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 $10M

   • *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 usage 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

# Partner & Customer Use of the MacroSoft CloudOne Appliance

Security as a Service Networking as a Service

Reseller/MSP

Security &/or Networking Server

Remote Monitoring & Mgt.

Inet

Customer On-prem Security or Networking Server

Other applications

Departmental Enterprise Private Cloud Server

Enterprise, Mid-market LOB, IoT or Cloud Server

Small Business
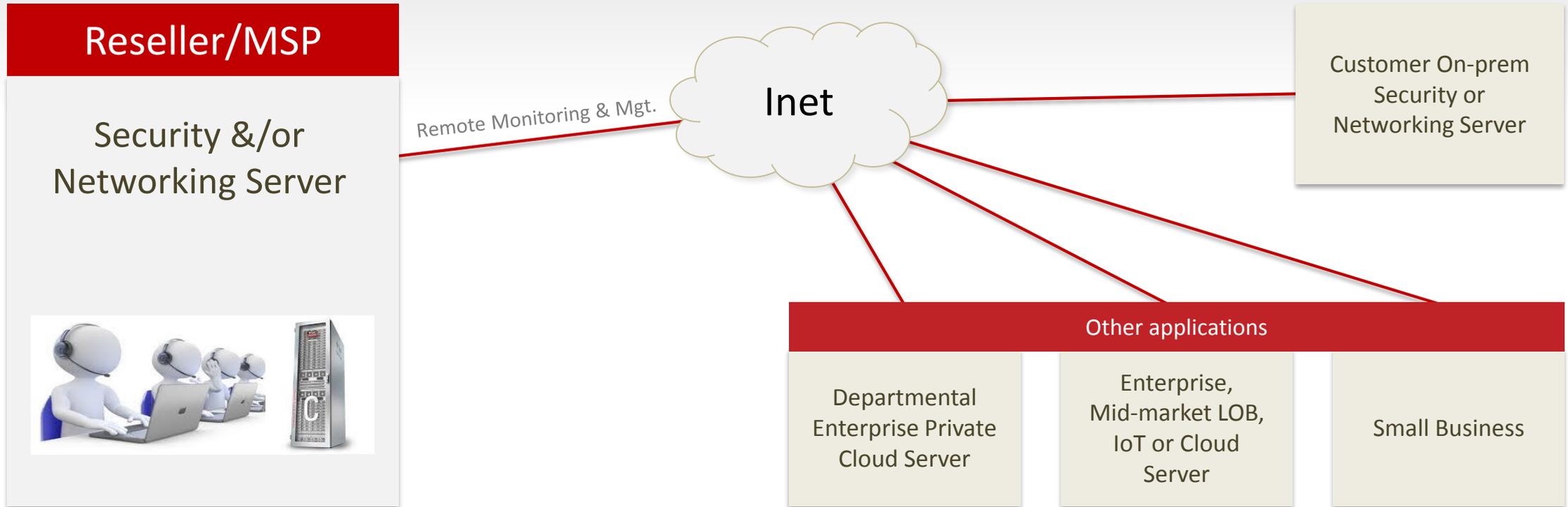
"We have an appliance solution called xxxpack. 13% of our revenues are HW but we place these on premise as part of our managed networking solution for our customers. We then try not to sell one time charge, typically we bundle hardware and software into the Monthly Recurring Revenue." (MRR).

IPED Vendor Benchmark: Helping Channel Chiefs Justify Spend

What is the Mix of Program to Headcount Dollars?

For every Headcount Dollar;
Program Dollars are spent

1.5

Program To Headcount Dollar Ratio:
All Vendors (Mean)

1.5 to 1

How is the total channel budget allocated?

39% | **16%** | **14%** | **7%** | **11%** | **11%** | **2%**
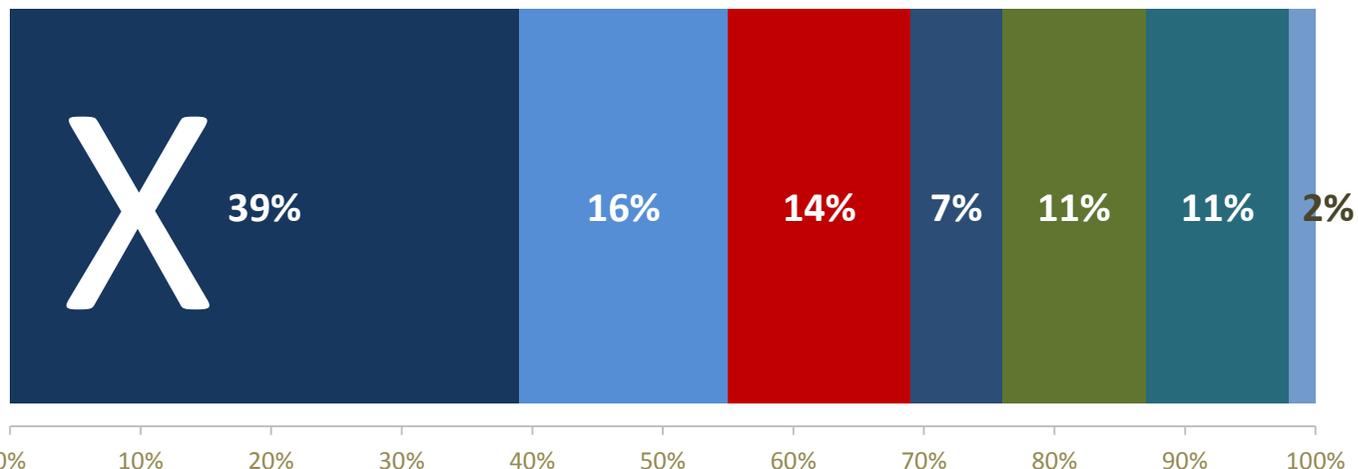
- All channel-related headcount
- Incentives
- Demand generation funds
- Program or other partner marketing excluding MDF
- Infrastructure and operations
- Education budget
- Other

HC has been hired, do not allocate budget to headcount

N=98

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.

