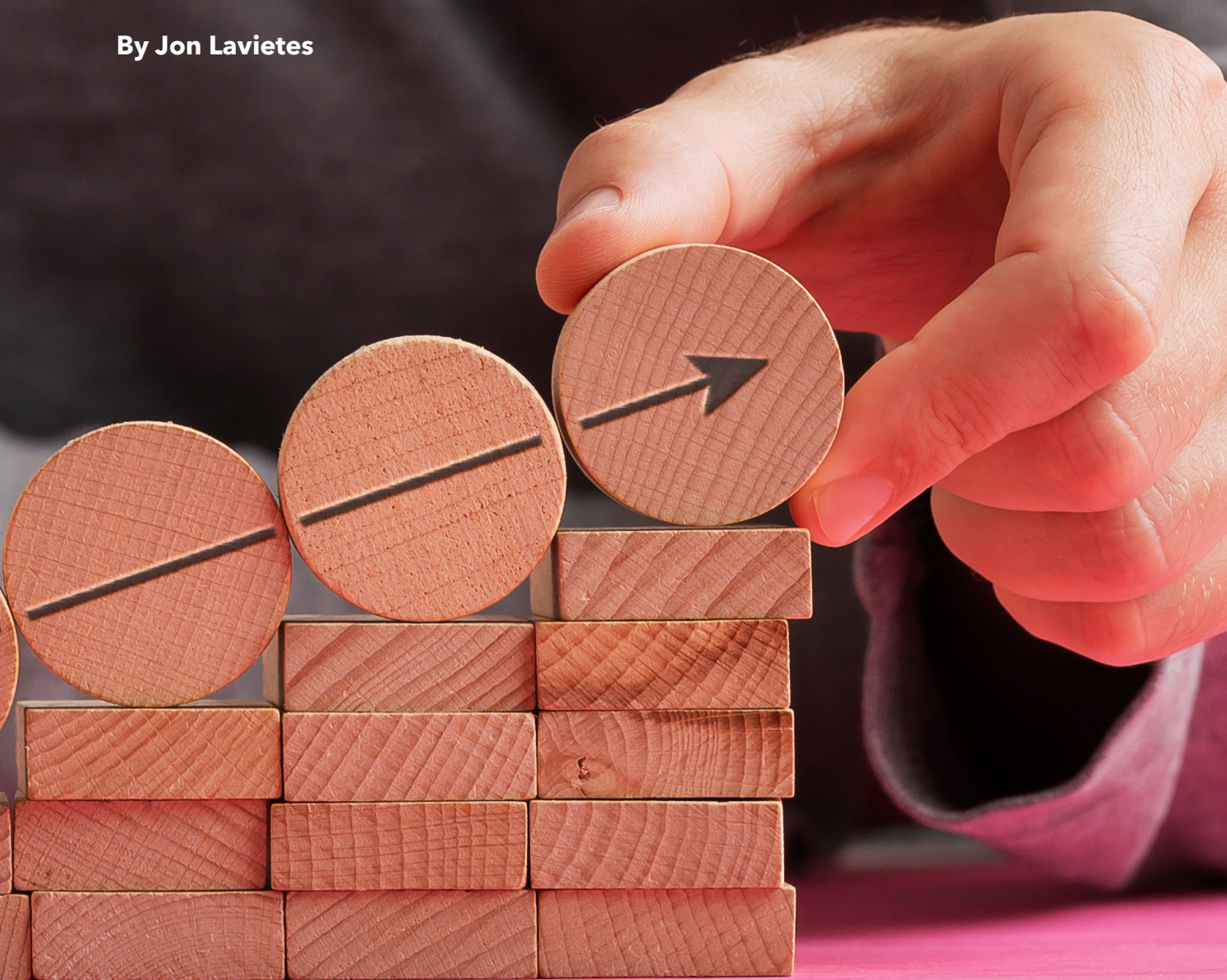


Pointing Channel Partners in a New Direction

Medals Programs Are on Their Way Out—and
So Are the Partners That Can't Adjust to Today's
Subscription-Based World

By Jon Lavietes



Happy New Year, ASAP members! We're kicking off 2023 by picking up where we left off in 2022. Last month, you may have seen our in-depth feature on vendor-side channel programs and the new skills required of channel account managers to run them ("Welcome to the New Channel!," *Strategic Alliance Quarterly*, Q4 2022).

