

Accelerating Partner Transformation in an XaaS World

A nine-step framework
to evolve your channel
go-to-market strategy

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After starting a discussion about channel transformation during the XaaS Channel Optimization session at TSW Las Vegas, Robert and Kristine are continuing the conversation in this white paper. The goal is to give forward-looking channel leaders the practical guidance they need to take their XaaS strategies to the next level.

On the heels of massive transformation in 2019, all signs are pointing to another year of significant change in the IT channel. With demand for XaaS ever increasing and two-thirds of technology purchases now made through line of business buyers, vendors have reacted by developing cloud / software solutions that are consumed in new ways. As channel partners have struggled to understand their new role, these changes have disrupted the traditional value exchange between vendors, partners, and their customers. That's where channel optimization comes in, says [Anne McClelland](#), TSIA's vice president of XaaS channel optimization research.

According to McClelland, "XaaS channel optimization is about the 'as-a-service' subscription offerings which are sold through, sold with or sold to a partner in order to meet a customer's technology solution business requirements. Ideally optimizing the channel partners' abilities and capabilities will both meet customers' needs and drive reach and scale for vendor companies at the same time."

Having a clear understanding and strategy for transforming your channel for XaaS will be one of the most important factors in your organization's success in 2020.

"Because almost every company in every industry is thinking about or actively converting to a recurring, subscription-based model, a new 'retention channel' is starting to take hold. Knowing that the customer journey never ends in a subscription scenario and that brands will need to re-earn a customer's business every 30 days, partners that can drive adoption, ongoing customer experience, and the ability to upsell and cross-sell become critically important."

Jay McBain, Forrester

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Partner Transformation in the New Economy

In [previous white papers](#), Channel Impact has focused on Partner Success, an important new strategy that has come about as companies with indirect sales models seek to scale Customer Success (CS) with the help of partners. When pivoting to XaaS, tech OEMs must build upon their Partner Success strategies and further evolve their channel initiatives to guide partners into a new model of value exchange for XaaS transformation.

This evolution takes planning – the first step is to address critical changes to business and operating models before pursuing a go-to-market strategy. Channel marketers have been culturally trained to focus efforts on market acceleration. However, in the case of XaaS transformation, starting from a go-to-market perspective may not be the most optimal approach. Organizations first need clarity and definition around new offerings, new partner roles and requirements, and new customer engagement models so they are capable and prepared to compete in the XaaS market.

As Forrester’s Jay McBain notes, buyers spend 68% of their journey digitally before speaking with a salesperson (direct or partner) and an astounding 71% of them reach vendor selection after a digital-only journey. As a result, he says “brands are wising up to the importance of getting in front of customers early and often.” This is where an **influencer channel** may come in. At the same time, McBain says a **retention channel** is also emerging, with the **transactional channel** remaining a part of the channel ecosystem as well. In XaaS, the retention channel will play the critical role with an increasing focus on lifecycle engagement.

Today’s Three Channel Types



Influencer channel*

Made up of affinity partners, referral agents, affiliates, advocates, ambassadors, and alliances.



Transactional channel

These are more traditional partners focused on reselling products and services.



Retention channel*

May include consultants, integrators, adjacent ISVs, accountants and digital agencies.

*Source: [Forrester Research](#) (*New Channels)

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Transformation not only requires OEMs to think in new ways about the types of partners they align with, but to guide these partners to understand their value in the new subscription economy, how they engage customers and how they make the necessary cultural and organizational changes to successfully execute. These efforts will take considerable time to play out and pay off. A [2019 study by Innosight](#) found that the top 20 transformative companies started their transformations five or more years ago. Vendors can't expect partners to change in an instant, but they can provide partners with the strategies, framework, tools and resources so they can evolve incrementally – because the reality is, the old way of doing things simply won't work anymore. The following is a **nine-step framework to evolve your channel go-to-market strategy** across business, operational and go-to-market models:



Business Model

- 1 Get aligned
- 2 Make the tough choices
- 3 Identify financial implications

1 Get aligned

Vendors have to align their channel strategies to help partners make the transformation to XaaS. They need to provide transparency as to what their expectations are of partners moving forward. Partners need clarity about where they fit with respect to new cloud-based offers so they can determine their value and build a portfolio of add-on services. When vendors segment XaaS customers and identify market requirements, it helps partners gain a deep understanding of capacity requirements and the roles they will play relative to customer needs. Further, it provides partners an opportunity to combine their multi-cloud experience and alliances to deliver a highly specialized set of industry solutions. Vendors must define what role(s) partners will play and clearly communicate expectations. Once defined, they need to work to evolve channel programs to reward the behavior that is required from existing partners and recruit new partners that already have the required capabilities and capacity. Often legacy channel programs are unable to support XaaS models. To be successful may require the reimagining of new channel strategies and programs in a way that many vendors simply haven't yet considered.

2 Make the tough choices

Realize that top partners in a transactional business model may not be top partners in the services economy. Evaluate partners based on the new skills and capabilities required to deliver on customer value propositions. What vertical expertise is needed? Which partners are ready, willing and able to make the shift? What's the plan for partners that lack the right capabilities or are unwilling to evolve? Take the time to identify partners that have specific services, such as business consulting, integration, security and compliance, and that can drive customer adoption and success. Identify gaps in your partner community overall so that you know where to add more specialized expertise. Assess overall readiness for transformation while considering what partner journeys will look like over the next 12, 24 or 36 months. Modeling XaaS financial performance is a great way to visualize and better understand channel investment economics. This is the time to ask the hard questions and start making the tough decisions.

