



INSIGHT

New Channel Opportunities in a **Cloudy World**

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Steering a channel through the cloud

Much has been written about the impact of the cloud on existing IT channels and many vendors are struggling with the thorny questions of how to transition, or in some cases jettison, their existing channel partners that have got them to where they are today

As traditional channel roles such as inventory management, financing and on-site implementation become less important, new skills and assets come to the fore.

However the focus on what to do with the existing channel has perhaps led some to neglect the new channel opportunities that exist in a cloud-based world. As a result newer start-ups, unencumbered by the legacy channel, have the potential to steal a march on existing vendors, not just through technology innovation, but also by channel innovation. As traditional channel roles such as inventory management, financing and on-site implementation become less important, new skills and assets come to the fore. This opens up opportunities for vendors to work with new types of partners that bring different value to the table.

Here are just a couple of the changes that I see in play at the moment...

Trusted brands become important routes to market

While it would have been very difficult to imagine a brand owner like Virgin or easyJet or Lloyds TSB becoming a VAR in the old on-premise world, it takes far less of a leap to imagine those organisations reselling SaaS products under their own brand.

I believe selling SaaS on an own-label basis through established, trusted brands will be an increasingly important route to market for a number of reasons:

1. The technical barriers to being a reseller of technology-based services are diminishing rapidly, so it's far easier for large companies to leverage their brand equity in these areas.
2. As brand owners increasingly transact with their customers online it is an easier progression to extend into other online services.
3. The low price-points of many cloud-based services means vendors are forced to find low cost routes to market, something companies with large customer bases and established marketing channels can offer.
4. Perceptions of risk are still a barrier to the adoption of cloud-based services particularly in the SMB market, and trusted brands can help to overcome this barrier. Some SaaS businesses are already successfully exploiting this model. One example is US firm, PayCycle, providers of SaaS payroll solutions for small businesses, who were acquired by Intuit last year for \$170m. They developed successful private-label partnerships with the likes of Capital One and PNC Bank, enabling them to grow far more quickly than they could have done solely under their own brand.

Sector and functional expertise to the fore

Compared with traditional on-premise products, the technical barriers to adoption of cloud-based applications are generally lower. As a result, SaaS providers can focus more of their energies on understanding and addressing the ultimate business need, rather than worrying about how to get the technology installed and working. The sale is less likely to be made to the IT function and more likely to be made direct to business owners.

In addition the economics of the SaaS model make it feasible to develop products addressing the requirements of far narrower market niches, whether defined by industry sector or functional application.

Therefore I believe that the value of partners that have deep industry or functional knowledge will increase relative to partners that sell primarily on the basis of strong technical skills. Partners that have in-depth understanding of the business drivers and operational processes within a particular market sector, and can help customers understand how to utilise technology to fix problems, will be highly prized by vendors. We can already see most of the larger application vendors, including the likes of Microsoft, Oracle and SAP, encouraging their existing partners to develop industry specialisations, because they recognise that the sale needs to be based more around end-customer need and less on technology.

If the partners with domain expertise also have trusted advisor status and access to the relevant business decision-makers then their value is increased even further. It was interesting to see the recent announcement that Baker Tilly, one of the largest accounting and consulting firms in the US, are to join NetSuite's Solution Provider program. Baker Tilly will be utilising their deep functional expertise to deliver customized accounting and regulatory compliance solutions based on NetSuite's cloud-based ERP platform.

In the first part of this article I have looked at some of the new channel models that were emerging in the cloud-based computing world, including the emerging opportunities for trusted brands and the increasing importance of deep sector or functional knowledge within the channel.

I now want to consider a couple of other increasingly relevant aspects of the channel mix – ISVs and apps marketplaces.

ISVs become the channel

In the on-premise world ISVs have tended to sell their services as discrete elements in the technology value stack. They often utilise channels themselves but they don't typically act as a sales channel for other technology providers.

However in the cloud-based world that model is completely transformed. ISVs are no longer just software developers; they are also in many cases, service providers. And in cloud-land the only thing the customer is really concerned about is does the service deliver the package of functionality they need, and what is the SLA that supports that service. All of the other infrastructure and platform elements of the technology value stack are subsumed into the service and buying decision is no longer driven by the end-customer.

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This puts the service provider, (whether it's an ISV or a managed services provider) into an increasingly powerful position. They effectively become the channel to market for all of the infrastructure and platform providers in the same way that OEMs have traditionally been in the computer hardware space.

The challenge for anyone providing an infrastructure or platform product therefore becomes how to ensure that your particular technology is incorporated within the service that the end-user consumes. This is partly about the merits of the technology solution itself, and for some larger players their brand will still carry clout (a la 'Intel Inside'), but it will also be about having the right engagement models and commercial structures that make it easy for an ISV or MSP to utilise your products within their service.

Marketplaces

The final area I wanted to touch on is App Marketplaces. At the moment there are only a handful of examples of this model really working, albeit very high-profile examples (iPhone AppStore, Android Marketplace, Salesforce's AppExchange).

However I think it's inevitable that this model will become more prevalent, particularly for vendors whose product relies on other 3rd party solutions to really create value for the customer. SAP's ecoHub and Microsoft's Pinpoint are examples of marketplaces in the enterprise space.

No doubt we'll see many examples of marketplaces that are poorly executed or poorly conceived and fail to deliver, but I think it inevitable that they'll become a mainstream part of the technology landscape in the next few years. Such marketplaces create value for all of the participants in the market if they function effectively. For the vendor they increase the competitiveness of their core product, for the customer they reduce search and transaction costs involved in finding the right solution to meet their needs, and for the partners they offer ready-made route to market as well as the credibility that comes from being associated with a larger player.

Hopefully this article has provided some useful food for thought. All of these changes have significant implications for vendors and the way they design their channel and partnership programmes. There are significant new opportunities emerging but channel programmes which were designed around a traditional VAR model are unlikely to be suitable for the new types of channel partnerships that vendors need to cultivate.

For more channel insight go to www.onegtm.com

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About the author

Phil Brown

Phil has more than 20 years sales, marketing and general management experience in the technology, telecoms and online sectors. His career includes launching a new, online business for a major telco, building a SaaS business from the ground up, closing multi-million pound sales, helping create a global partner programme for a leading software vendor and running a successful consulting company. As OneGTM's strategy and planning expert, Phil works with clients to ensure they have the right strategies in place to achieve their goals and effective plans to execute them.



About OneGTM

OneGTM specialises in helping B2B technology companies to deliver integrated go-to-market programmes that drive profitable growth. We have delivered successful results for a range of clients in the ICT sectors, including Symantec, Cable & Wireless Worldwide, Telstra, Sanyo, Tools Group, Admiralty and AboveNet.

Our end-to-end capabilities, from strategic planning through to market positioning and demand generation, help our clients succeed, by ensuring that all go-to-market activities are fully aligned and highly effective.

We have a particular focus on channel enablement. Our experienced team understand how channels operate and what they require to be successful. We can help define the frameworks, methodologies and programmes to ensure sales channels are fully engaged – and we can create the toolkits they need to deliver.

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