If you didn't—and even if you did—we discussed how the lines between direct and indirect selling have become almost indistinguishable. Strategic and channel partners are working hand-in-hand to conduct marketing initiatives to attract new customers and deliver support and new services to established clients. We also revealed how channel managers now need to understand their partners' business models in depth, and often-times must roll up their sleeves and get into the minutiae of individual deals—a radical departure from the old days where vendors would "give a salesperson a data sheet and percentage of revenue and send them on their way," as **Nancy Ridge**, founder and president of Ridge Innovative, put it in that piece.

No More Tiers? The Medal Count Gets a Makeover

Subscriptions and ecosystems have predictably upended the channel-vendor relationship in many ways, some of which we didn't cover in our *Strategic Alliance Quarterly* feature. A stark example can be found in channel partner onboarding, enablement, and incentive programs. In recent years, there has been a shift away from "medal" systems, in which partners earn discounts, market development funds (MDFs), exclusive access to higher-end product development resources, and generally more and closer attention from vendors, among other perks, by completing a certain number of trainings and certifications, registering deals, and hitting a set joint revenue threshold. As they meet milestones, they advance through partner tiers that are usually coded by medal categories, often Silver, Gold, and Platinum.

"We've tended to look at [medal-based certification requirements] more at the company-to-company relationship level... which worked when the motion was the same—here's how you sell our software, here's what you need to learn about it, here's how you get certified," said **James Hodgkinson**, senior vice president of ecosystems at 360insights.com, in an October webinar, "The Next Generation Channel Chief: The Evolution of Partnerships and How to Not Get Left Behind." But those programs don't effectively reward partners for coveted non-revenue-based goals, such as spearheading critical technology integrations, where "the outcome is the solution."

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Point Spread: Not for Revenue Only

Although this shift away from medals has applied to all partner types, channel organizations have been particularly impacted by these changes. Microsoft created a big stir in early 2022 when it announced that it was shifting to a points-based system, in which channel allies are awarded points for a variety of activities, a majority of which pertain to post-transaction customer service, adoption, and upselling—actions that weren't necessary to sell on-premise technology in years past.

Laura McCluer, CSAP, until recently vice president of global alliances at Xactly Corporation, told us that her company has gotten its feet wet being on the receiving end of a similar points program laid out by Salesforce, which rewards partners for things like positive customer reviews, placing products on the cloud pioneer's AppExchange ecosystem hub, and even performing charitable works.



“It’s not solely revenue,” she said. McCluer added that Xactly is considering a points program that incentivizes partners for training and certifying personnel across its entire product portfolio, not just a single offering or two.

But What’s the Point Again?

Although most acknowledge that the points system is a bold attempt to encourage partners to complete tasks that are critical to facilitating subscription-service-based client relationships, many aren’t rushing to convert to this format yet. **Beth Jensen**, director of worldwide channel partner programs at Aruba, a Hewlett Packard Enterprise company, learned through her own research and recent inquiries with industry analysts that points systems are challenging to operationalize and manage.

“The points system can get complicated right out of the gate,” she said. “Some of it can be subjective on things like determining how well a partner did an integration, what was the quality of that integration, and was the customer successful?”

