one gtm
INSIGHT

Phil Brown | August 2016

How your routes-to-market strategy needs to adapt to reflect the new reality

In our previous article, we looked at the forces of change that are rendering many vendors' routes-to-market strategies obsolete, including:

- The realignments being driven by 'third platform' technologies
- Cloud's increasing presence in the mainstream of enterprise IT
- The trend towards convergence across many categories
- The implications of bi-modal IT strategies
- The increasing importance of non-IT buyers and influencers
- The diminishing effectiveness of traditional product-led marketing
- The emergence of new business models within the IT channel

In this article, we look at the impacts of these changes on routes-to-market models.

New skills, capabilities and knowledge required

Technology features no longer sell products, and buyers aren't just looking for technical expertise from their IT suppliers. Your prospective clients want to understand how technology can help them meet their business goals. They're wrestling with the challenges of how to enable digital transformation and at the same time simplify their overly complex and fragmented IT environments.

Your prospective clients want to understand how technology can help them meet their business goals.

All of this means that your routes-to-market need different skillsets and different knowledge.

Being able to articulate and sell propositions which focus on business needs becomes critical. Specialist domain expertise around vertical sectors or business functions assumes greater value. As does the ability to engage with a broad range of IT and business stakeholders, offering insights and opinions rather than just pushing products.

As customers wrestle with their IT transformation challenges, consultative and change management services become more important. For existing channel partners facing diminishing margins on traditional products, this is becoming essential. Many are already generating more profit from consultancy than they do from product resale.

Past success offers no guarantees for the future

In a rapidly changing market, it's clear that what worked yesterday, probably won't be as effective tomorrow. The channels that drove your success in the past may not be able to sustain that growth in the future.

Some partners will make the transition to new business models successfully, while others will struggle. Despite being able to see the change happening around them, some partners will not be able to re-skill and re-focus quickly enough. Others will fail to strike the right balance between embracing new opportunities and maintaining profitability. UK cloud firm Outsourcery recently entering administration is an example of the perils.

Vendors need to be aware of these issues and identify and invest in partners who are well-placed to deliver tomorrow's growth. Too many vendors base their channel investment decisions on historic performance, with too little consideration of what will be required to deliver future success. Effective channel portfolio management should be a key discipline, in the same way it is for product strategy. Yesterday's stars could easily be tomorrow's dogs.

Innovative products may require new routes-to-market

As vendors introduce innovative new offerings in response to changing customer demands and shifting technology models, they may well find that their existing routes-to-market don't provide the market penetration they need.

Established channel players often disregard disruptive new technologies initially because of the risk to existing revenue streams. The transition to the cloud has been a classic case in point. Channel partners might have recognised the advantages of subscription-based cloud services, but their own financial models were built on receiving large slugs of income from product sales. With salary bills and the rent to pay, there has at times been a powerful disincentive to promote new cloud offerings.

Introducing new technologies also has the potential to complicate a sales process, or expose gaps in the skills and knowledge of your partners. For example, a reseller with an established storage business may not feel particularly motivated to introduce the concept of a Converged System to an existing customer, knowing that it could disrupt their nice, low-effort flow of repeat orders. This may lead channel partners to 'stick with what they know'.

So when introducing disruptive new offerings, vendors need to look carefully at both the skillsets and the motivations of their existing partners.

The channels that drove your success in the past may not be able to sustain that growth in the future.

Channel relationships need to be multi-dimensional

The traditional channel model has typically been linear and uni-directional. The vendor made a product, who shipped it to a distributor, who then supplied it to a reseller, who implemented it for a customer. Communications, campaigns, commercial models etc. all tended to follow this linear flow.

However, the linear channel model is no longer fit-for-purpose. In a solutions- and services-led world, vendor products aren't just resold, they're packaged up by channel partners and offered to customers as part of a broader integrated solution or managed service proposition. Joint propositions are now the name of the game; sell-with is often now as important as sell-through.

This has significant implications for how vendors build their channel programmes, engage their partners and how they organise their internal resources. Vendors need different processes and different skillsets in their channel management and channel marketing functions to build the right sorts of engagements with partners.

Collaboration across partner eco-systems is essential

Customers' desire for comprehensive, integrated solutions to replace today's fragmented IT, is not yet matched by the channel's ability to deliver. Very few partners are capable of supporting the full technology stack and very few can provide the complete suite of business and technical consulting, project management, integration and the app development skills required.

A failure to build fit-for-purpose routes-to-market could result in business failure.

For this reason, collaboration between partners is becoming essential. For vendors, this means thinking not just about enabling their partners to sell their particular product or service, but also about how they facilitate an effective eco-system, where different partners can leverage each other's skills to meet customer needs.

But what are the costs of failure?

If your routes-to-market strategy and partners programme cannot keep pace with changes in the marketplace, impacts could be significant:

- **Missing out on new market opportunities**
- **Inability to achieve market traction for innovative new offerings**
- **Diminishing returns on marketing and channel investments**
- **Lack of channel engagement because what you do is not seen as central to your partners**

At the most fundamental level, a failure to build fit-for-purpose routes-to-market could result in business failure.

Our next article in this series, 'How to build a successful channel strategy in a rapidly changing world', looks at the steps you can take to ensure you build and sustain effective routes-to-market.

About OneGTM

OneGTM specialises in helping clients in the technology and telecoms sectors to create and execute go-to-market programmes that deliver profitable growth. Our services range from market research and strategic planning, through to channel enablement and demand generation.

To find out how OneGTM can help your business call 0203 693 1211 email info@onegtm.com or visit onegtm.com