater buyer sophistication.

Well versed in the complexities of this business, it is easy to forget that the average customer can be confused by the IT solutions available to them. As such, they are more likely to turn to suppliers they trust to deliver what they need. Closer ties can be created with customers who now start to see the partner as an integral part of their own planning and execution, not an arm's length third party. This value-based relationship delivers mutually beneficial business with the customer and differentiates the partner against their competitors.

“One of the drivers of our success was the transformation of our gross margin contribution from being 80% from the product buy/sell spread to 80% from our services offerings that de-risked customer solutions”

Don Phillips Sales and Marketing Director
Kavanagh (now part of the SCC Group)

Moreover feedback from customers indicates that they would rather deal with one entity that can deal with their problem more holistically, rather than be forced to tackle many smaller issues discreetly. By delivering well-rounded and customised solutions, suppliers will increasingly cease to compete on price alone and margin erosion may be less of a problem. Vendors can also benefit from their partners’ focus on expertise, as they value strong resellers with good market pull. Offering value through solutions and knowledge, these suppliers are in a position to provide this.

Suppliers themselves may use industry expertise to define their sales and engineering teams’ promotion programmes. They may choose to reward those team members who gain expert knowledge in their field whilst simultaneously motivating those who have not yet achieved a ‘trusted informer’ status to effectively communicate relevant data to a specific customer.

These teams need to be capable of interpreting, translating and delivering this knowledge in line with customers’ varying industry needs. This calls for not only technical but high-level communication skills; ‘humanising’ technology so that its function is made apparent and relevant, directly addressing the business issues of the end user.

The journey ahead

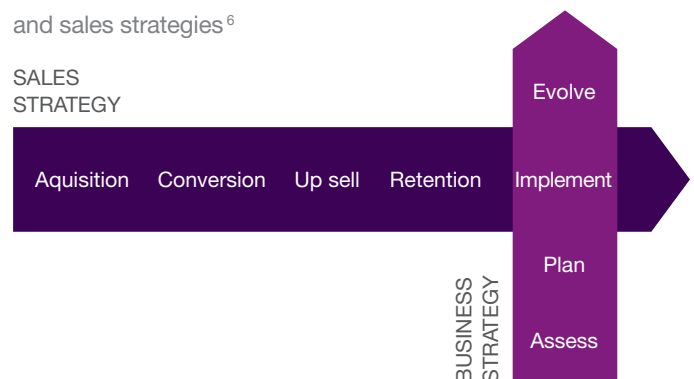
Pragmatically, no business can be re-moulded in a day. Over time as market forces dictate, the role of the partner has been and will continue to be subject to re-definition. Margins rarely remain static over a shifting business landscape.

Compelled by customer’s changing demands into an analysis of our existing business practices, an increasing number of the partner community are adapting their business models through new technologies and re-aligned deliverables.

In response many are starting to formulate a business migration strategy to a more customer- or market- centric model. This could be a valid and practical approach for executives – ‘deeper with fewer’, ‘delivering more with more qualified’ – both are widely-held aims for members of the partnership community going forward.

Ultimately the decisions on how and when to go forward are unique to individual companies. Revisions to current business strategies need to start internally, from the top. As one cannot be all things to all people, addressing the strengths and weaknesses of our current deliverables as well as the mode in which they are delivered may well form the basis of change. To this end, the opportunities emergent on the channel horizon certainly demand some urgent thought.

Diagram six: Alignment of business and sales strategies⁶



Next steps:

1 Understand business situation and trends

Seek to gain a better understanding of what your clients are willing to pay a premium for now and what they will pay a premium for in the future.

2 Rationalise value propositions and capabilities

Be willing to focus on fewer capabilities or market segments in order to gain greater expertise in your focus areas.

3 Identify gaps, opportunities and threats

Rather than going for low hanging fruit where competition will be greatest, focus on opportunities where you can add most value.

4 Characterise focus and improvement strategies

Develop a clear strategy to get you from where you are to where you want to be (some of the other papers in this series may be of use here).