ChannelMasters®

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?
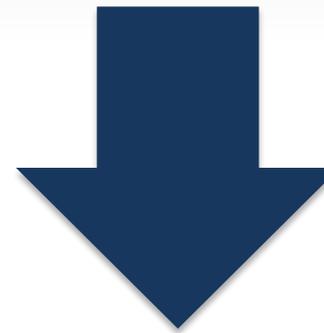
What causes success in the channel?

OR…

Why do some channels thrive while others languish or fail?
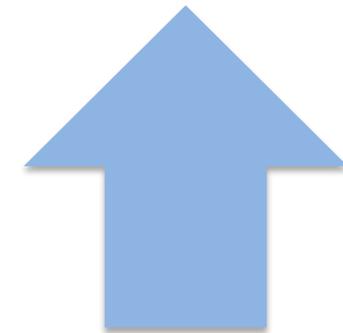
The teams who have traditionally won were able to use best practices that applied from their current jobs

AND

recognized that program investments, incentives, etc. required are specific to the simulation, MacroSoft solution and Solution/Managed Services capable partners!
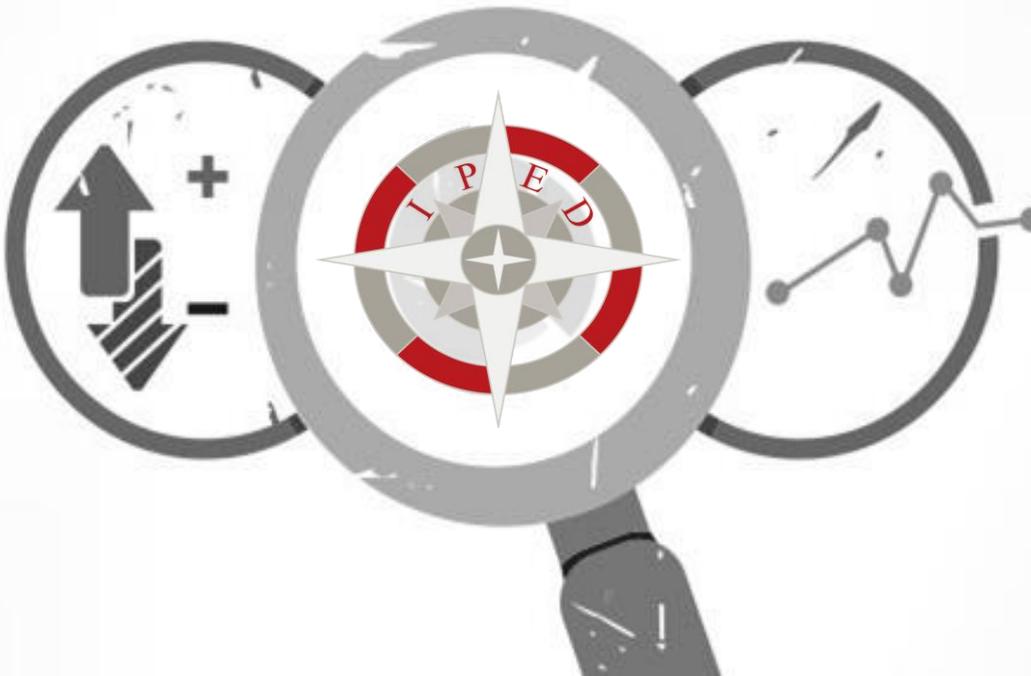
The Million Dollar Channel Answer…Channel Strategy is Critical

Avoid One Size Fits All… What are the Stated Objectives?

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

Microsoft Dynamics AX for Retail

Office 365 Microsoft Partner

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

Partner Ecosystem Development – **Building** Channel Context

1	**Identify Target Market & Customer Buying Behavior:** *for the solution being sold, what product, competition and target customer/buying behaviors are you recruiting for?*
2-3	**Determine the Average Selling Prices (ASP):** *for On-premise deals, then again for Monthly Recurring Revenue (MRR). If historical data is lacking, use product beta results and internal services or product groups to help estimate the typical deal.*
4	**Describe the Competition:** *find it in the Navigator, on the job, look to development and product management, product marketing, field sales or even Partners if the product has been available.*
5	**Describe the Typical Buyer:** *find it in the Navigator, on the job, look to development and product management, product marketing, field sales or even Partners if the product has been available.*
6	**Describe the Use Cases:** *find it in the Navigator, on the job, look to development and product management or product marketing. For an established product, Partners are a great source of use cases.*
7	**Identify the preferred Business Models (aka Routes to Market):** *determine which Partner types or business models have selling access to the targeted market and buyer. Customer research may be required for a new product by the R&D or brand management organization.*
8	**Complete the Ideal Partner Profile** *what is the PROFILE of a partner who is likely to succeed in your channel program that has selling access to the targeted Customer AND can provide the solution?*
9	**Complete Capacity Plan:** *based on the average productivity of a typical partner in the program, how many partners do you need … where do you need them?*