3 Identify financial implications

Partners and vendors have different economic models – and what may be great for the vendor may look less appealing to their partners. Vendors need to evaluate the real-life financial implications transformation will have on their businesses. Identify the shared goals that make sense for both organizations and develop joint business plans to accelerate new capability development. Drive accountability within the channel by establishing KPIs or OKRs (objectives and key results). Manage OKRs with regular reviews and implement course-correction when necessary. The keys to success are understanding your partners' economics and assisting them in realizing new growth opportunities.



Operating Model

- 4 Extend your customer engagement framework across the entire lifecycle
- 5 Revitalize portfolio
- 6 Rethink organizational models and roles

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Extend your customer engagement framework across the entire lifecycle

In transactional software sales, the channel provided value-add to customers through deployment and integration services and gave vendors the ability to deliver products at scale. In today's XaaS model, the channel's value equation to customers and vendors has shifted. For customers, it lies in offering post-deployment services and ensure vertical industry outcomes. Vendors achieve value when partners can combine their solutions with specialized data and service add-ons to deliver customer success at scale in a way that accentuates the vendor's competitive advantages.

Delivering XaaS services also leads to significantly greater customer lifetime value potential than transactional product sales. But to achieve that potential, next-gen partners will need to continuously manage the post-sale experience if they want to generate customer outcomes, renewals and expansions. From a vendor perspective, vendors must clearly define the phases of the entire customer lifecycle that they would like their customers to experience. To do so, they need to identify partners' role(s) in each phase, and also understand points of intersection with the partner's customer engagement framework and lifecycle journey. Vendors need to develop journey maps to outline customer touchpoints and opportunities and share data insights and analytics. These resources will equip partners to deliver new service offers with a focus on customer success and help instill a customer experience (CX) culture within their channel.

5 Revitalize portfolio

Vendors today must evolve their own portfolios with new service offerings. There should be one seamless portfolio and not a separation of product and service portfolios. Identify the capabilities that will be delivered in-house and the opportunities for partner delivery or co-delivery models. Vendors need to establish standards of service but leave room for partners to provide incremental value-add and define their own branded offers with greater detail and clarity. Ultimately, vendors and partners are selling outcomes. So, identify all of the things that need to be done from a customer engagement perspective to sell and ensure customer outcomes. As with every step in the transformation process, building a new portfolio takes time. Vendors need to take the lead and encourage partners to move in that new direction.

6 Rethink organizational models and roles

Consider the changes that are necessary to the internal organization. Are the right roles and skills in place to help partners evolve? Do partners have the right people and capabilities in place to make the shift? What ecosystem partnerships might exist to fill the gaps? Look at internal organizations with a new lens and modernize to become more customer centric. Define new roles and requirements and explore ecosystem partnership opportunities to fill gaps. Evolve partner programs and incentive structures to ensure brand experience and execution.



Go-to-Market Acceleration Model

- 7 Modernize go-to-market readiness
- 8 Secure the quick wins and scale out
- 9 Drive accountability

7 Modernize go-to-market readiness

Once there is clarity about the strategy for XaaS (new portfolio, customer engagement model and identifying where partners will play) then it's time to step on the gas. Use market insights and analytics to engage partners more strategically. Build out account strategies and success plans that will lead to the results that you want to achieve. Remember, a successful market process begins by first laying the proper foundation by making the necessary changes to business and operating models.

8 Secure the quick wins and scale out

Nothing accelerates success like success, so it's important to have a few quick wins to validate the strategy. The best way to secure those initial wins is through friendly customer engagement from the beginning of the transformation process. Engage customer focus groups early on and listen to their input when developing new capabilities. Validate new customer engagement strategies and portfolios in order to mitigate risk at launch. Once quick wins are secured, build on that success by establishing and incorporating best practices into the go-to-market processes in order to drive scale. Utilize available intelligence and account-based marketing to identify prospects that fit the XaaS customer profiles that have been developed. Then, focus on accelerating the pipeline.

9 Drive accountability

With new XaaS solutions in place, communicate the new portfolio and value proposition to partners. Make investments in technology platforms and tools to assist partners with enablement and scale. At this point, the goal is to sustain behavioral change and execution. Vendors and their partners should utilize their own XaaS solutions to drive their own business agility and outcomes. Vendors should establish KPIs and align compensation plans to incentivize the new behaviors they require from their partners.

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Final Thoughts and How to Kick Start the Transformation

Adapting a business for XaaS is an ongoing journey, and the tangible outcomes may change over time. The first and most important things vendors can do to accelerate partner transformation are to provide clarity and transparency about the roles they would like their partners to play throughout the customer lifecycle. Once clearly defined, partners can focus on developing their own value-add services and start making the necessary changes to business, operating and go-to-market models in a phased and methodical way.

Vendors also need to always be aware of the potential hurdles partners may face in the wake of transformation and strive to help them overcome these obstacles. Ultimately, such transformation needs to make economic sense to both the vendor and the partner. To be successful, both vendors and partners will require executive sponsorship and buy-in, given the significant investments that transformation requires. Vendors and partners will each offer differentiated value, and every channel transformation strategy should highlight how partners can offer unique value and monetize the differentiated capabilities throughout the customer lifecycle.

The bottom line is this: the XaaS market is here and partners are looking to OEMs to help them drive change – not just changes around traditional program policies and incentive structures but real changes that empower them to align with the way business now gets done.



With so much to do to adapt to today's XaaS world, there's no time like the present for vendors to invest in their partners by helping them evolve their value, modernize their offerings and take their business to the next level. If you need support in kick starting your efforts, let's set up a time to talk. If you're headed to the next TSIA event, come visit us at [TSW San Diego 2020](#), where we will open up our **XaaS Partner Starter Kit** and share best practices on how to get up to speed quickly.

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