5 Align and enable the organisation for growth

Exploit the support services available (e.g. via IBM PartnerWorld) and where necessary develop the skills and relationships to grow a network of partners.

References:

1. IDC Business Partner Profitability Study
2. [CompTIA – from 2010 Top Tech Trends Revealed](#), By Regina Ciardiello, Editor, VSR

This paper is part of set of IBM papers for Business Partners, each of which is not only a paper in its own right, but is also a chapter in a strategy guide for Business Partners. For a copy of this or other chapters or of the whole strategy guide please contact Bill Mew, mewb@uk.ibm.com

IBM PartnerWorld

IBM PartnerWorld is the organising framework for delivering valuable benefits to help IBM Business Partners succeed in the marketplace and strengthen their relationship with IBM. Participation levels include Member, Advanced and Premier. Through PartnerWorld Business Partners can develop deeper consultative selling and solution skills – a must in today's market. This path not only leads to higher margins and greater competitive advantages, but also opens the door to new and more complex opportunities associated with a Smarter Planet. Business Partners can move up the PartnerWorld levels by demonstrating success and earning points through:

- Demonstrating skills through certifications and/or validated solutions
- Generating revenue
- Submitting reference stories
- Achieving high customer satisfaction scores.

IBM provides a host of Business Partner support services through PartnerWorld for sales and marketing (as outlined in the section that follows) as well as for technical resources, training and collaboration. The level of support available increases as Business Partners move up the PartnerWorld levels from Member, to Advanced and then to Premier.

✓ = Included

✗ = Not included

✓* = Included with additional requirements

PartnerWorld sales support services from IBM, specifically for Business Partners

Example:

The Business Partner Sales Support Center (BP SSC)

IBM's Business Partner Sales Support Center is a worldwide organisation which provides pre-sales support assistance to Business Partners during the progression and closure of business opportunities with the goals of improving yield and reducing cycle times.

Dedicated Deal Stewards based in the support centre provide interfaces for Business Partners for all transactions related pre-sales support issues. They monitor inbound requests from Business Partners and proactively reach out to Business Partners who have deals that are 'stuck' to provide support, act as an advocate, take ownership of issues and work towards issue resolution.

Details of Further PartnerWorld Sales Benefits

	Member	Advanced	Premier
FINANCING			
IBM Global Financing IBM Global Financing offers an option to fund your growth through a variety of specialised options.	✓	✓	✓
Promotions and incentives			
Software Value Incentive SVI streamlines multiple different programmes and is designed to reward Business Partners for contribution throughout the sales cycle.	✓	✓	✓
Software ValueNet Software ValueNet® (SWVN) rewards IBM Business Partners who invest in skills and high value solutions, based on designated SWVN software products, to help increase customer satisfaction and success.	✓	✓	✓
Systems and Storage incentives and promotions IBM promotional offerings and incentives for IBM Power Systems™, System x®, System z®, Retail Store Solutions, IBM Storage products and GTS Services.	✓	✓	✓
Value Advantage Plus Rewards for integrating IBM middleware with your Software solutions.	✓	✓	✓
Briefing Centres			
Software Executive Briefing Centres Dedicated professionals help you plan, manage, host and facilitate briefings for your customers in a professional environment.	✓	✓	✓
Competitive resources			
Competitive Market Intelligence The COMP resource provides IBM and industry analyst reports and summaries as well as competitive product information.	✓	✓	✓
Sales tools			
IBM Sales Plays One stop for IBM Big Play sales collateral.	✓	✓	✓
Sales plays for small and medium business One stop access to small and medium business (SMB) targeted sales and marketing resources and tools.	✓	✓	✓
Sell or deliver IBM Training Integrate training into your solution.	✓	✓	✓

PartnerWorld marketing support services from IBM, specifically for Business Partners

Example: Co-marketing

IBM has dedicated partner marketing agencies – in the US this is TSL and in Europe it is OnChannel, part of the international Expandi Group. These dedicated partner marketing agencies provide tailor-made co-marketing campaigns for qualifying IBM Business Partners. With extensive marketing capabilities and expertise, these agencies work closely with Business Partner marketing leaders, to provide a range of marketing services that can be finely tuned not only to meet the Business Partner's own exact campaign requirements, but also to integrate with their own solutions' marketing campaigns.