Building

Beyond

Program Development

Channel Context

Partner Ecosystem Development – **Beyond** Channel Context

Building

Beyond

Channel Context

Program Development

10	**Prioritize Budget Spend**: *for the solution being sold, what product, competition and target customer/buying behaviors are you recruiting for?*
11	**Build Education, Marketing, Sales & Support Components:** *of the Partner Program against the channel context, specifically to achieve revenue goals and to make the Ideal Partner in the Profile profitable. Indicate how you can afford to cover your targeted Channel Partners … programmatically via portal? Via distribution? Or manage with account managers?*
12	**Write and/or Deliver the Partner Value Proposition:** *what are you asking the partner to do, how will he differentiate himself and make money as a result? How long will it take?*

IPED Channel Masters Worksheets

- Worksheets, in the back pocket of your workshop binder, capture the **Channel Context** in nine (9) steps. You've completed the first seven.

- We will use the balance of the worksheets as we progress through the balance of the simulation.

- You may use them as checklists or worksheets, for others they may be used to capture your thoughts in workshops during group discussion.

- You will leave here with a better understanding of a methodology to build an effective strategy, program and field execution plan based on product management's goals.

Finalize Strategy Based on Product Management Plans

PRODUCT STRATEGY

REQUIRED INPUT

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

CHANNEL STRATEGY

RTM	Capacity
✔ Routes to Market Selection	✔ Partner Productivity Assumptions
✔ Partner Profile Development	✔ Capacity Planning
✔ Value Proposition Development	

PROGRAM DEVELOPMENT

Enable	Market	Sell
✔ Sales & Technical Training	✔ Market to, through, with strategy	✔ Pre- and post-sale support
✔ Tools & IP Sharing	✔ Demand generation tools	✔ Incentive structures
✔ Field Mentoring or teaming	✔ Co-marketing funds & rules	✔ Pricing and discount models
		✔ Deal Registration

FIELD EXECUTION

Recruit	Manage
✔ Staffing model	✔ Program metrics management
✔ Onboarding activities	✔ Joint business planning
✔ Role of distribution	✔ Rules of engagement

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

Which Target Markets are You Going After?

ENTERPRISE

SIMPLE / COMMODITY

COMPLEX

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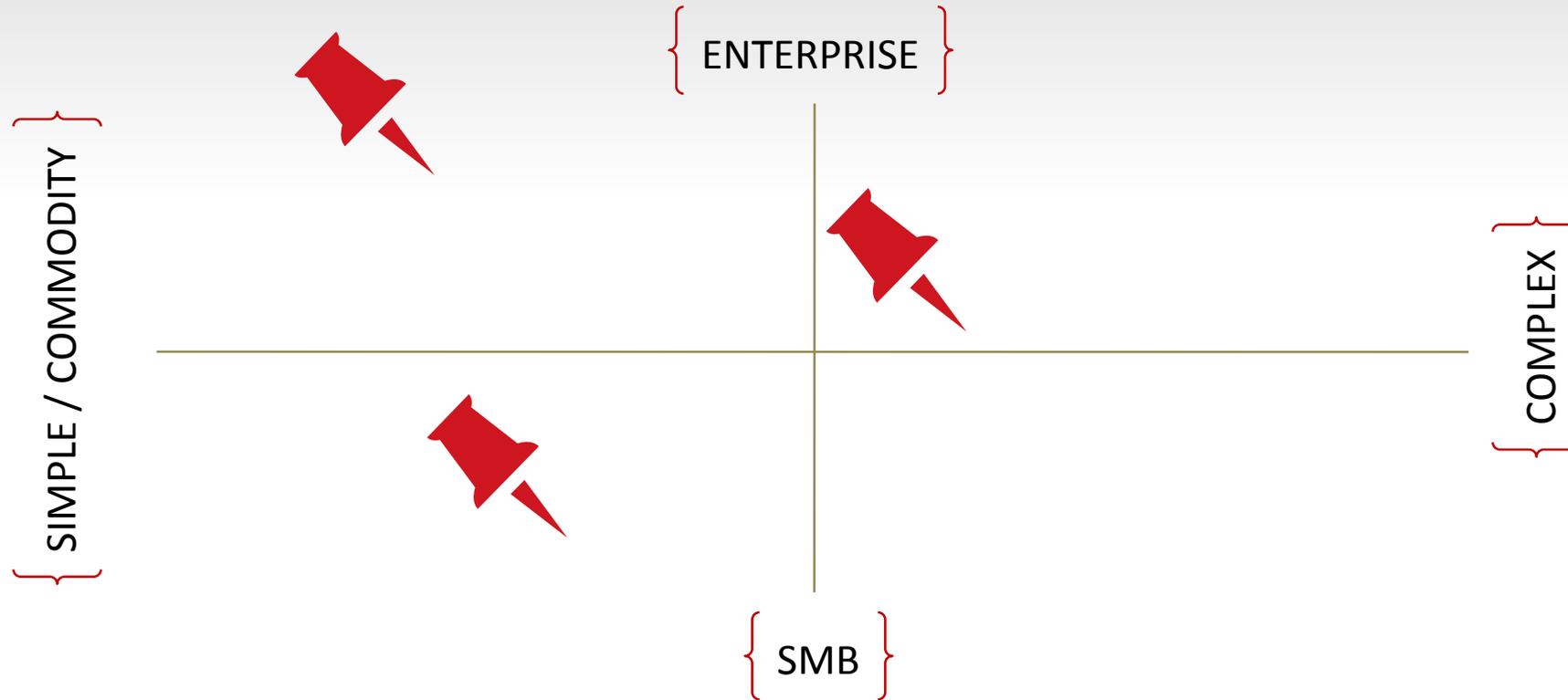
✓ *Different again for components or embedded software versus whole products*

Which Partner Business Models have Access to the Target Markets?

