

Living the Questions, Working the Problems

Your Alliance Was in Great Shape—Then Suddenly Something Changed. What Do You Do? The Experts Say Now's the Time to Think Ahead and Have a Plan



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- No MBA? No PhD? No Worries! Your Alliance Management Career Journey Begins Here
- How Emerging Pharma-Digital Partnerships Are Transforming Healthcare
- Welcome to the New Channel
- Your Very Own Alliance Superpower Revealed!

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- *Editorial Supplement: Driving a Better Alliance Experience: Building and Implementing the Perfect Contract*

Welcome to the New Channel!

It's Definitely Not the Same as the Old Channel, as Ecosystems and Subscription Services Blur the Lines Between Partner Types—Forcing Channels, Vendors, and Everyone Else to Work Together More Strategically

By Jon Lavietes



Two years ago, deep in the throes of the pandemic, we told you that the channel, tech's trusty indirect sales route, was in the process of adjusting to the subscription business model that had swept the industry. As "trusted advisors" to clients, channel partners were guiding paying customers on how to use emerging cloud-based services to bolster their respective businesses.

Like every other entity that has a hand in delivering solutions to enterprises and midmarket companies—independent software vendors (ISVs), hardware providers, global systems integrators (GSIs), management consultants, distributors, managed service providers (MSPs), etc.—the channel was now charged with deemphasizing efforts around the point of sale and dedicating more resources to hooking customers through targeted marketing efforts leading up to the transaction, as well as retention and upselling of subscribers afterward (see "Bridge over Troubled Waters," *Strategic Alliance Quarterly*, Q4 2020).

By and large, channel partners have kept up with the times—but the times they are a-changing! And the changes they have had to make to adapt to our new cloud- and subscription-based reality are forcing technology vendors to adjust how their indirect sales programs, and the people who run them, operate.

Blurred Lines, but the Force Is Strong

On the surface, the channel's role vis-à-vis the customer is the same: "Take a portfolio of products that channel partner may have from multiple vendors and bring them together into a solution offering," said **Laura McCluer**, CSAP, vice president of global alliances at Xactly Corporation.

And the channel's broader value proposition is, if anything, strengthened. "The channel becomes a force multiplier," said **Nellie Scott**, CA-AM, senior manager of growth markets for North America alliances and channels at SAS. "The channel can help grow indirect revenue exponentially for all parties with fewer resources and lower the cost of sales."

But a peek underneath the hood reveals that just about everything else in the vendor-channel relationship has shifted, starting with the fundamental definition of what actually constitutes a channel partner.

Put It in the Blender and Shake It Up

"The roles are changing between partners—they're blending. It's not the traditional model where, 'I'm a resale partner,' 'I'm an ISV,' 'I'm a managed services provider,' 'I'm a systems integrator.' They all have to do more, so partner types are blending together to support the changes that are going on in the market and the channel related to supporting the as-a-service market," said **Beth Jensen**, director of worldwide channel partner programs at Aruba, a Hewlett Packard Enterprise company. "We don't see our partners as an extension of our sales team anymore. We feel that's a traditional way of thinking. We look at ourselves as an extension of our partners."

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Jensen continued, "In this ecosystem, now you have vendors that can also act in the partner role. They're providing different ways customers and partners can consume their as-a-service portfolios.... It's really blended now in terms of the roles that those players are going to play, what they are delivering, how they are delivering it, what portfolio they have, and how they are taking it to market."

In fact, in just about every conversation we had with tech experts about partner categories, the phrase "Venn diagram" came up.

The set of criteria for what constitutes a channel partner isn't the only core element of channel programs that has been completely transformed. The nature of selling engagements is almost 180 degrees opposite the old reseller sales motion.

"It has gone beyond the traditional idea of 'give a salesperson a data sheet and percentage of revenue and send them on their way,'" said **Nancy Ridge**, founder and president of Ridge Innovative, a consultant who has helped design and implement channel programs for a variety of organizations for more than two decades. "Organizations are recognizing that the best way for them to gain market share is to create a clear strategy that goes beyond just the traditional channels as they used to be and embraces that whole idea of ecosystems. In that sense, we are seeing some convergence of alliance and partner programs."