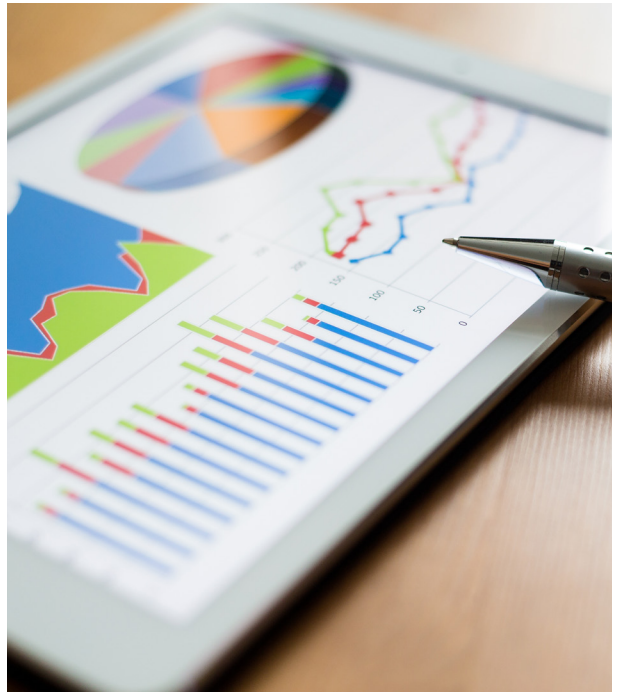
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Aruba is more interested in drilling down into some key questions in each phase of the customer life cycle—land, adopt, expand, and renew, or LAER—particularly when it comes to the latter two post-transaction stages.

“That’s a very good model for us to track how our partners are engaging at each step of that life cycle,” said Jensen. “We don’t want them just to land that deal and move on to the next like they were used to selling. It’s important to ask: How do they drive adoption of our subscriptions within a reasonable amount of time? How do they get integrated into that customer engagement model to understand how they are utilizing the functionality of our portfolio, so that they are driving expansion? How are they engaging to ensure renewal at the end of the cycle? For us, we can measure those things and how much value they are creating with us to drive business forward with our customers.”

Evolution Doesn’t Happen Overnight

“There’s an evolution. I don’t think medals programs are going to be gone overnight,” said Ridge, who went as far as to say that many new cloud-based incentive programs, points-based or not, don’t really differ much from their Silver/Gold/Platinum predecessors. “A lot of those components that were packaged into that new program are things that have been delivered through medals programs for years now.”



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“I’m not necessarily sold yet on the points system,” said **Rob Spee**, senior vice president of global channels and alliances at identity and access security company BeyondTrust. “I’m more of a fan of creating the right journeys for the partners that align to their business models. What are we really trying to achieve with the partner? How do we help partners when all they want to do is advise and be great influencers? How do we help partners [when] all they want to do is drive adoption in an account? What enablement do they need from us to do that? Then figure out the right KPIs for success to reward them on.”

Get On Board for a Smooth and Speedy Journey in the Channel

Those “journeys” Spee is referring to, as we’ve reported previously, are increasingly customized, prescriptive, automated, and self-guided packages of certification paths, training courses, background reading, and meetings with product and sales executives that are tailored to the specific goals of each partnership. (See “Self-Guided Tours in Partnerland,” *Strategic Alliance Quarterly*, Q3 2021.) Since neither vendors nor channel partners can afford to take a year or more to begin delivering value, the former use these journeys to help the latter get up to speed quickly.

Spee said BeyondTrust is making improvements to its partner portal, so that its channel partners can follow pre-built journeys that will “help them get trained up faster, whether it’s for sales or implementation training.”

“They don’t want a bunch of extraneous stuff that they have to learn, to process. They want the service provider to bring to them, ‘Here’s what you need to know and where you can add your value with the IP you bring to the table to deliver that great customer experience together,’” said Ridge.

In with the New—While the Old World Keeps On Turning

The switch to subscription models has forced vendors to reevaluate their channel partner portfolios and recruit new allies to perform functions that partners stuck in the mode of selling traditional on-premise products cannot. Portfolio maintenance is a process, not an event, of course. For most companies, it is going to take more than a year to fill gaps in marketing, selling, supporting, and upselling these as-a-service solutions, which vendors themselves are still evolving. Independent software vendors (ISVs) that continue to sell and support on-premise software and hardware still have to retain traditional channel partners. How those old-school partners are responding to the shift to the subscription model has varied thus far.