	Global SIs	ISVs	Service Providers	Distributors & VARs/MSPs	DMR & Web Sales	Direct Sales
Target Market	✓ Global 1000 ✓ Complex Systems	✓ Vertical or Horizontal Solutions	✓ CIO, Dept. Buyers	✓ By VAR/MSP Specialty	✓ 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:** ✓ Guidance ✓ Solutions ✓ Low barrier to entry	**Want:** ✓ Procurement ✓ Terms ✓ Turn-around	**Want:** ✓ Vendor Relationship ✓ Development Access

What Partner Capabilities are Required?

Infrastructure

Resell/Manage

Pre-sale Services
- Plan & Needs Assessment
- Design
- Data Integration
- Configuration

- Technology Selection
- Sizing
- Pricing
- Procurement

Post-sale Services
- Implementation Plan
- Sizing validation
- Configuration, Tuning
- Monitor, Manage, Broker

Applications

Integrate/Manage

Pre-sale Services
- Business Problem Solution through IT
- Design, Architecture
- Data Integration

- Build or Tailor Applications
- Integrate Applications
- Procure HW & SW

Post-sale Services
- Implementation Plan
- Maintain
- Monitor, Manage, Broker
- Expand

What, then, is the Resulting "Ideal Partner" Profile? VAR/MSP Partner - Sample

Potential

Product Adoption Record: The entire Product Line to enable cross-sell

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

- Dedicated Sales Staff Trained

- Technical staff trained for both pre-sales design/configure & post-sales implementation & managed services

- Maintenance: takes first line support calls

Marketing Capabilities: Dedicated Marketing coordinator, matches MDF, tracks leads and reports back on MDF usage

HW, SW, Services Mix: 50%-15%-35%

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, e is 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

…and to help achieve the desired behavior Telco Agent - Sample

Potential

- **Product Adoption Record:** Telco/Cableco Broadband services, selling BDR & Office365 Cloud services

- **Enablement:** Sales Training in conjunction with a Master Agent
  - ✓ <u>Agent:</u> Dedicated Sales Staff Trained
  - ✓ <u>Master Agent</u>: Technical staff trained for both pre-sales design/configure & post-sales implementation

- **Marketing Capabilities:** Can create pipeline, uses less MDF and custom campaigns than IT VAR

- **HW, SW, Services Mix:** 100% Carrier Commissions. Recommends then provisions through CSP Master Agent.

- **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?

- ✓ Mid-market and SMB in Southern Cal with a vertical emphasis in start-up technology companies in South Orange County

- ✓ Been in territory for 15 years

- ✓ Works with Intelisys Master Agent, bought by ScanSource

- ✓ Last FY annual carrier services recurring revenue contracts: $500,000

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

bluewolf
an IBM Company

8. Complete the Sample "Ideal Partner" Profile Worksheet

- For purposes of the simulation: only the RED fields are required.

- However, a full partner profile is provided for your later use in gray.

- This profile, red and gray fields, was built off the IPED research partner profile worksheet.

- Recall, a completed worksheet allows us to place partners into business model buckets (pre-work webinar).

WORKSHEET 8

Complete the Sample "Ideal Partner" Profile Worksheet
Red = Navigator supplied Ideal Partner Profile Requirements for Simulation

Annual Revenues: > _____

HW Resale $_____ %_____

SW Resale $_____ %_____

Project Professional Services $_____ %_____

Recurring Managed Services $_____
- Public Cloud resale $_____ %_____
- Partner Owned Assets $_____ %_____
- Customer Owned Assets $_____%_____

Maintenance _____%

Annual Revenue Growth: _____%

Business Model: (VAR, MSP, Hybrid VAR/MSP, ISV, Consultant, Developer)

_____

Target Market: (Enterprise, Mid-market, SMB) _____

Verticals: _____

Public Cloud Service Provider Relationships: (AWS, Azure, Rackspace, etc.)
_____

Primary "lead with" offering: _____

Marketing staff & commitment: _____

Likelihood for technical, sales and operational training _____

Ability to cross-sell our entire product line _____

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Total Contract Value & Service Attach Rate Math from the Navigator

Assume SMB sales are Monthly Recurring Revenue (MRR) as a service.

Mid-market and Enterprise departmental solutions may also be on-premise.