Shelter from the Storm Under the Alliance Umbrella

That convergence of various channel, partner, and alliance programs—and perhaps their ultimate consolidation under an overall alliance/partnering umbrella—will no doubt be of keen interest to alliance professionals throughout the industry and beyond. And although not everybody is there yet, **Rob Spee**, senior vice president of global channels and alliances at identity and access security company BeyondTrust, has found that such a structure fits his organization's current client engagements.

"It stems from the whole transition of the marketplace from [more of] a singular thread—you had direct business, you had channel business—[to one where] those lines are so blurred today. I'm pushing my company away from the thought of direct versus indirect because in today's world, it's all blended," he explained.

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BeyondTrust is increasingly engaging multiple partners in an account. That could include a reseller, technology integration partners, a cloud hyperscaler, and a GSI or regional systems integrator (RSI) doing the implementation. BeyondTrust also takes an ecosystem approach to its marketing activities, such as webinars and events—the company looks to join what Spee called the "trifecta" of a channel partner, an alliance partner, and a delivery partner.

"Where we're seeing the greatest value to our customers is when we engage our channel partners with those technology alliance partnerships," he said.

The New Channel Manager: Strategic Thinker, Business Consultant, and Resource Orchestrator

In this new world where partners' roles morph and blur with each client engagement, channel account managers now require a more sophisticated skill set than what was needed to sell boxed software and hardware, which often called mostly for tactical oversight and execution of rebate programs and the like. It's a toolkit, approach, and mindset that altogether look an awful lot like those needed to execute the management of strategic technology alliances.

"Alliance managers must now think more strategically about business plans, combining the value of the two business entities to solve market needs as opposed to just being transactional."

"That's not a long-term growth strategy, if you're just managing transactions, channel forecasts, and SPIFs (sales performance incentive funds)," said McCluer. "[Alliance managers now] think more strategically and think about business plans, combining the value of the two business entities to solve market needs as opposed to just being transactional."

In Scott's view, channel partner managers have to bring a strong business acumen to the helm to steer their channel partners to success.

"My channel partner managers are very focused on our partners' business model. They have become much, much stronger business consultants, to the point where they will voice opinions on, 'Do you really want to do that?' [Or] the risk assessment: 'Have you assessed the risk of doing those kinds of things?' We're elevating the role, and quite frankly elevating the



business conversations,” she said. “It’s a much more business-consultative discussion. To do that, you have to understand what the partner’s business model is. How do they make money? How do they go to market? That takes an entirely different knowledge of the partner than what we have traditionally had in the past.”

In the old world, successful channel partners could basically bring in commissions while the vendors slept, selling bundled products more easily. Conversely, today’s channel-vendor relationship requires more frequent and nuanced interaction.

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“Now it’s digging under the hood at the deal level. What do you need to close this deal? How soon is it going to close?” said Scott. “In some cases, we’re helping resellers prospect, helping them with appointment setting, helping them with very targeted marketing campaigns. Channel managers are in the middle of that orchestration of resources, not only between the vendor’s marketing team but the partner’s marketing team. We’re really aligning those integration points more than we did before.”

Getting SaaSy: In a Hybrid World, Channel Managers Navigate the Nuances for Customers

These services deals can get very complex, especially for “hybrid” customers that have both on-premise and subscription deals with vendors. Like any other technology company, Aruba’s traditional customers buy, implement, and maintain their own hardware—in this case, routers, switches, access points—while Aruba or its partners perform these duties on behalf of subscribers to its newer as-a-service offerings.

But here’s where it gets tricky: Aruba’s subscription services still require some equipment to reside on the customer’s site. So when does it make sense to purchase your own equipment, purchase it in an as-a-service subscription model, or transition from the former to the latter? The answer is hardly straightforward and depends on the customer’s goals and budget.

“They have to discuss the pros and cons of how they want to acquire those solutions,” said Jensen. “What’s the benefit of one over the other? They can continue to work on-prem, hybrid, or all as-a-service, but it’s a matter of being able to have a conversation around all options, how to balance that, making sure that [channel managers] can have the right conversations with their partners and are looking at what the customer wants at the end of the day, versus ‘How am I going to make the most money up front?’”