There is no administrative overhead for the Business Partner either as the dedicated partner marketing agencies provide a full administration management service from campaign approval and claims management, through to lead entry, campaign management and even payment.

Indeed, IBM has recently also increased the level of Business Partners marketing support it provides, with as much as 75% reimbursement now available towards the cost of approved co-marketing campaigns with the agencies. Furthermore, Business Partners are able to leverage valuable assets from both IBM and the agencies including up-to-date marketing content, advanced outreach techniques, client forum facilities, etc. All of which can be utilised with a high degree of flexibility to tailor campaigns to meet the Business Partner's needs.

Business Partners that would prefer to work with their own marketing agencies, as opposed to the dedicated partner marketing agencies, can still qualify for co-marketing support, but on a more traditional basis.

Details of Further PartnerWorld Marketing Benefits

	Member	Advanced	Premier
IBM co-marketing benefits			
Campaign support funding Get funding and planning support from IBM for your campaign in North America, Europe, Middle East, and Africa.	✓ *	✓ *	✓ *
Client events package Host client briefings with IBM. We provide the briefing facility and when available, the appropriate industry expert to support your event.	✓ *	✓ *	✓ *
Co-marketing funding Learn how to leverage co-marketing funds, earn investment dollars and receive discounts when you sell IBM products.	✓	✓	✓
Event support funding Get funding for your event, such as a trade show, exhibition, conference, or seminar, along with hands-on planning, support and guidance.	✗	✓ *	✓ *
PartnerRewards The PartnerRewards programme provides eligible IBM Business Partners with incentive dollars to assist in creating new market opportunities, support marketing efforts to win new business and reward the Business Partner's commitment to IBM.	✓	✓	✓
Market intelligence			
IBM Market Insights Target key opportunities, increase competitive advantage and improve client satisfaction with access to IBM Market Insights reports.	✗	✓	✓
Demand generation			
Campaign Designer Campaign components (copy, images, and finished pieces) and ready-to-customise campaigns for IBM software, hardware, and solutions.	✓	✓	✓
Email list and telemarketing services Take advantage of generous discounts offered to all PartnerWorld members on marketing data, email lists, and telemarketing services from Everything Channel and Mason Zimble, a Harte-Hanks company.	✓	✓	✓

Internet marketing lead generation process This benefit provides a streamlined process that you can use to plan, create, and implement an Internet marketing campaign for demand generation. You can access planning and project management expertise along with a wide array of publications and Web content in your market, your country, and your language.	✓	✓	✓
Marketing resource manager Get one-on-one assistance to qualify for and leverage advanced level benefits. Build a personalised plan and identify the resources best suited to your needs.	✓	✓	✓
Online sales lead and marketing research tool: Hoover's As an IBM Business Partner, you can get a significant discount on this service and access to more than 60 million companies worldwide.	✓	✓	✓
Publish your case study Speed the sales cycle by promoting your clients' successes in a marketing brochure produced by IBM at no cost to you.	✗	✓ *	✓ *
Sales prospecting tools: OneSource Access OneSource sales prospecting tools for research and list development through your Web browser or through integration with salesforce.com	✓	✓	✓
Search engine marketing with IMPAQT Maximise your search engine marketing and paid placement results with IMPAQT.	✓	✓	✓
Submit your solution to Global Solutions Directory Use the Global Solutions Directory to increase your exposure with clients, IBM Business Partners and the IBM sales network.	✓	✓	✓
Web conferencing Get help to design and run a conference tailored to your needs.	✓	✓	✓
Web content synaication tools Sends IBM content to your Web site.	✓	✓	✓
solutions-daily.com Reach prospective customers by publishing in a syndicated online news magazine featuring IBM and Business Partner solutions.	✓	✓	✓



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