- **Average Sales Price of the Recurring Revenue Solution**
- **Partner Services assumptions**

Your Services	Traditional Resell Offering	Managed Services Offering
Pre-sales consulting opportunity: *(i.e. Requirements development, POC implementation, planning services, etc.)*	**10-15%** of total system price (For SMBs, mostly at no-charge)	**10-15%** of total system price (For SMBs, mostly at no-charge)
Implementation services opportunity: *(i.e: installation, configuration, data migration, etc.)*	**25-50%** of total system price	**10-20%** of 3 year subscription price
Managed Services opportunity: *(i.e. monitoring, break/fix support, help desk, patch management, backup/DR)*	NA	**~ $550** Per month / per system

As a Service Monthly	Basic Service	Total Contract Value @ 36 mo	Pre-/Post-sale Services
SMB	$1,000	$36,000	$9,000/Implementation $550/month managed services
Mid-market & Dept. Enterprise	$1,000	$36,000	$18,000/Implementation $550 month managed services

Profit Potential - Gross Margin Math for Spreadsheet or PowerPoint: MacroSoft

SMB Service	Monthly or OTC	TCV Revenue	GM	TCV Profit	Monthly Profit	OTC Profit
Pre-sales consulting	na	0	32%	$0		$0
MacroSoft Service ($1,000/month)	MRR @ 36 months	$36,000	25%*	$9,000	$250	
Implementation (10% of $36k/TCV)	OTC	$3,600	32%	$1,152		$1,152
Managed Services ($550 @ 36 mos)	MRR	$18,000	42%	$7,560	$210	
*at list price less 10% disc.	Total Revenue Est.	$63,000	Total Margin Est.	$17,712	$460	$1,152

Note: No on-premise option for SMB…as a Service only

Mid-market, Dept. Enterprise Service	Monthly or OTC	TCV Revenue	GM	TCV Profit	Monthly Profit	OTC Profit
Pre-sales consulting (15% of MacroSoft $)	OTC	$5,400	32%	$1,728		$1,728
MacroSoft Service ($1,000/month)	MRR @ 36 months	$36,000	25%*	$9,000	$250	
Implementation (25% of $36k/TCV)	OTC	$9,000	32%	$2,880		$2,880
Managed Services ($550 @ 36 mos)	MRR	$18,000	42%	$7,560	$210	
*at list price less 10% disc	Total Revenue Est.	$68,400	Total Margin Est.	$21,168	$460	$4,608

Mid-market, Dept. Enterprise On-premise	Monthly or OTC	TCV Revenue	GM	TCV Profit	Monthly Profit	OTC Profit
Pre-sales consulting (15% of MacroSoft $)	OTC	$7,500	32%	$2,400		$2,400
MacroSoft Box one time charge	OTC	$50,000	25%*	$12,500		$12,500
Implementation (25% of $50,000)	OTC	$12,500	32%	$4,000		$4,000
Managed Services ($550 @ 36 mos)	MRR	$18,000	42%	$7,560	$210	
*at list price less 10% disc	Total Revenue Est.	$88,000	Total Margin Est.	$26,460	$210	$18,900

Capacity Planning Helps Identify How Many Partners are Required for Recruitment

✓ Product ASP $__10,000_____

✓ # of Deals an Average Partner can Sell __10_____/year

✓ My annual Quota $ _1,000,000_____

✓ Recruitment Failure Rate: _30_____%

    *(Historically what % of partners recruited do not achieve **AT LEAST 80%** of the # of deals the Average Partner sells per year?)*

CALCULATIONS:

Average Partner Productivity $__100,000_____

    *(Equals Product ASP * # of Deals Average Partner Can Sell/year)*

✓ # of Partners Required __10_____

    (Equals My Annual Quota $ \ Average Partner Productivity $; round up)

✓ # of Partners likely to Fail __3_____

    *(Equals # of Partners Required * Recruitment Failure Rate %; round up)*

✓ Final # of Partners to Recruit __13_____

    (Equals # of Partners Required + # of Partners Likely to Fail; round up)

9. Complete Channel Strategy: Capacity Planning Worksheet

Use the Navigator:

- ASPs
- Revenues estimates
- TCV estimates
- and a 25% partner discount

...as you estimate the number of partners you will recruit.

In real life, there are two options when MRR is involved:

- the MRR is recognized monthly over the life of the contract

- in some cases, 36 months is recognized up front, aka, the Total Contract Value (TCV)

We will use up front TCV for ease of calculation.

WORKSHEET 9

Complete Channel Strategy: Capacity Planning Worksheet

	ASP (for MRR use TCV)	Typical # Sold /Year	Sub-total (ASP * # sold/yr)
On Premise	$ /OTC		
Monthly Recurring Revenue (MRR)	$ /TCV		

Total = Average Partner Productivity / Year
Partner Discount %
Net Partner Productivity / Year
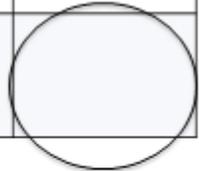
My Annual Quota? _____ $10,000,000_____

Failure Rate = the % of Partners Recruited Historically that didn't make Revenue Expectations:
_____

Number of Partners Required = Quota / Average Partner Productivity / Year (round up)
_____

Number of Partners Likely to Fail = Failure Rate * Number of Partners Required (round up)
_____

Final Number of Partners to Recruit = Number of Partners Required + Number of Partners Likely to Fail (round up)
_____

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WORKSHEET 9

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	$10M 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

Do You Remember What They Do to Make Money?

The mix of what they do at the corresponding gross margin dictates profitability.

Pre-sale
- Listen
- Design
- Architect

Sell
- Configure
- Price
- Deliver

Post-sale
- Implement
- Maintain
- Manage

ROI typically < 12 months

Product 5% to 40%

Project Services 21% to 67%

Managed Services 10% to 70%

Technology Line of Business
or Company
Sample Average Gross Margins*

Do You Remember What They Do to Make Money?