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“Some of the partners were like, ‘I have two houses, three cars, and a boat. I’m good. I’m going to keep [selling traditional packaged tech solutions] until I’m no longer relevant,’” quipped **Heather K. Margolis**, senior vice president of ecosystems at

360insights.com, in the aforementioned “The Next Generation Channel Chief” webinar.

But like everyone else in the industry, many channel organizations are used to adjusting to the next big thing in tech, and customers count on them to separate the wheat from the chaff and select the offerings that produce their desired business outcome. Ridge said her success as a consultant can be traced directly to working backwards from her clients’ core objectives and evaluating the newest shiny-object technology against it.

“The best channel partners are the same way. They’ve cycled through many technologies over 15 years,” said Ridge. “They’ve had customer relationships for decades. They don’t have a lot of churn. The reason for that is, they are the trusted advisor to customers.”

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In their portfolio-pruning efforts, vendors are retaining existing partners that have successfully reskilled themselves to meet the needs of the subscription-driven future, as well as some of those others that just want to support the legacy old-world solutions, while utilizing a variety of resources to recruit new ones to cover the remaining capability holes.

“We have identified where some of our gaps are. We work with some consultants who have access to analytics and data on how to find those partners that we are looking for in the market to build our ecosystem to where we need it,” said Jensen.



Fewer Partners, More Intimate Interactions

Because delivering cloud-based subscription services with partners old and new calls for a significantly closer, more intimate working relationship, many vendors have chosen to either focus more of their resources on fewer channel partners or limit the number of organizations in the channel program altogether.

“Not a lot of partners, but ones you are mutually committed to and invested in. That is where things are moving toward, as opposed to ‘anybody’s a channel partner, anyone can resell the product,’” said McCluer.

“Not a lot of partners, but ones you are mutually committed to and invested in, as opposed to ‘anybody’s a channel partner, anyone can resell the product.’”

HPE’s next-gen partner program, HPE Partner Ready Vantage, is focused on accelerating as-a-service business with partners by helping them expand their own services in three areas: 1) customer success, 2) managed services, and 3) professional services. For the first one, the company is recruiting and enabling as many qualified partners as it can, training them on how to use telemetry data generated by Aruba’s cloud-based network management software, Aruba Central, to deliver greater value to the customer.



Tinker, Tailor, Distributor, Enabler

Managed and professional services partners, on the other hand, are put through a more rigorous maturity assessment to determine how proficient they are in delivering the type of networking-as-a-service solutions the company is known for. Those that pass muster then work closely with Aruba to create a detailed business plan and receive hands-on training involving sample design and architecture implementations, which these partners deliver to their customers as their differentiated value-add on top of Aruba as-a-service offerings.

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BeyondTrust has a different spin on a hybrid high-/low-touch model. Its channel managers work closely with a few strategic channel partners to jointly develop detailed business plans, cosell solutions, and create tailored enablement journeys. The rest are handled by distributors—yet another partner segment that has had to reinvent and distinguish itself in the transition from on-premise technology to subscription-based services.

“It used to be, if you were doing lots of software transactions in the channel, you would have a distributor acting as your agent to a lot of resellers,” said McCluer.

In the old model, distributors mainly sold on-premise hardware and software in massive volumes. Now, they are counted on to have a higher-touch relationship with channel partners in their role as liaison between them and the vendors.

“They have to be very skilled to be able to provide the onboarding and training of those partners that our [channel managers] aren’t covering directly,” said Spee. “To really be effective, the [channel managers] have to hold a small number of partners.”

ASAP members, if you lost track of the Q4 2022 issue of Strategic Alliance Quarterly in your inbox amid visions of sugarplums and a glut of eggnog over the holidays, don’t despair! You can always retrieve it in the ASAP Content Hub. ■

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As a practitioner of collaboration in a variety of perhaps non-traditional alliance functions myself, I've found so many key elements of partnering and collaboration management for synergistic outcomes were perfectly encapsulated by ASAP's offerings.

—Kevin Little, CSAP
Senior Partnership Director
Novo Nordisk