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She added that it’s particularly important that channel managers help existing customers “understand how to plan and differentiate their budget. They own the equipment, so do they deal with the equipment they already own? How do they upgrade that equipment? There are ways to work with them in terms of shifting equipment that they own into the new [subscription] model.”

Builders of Customer Value: Channels Bring New IP and Skills to the Construction of Solutions

Because the ecosystem model entails multiple players collaborating at every part of the customer life cycle—marketing, influencing, selling, delivering, and upselling—channel partner companies are also bringing skills to the table now that they weren’t always associated with in years past. They can potentially be performing integrations, advisory services, consulting, IT architecture design, security, data analysis, or ongoing customer service, among other functions.

And in a SaaS world, the more adaptable channel partners are combining these new skills with the right combination of as-a-service offerings from vendors in order to deliver broader outcomes desired by the customer. Jensen compared this new breed of channel partner to a general contractor who enlists other specialist tradespeople to fill in gaps in services that will help it meet the client’s broader objectives.

“They may be subcontracting with others behind the scenes, but they’re in there delivering the whole solution,” she said.

“That’s why they’re adding these different services, combining multiple products, creating new offerings: to be of greater value to the end customer,” said McCluer, who added that channel partners are excelling at “the concept of going deeper and wider into the account” after the initial transaction by adding formal professional and advisory services.

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Renewing the Customer’s Faith in You

Many vendors are now reassessing their partnership portfolios to make sure they have partners that can fulfill all of these roles, particularly those that can integrate solutions, continually support them, and upsell new services to meet evolving client needs. In an early October webinar, “The Next Generation Channel Chief: The Evolution of Partnerships and How to Not Get Left Behind,” **James Hodgkinson**, senior vice president of ecosystems at 360insights.com, cited figures claiming that 40 percent of SaaS licenses are going unused, while the customer churn rate is somewhere around 30 percent. Channel partners that are invested in the upfront adoption and adaptation of technology are drawing interest from many ISVs.

“When the license runs out, I want to make sure there’s a renewal there. Vendors are placing a great value on partners that can go in there and make sure that the software is being utilized, [that] customers are getting ROI and are accelerating time-to-value out of their investment. Without renewals, there is no recurring revenue,” said Scott.

“[Channel partners are] in there day to day as an extension of your organization, and you want to make sure that they’re successful in supporting the customer so you and the partner

earn the renewal,” said McCluer, who issued the reminder that, for SaaS-only companies in particular, renewals are “the lifeblood” of software vendors these days.

“The Channel Is Forever Changed”

Fewer, and more strategic, partners. Deeper joint business planning. Meeting increasingly specific customer needs that evolve over time. It all brings us back to that original point: the ways and worlds of strategic alliance technology partners, channel partners, and even vendors themselves are converging, and this trend is causing technology providers to look at the channel in a whole new light. A light that is very much reflected off of ecosystems, and is infused with the whole spectrum of hues from the world of strategic alliances. In other words, ecosystems have had the effect of making channel and traditional strategic technology partner operations—and the job duties of the people executing them every day—look awfully similar.

All parties are demolishing boundaries, in more ways than one. It’s hard to distinguish partner types, in large part because no one is placing limits on how they serve customers—resellers are doing more than just selling, while tech vendors are providing new combinations of services.

In that world, what is the role, and the proper place, of the channel?

“Is the word ‘channel’ the right word? Is it too limiting, and do we need to redefine it?”

“Is the word ‘channel’ the right word? Is it too limiting, and do we need to redefine it?” McCluer pondered. “An alliance incorporates a channel. A channel is [just] a route to market.”

Whatever the answer, there’s almost universal agreement on one thing: “The channel is forever changed,” said Ridge.

We’ll have more on channel partner programs in the January 2023 issue of Strategic Alliance Monthly, ASAP’s online-only publication emailed to members each month. Be on the lookout for a stimulating discussion about the transition away from medals-based certification programs, including a fresh look at emerging points-based alternatives. The piece will also explore how vendors are revamping their channel partner portfolios to simultaneously serve both traditional on-premise and newer subscription-based customers. ■



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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