	Commodity (e.g. discounted laptop, etc.)	Complex (e.g. Enterprise SW: BMC, Lenovo SW, ERP, etc.)
Product Resale	5%	40%
Project Services	Staff Augmentation 21%	Business Process 67%+
Managed Services	Resell Public Managed Service 10%	Own & Manage 70%+

What do they need from you to develop capabilities & improve profitability around their core offerings?

IPED Profitability Study 2017

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

Solutions Focused VARs

- ✓ 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 Led 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

- Product focused resellers are blanked out as they do not fit the Ideal Partner Profile.

- Prioritize these partner support offerings based on the partner profile/s you will use in your go to market plan.

- In some cases, the partner may be a hybrid of two or three of these partner profiles/types.

WORKSHEET 10

Circle Your Budget Spend Priorities for Your Ideal Partner
All are important, RED indicates Partner Priorities

Product Focused Resellers	Solutions Focused VARs	Services Led VARs & SI's	MSPs & Service Providers
Predictable product flow	Standards-based product	Reference architectures	Deep technical relationship
Competitive SRP pricing & Rebates	Technical training	Sales influence – recognize/reward	Classroom and lab based training
Strong brand presence	Tech. architectures and tools	Clear rules of engagement (w/vendor and other partners)	Utility-based licensing models
Clear, stable front-end margins	Certification & specialization status	Use-cases and references	Expedited support
On-line sales & technical training	Deeper technical support	Field sales teaming model	Creative financing
Deal protection/reg.	Performance incentives/rebate	Prof. Services mentoring & tools	P2P collaboration program visibility
Affordable training	Deal protection/reg		Compensation neutrality for vendor field teams
Access to Channel rep	Co-marketing support & MDF		
Minimal channel conflict			
Simplicity & affordability	**Tech. depth & differentiation**	**Services-attach & influence**	**Solid technology Financing/licensing**

WORKSHEET 10

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10.1 Match Your Spend Priorities to the Navigator Simulation Buckets

	Incentives (OPEX only and includes business development funds*)	**Demand Generation Funds** (includes all MDF)	**Program or Other Partner Marketing Activities** (excluding MDF)
Description	This category includes all of the program elements associated with partner incentives to drive: • Product sales • Education • Training behavior, etc.	This category includes all of the program elements that are related to driving end user demand with and through your partners. Note: this does not include corporate end user demand generation, advertising, trade shows, etc.	This category includes all of the program elements that relate to marketing your program and all aspects of "marketing to" your partners.
Includes: *These are items that may be included in this budget section. This is not an exhaustive list, so other items can be included.*	• Business development funds • Sales SPIFFs • Rebates • Performance incentives • Deal registration incentives • Special pricing programs, etc. *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.*	• End-user targeted advertising • Promotions • Marketing activities designed to generate qualified leads • Trade show participation • Joint seminars, etc.	• Channel based print/web advertising • Industry events • Emails • Newsletters • Self-created webinars • Partner road shows, etc.

10.1 Match Your Spend Priorities to the Navigator Simulation Buckets Continued

	Infrastructure and Support *(includes eval units, POCs, Pre/Post sales support items & portal)*	**Education** *(Sales and Technical)*	**Other**
Description	This category includes all of the program elements that are necessary to: - Execute and implement your partner program - Support partners during sales engagements.	This category includes all of the program elements that are related to enabling your partner's technical or sales teams.	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.
Includes: *These are items that may be included in this budget section. This is not an exhaustive list, so other items can be included.*	- Partner portal (content updates) - Pre-sales technical support for partners - Eval units and proof of concept sessions - Post-sales tech support for partners (above normal tech support) - Concierge services - Professional services support - Technical best practices, etc.	- Technical training programs - Product or solution certifications training webinars/in-person sessions sales education programs - Product training for sales reps - Sales webinars - Customer education - Competitive positioning, etc.	- 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.

- As you finalize your chosen priorities, calculate the percent of the $2M budget to allocate to each simulation bucket.

- Represent that share of budget in dollars for each of the six (6) buckets.

Later, You Will Build out the Details of Your Partner Program with these Prioritized Dollars

Alliances

Partners

NDA, **Custom**

Partner Program Branding & Portal

You will use your budget to Build the Program in Simulation Phase 2

Education	Marketing	Sales & Support	Product	Partner Growth Capabilities
Live & Distance by Role	Co-Branding Tools, Concierge & Full Service	Pre- & Post -Sales	Development Access	Access to Capital
Product Roadshows	Co-operative Marketing Funds	CAM Coverage	Product Beta	Rep Development
Certifications & Specializations	Field Marketing Managers	Conflict Rules of Engagement	Developer Blogs, Workrooms	Transition to Services, MSP, Cloud
	Find-a-Partner	Special Pricing		

Recognition & Spiffs

Discount & Rebate Plans

Distribution Pricing Desk, Configurators, Price Sheets

Product

Finalize Strategy Based on Product Management Plans

PRODUCT STRATEGY	CHANNEL STRATEGY		PROGRAM DEVELOPMENT			FIELD EXECUTION	
REQUIRED INPUT	**RTM**	**Capacity**	**Enable**	**Market**	**Sell**	**Recruit**	**Manage**
✓ Product ASP	✓ Routes to Market Selection	✓ Partner Productivity Assumptions	✓ Sales & Technical Training	✓ Market to, through, with strategy	✓ Pre- and post-sale support	✓ Staffing model	✓ Program metrics management
✓ Target Markets	✓ Partner Profile Development	✓ Capacity Planning	✓ Tools & IP Sharing	✓ Demand generation tools	✓ Incentive structures	✓ Onboarding activities	✓ Joint business planning
✓ Buying Behaviors	✓ Value Proposition Development		✓ Field Mentoring or teaming	✓ Co-marketing funds & rules	✓ Pricing and discount models	✓ Role of distribution	✓ Rules of engagement
✓ Competition					✓ Deal Registration		

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

In a Word …

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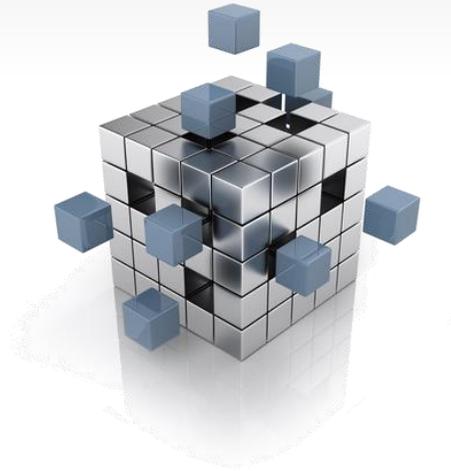
All are building blocks
(one linked to the other)
to achieve a desired end

Team Workshop
Phase 1

Set Your Partner Program Budget

✓ *What info did you have?*

✓ *What info did you need?*

✓ *How did you use it?*
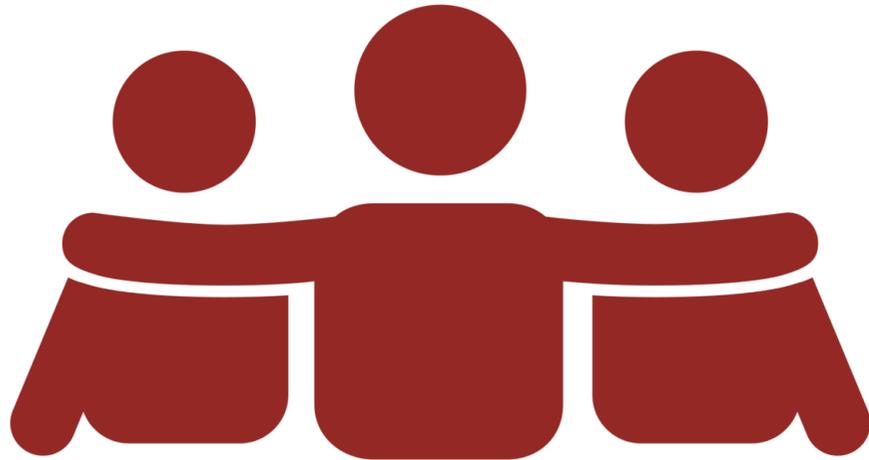
Partner Priorities. Sample: Annual Report Card

What's Most Important
When Evaluating Vendors

THE CHANNEL CO.
CRN
ARC
ANNUAL REPORT CARD

✓ Different across 25 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	3t
(Product) Compatibility & Ease of Integration	3t
Revenue and Profit Potential	4
Ease of Doing Business	5
Post-Sales Support	6t
Marketability	6t
ROI	7
Services Opportunity	8t
Technical Support	8t
Pre-Sales Support	8t
Communication	8t
Manages Channel Conflict	9t
Solution Provider Program	9t
Quality of Field Management	10
Ability to Add Services	11t
Training	11t
Partner Portal	12
Marketing Support	13
Marketing Resources	14

Vendor Channel Benchmark on Budget

	Channel Budget as a % of Indirect or Influence Rev:	Program to Headcount Ratio:	Mix of Total Channel Investment:						
Total N=53	**15%**	**1.5:1**	39%	16%	14%	7%	11%	11%	
Hardware N=21	**11%**	**1.4:1**	42%	19%	16%	7%	8%	8%	
Software N=20	**11%**	**1.6:1**	39%						
Service Providers N=12	**31%**	**1.4:1**	41%	12%	10%	7%	19%	11%	

> Reference Chart
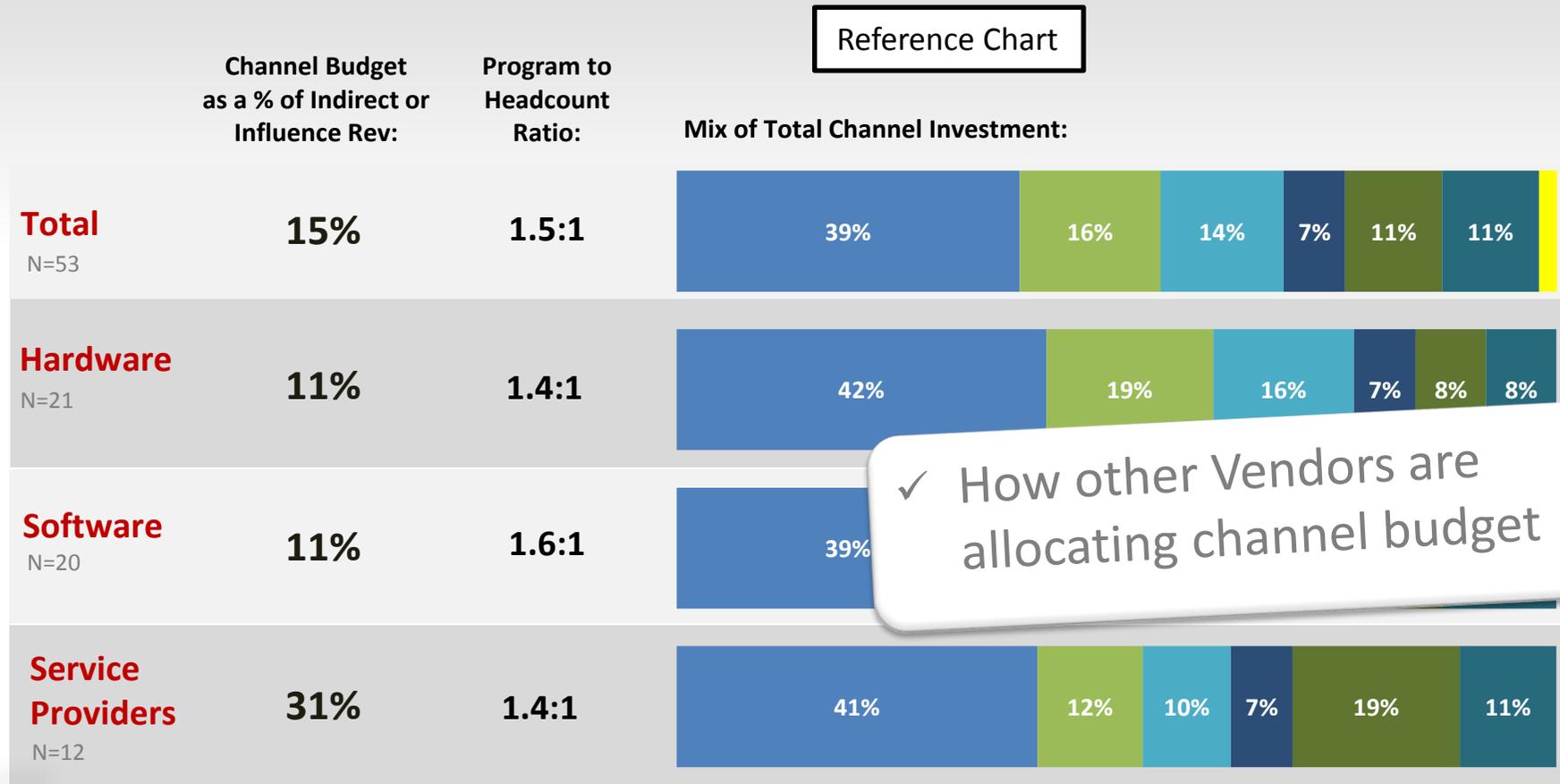
> ✓ How other Vendors are allocating channel budget

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

2014 Spending

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

Partner Preference

Focus on combination of HW and SW vendors

Based on average of all 25 ARC categories and includes Support and Partnership preferences.

Channel Experience

Used real world experience to rationalize model to simulation assumptions
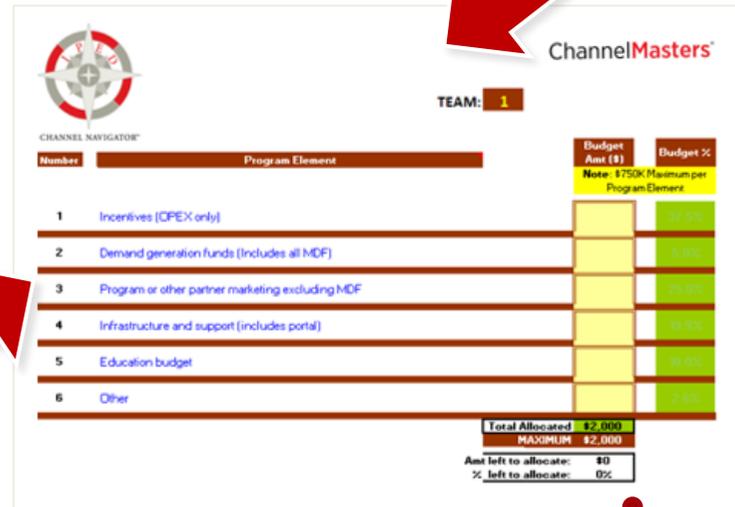
Results

# But Wait, There's More!

ChannelMasters®

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, Spiff Impact is High
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	DMR & Web Sales	Direct Sales
Target Market	✓ Global 1000 ✓ Complex Systems	✓ Vertical or Horizontal Solutions	✓ CIO, Dept. Buyers	✓ By VAR/MSP Specialty	✓ 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:** ✓ Guidance ✓ Solutions ✓ Low barrier to entry	**Want:** ✓ Procurement ✓ Terms ✓ Turn-around	**Want:** ✓ Vendor Relationship ✓ Development Access

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)

Profit Factors | Drivers

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

Profit Factors | Drivers

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

Profit Factors | Drivers

Increase:

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 (O365, 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	

Decrease:

SG&A	Vendor IP	Vendor Co-selling	Access to Development	Tech. Training & Certification	Services Automation

IPED Consulting   System Integrator heavy components   THE CHANNEL CO.   52
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Vendor Support Needs

Levers Of Partner Profitability: VAR

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

Levers 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%

REVENUE

C.O.G.S.

SG&A

Levers 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%

REVENUE

C.O.G.S.

SG&A

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