

Is Your Product “Channel Friendly”

Silicon Valley Product Management Association
Wednesday, October 4, 2006

Sridhar Ramanathan
Pacifica Group

Agenda

- Understanding the Channel
 - What is the “channel”?
 - What does the channel do?
 - What makes the channel “tick”?
- 8 Recommended Practices
- Resources

What is the “Channel”?

Vendor View



Route to market for
my product

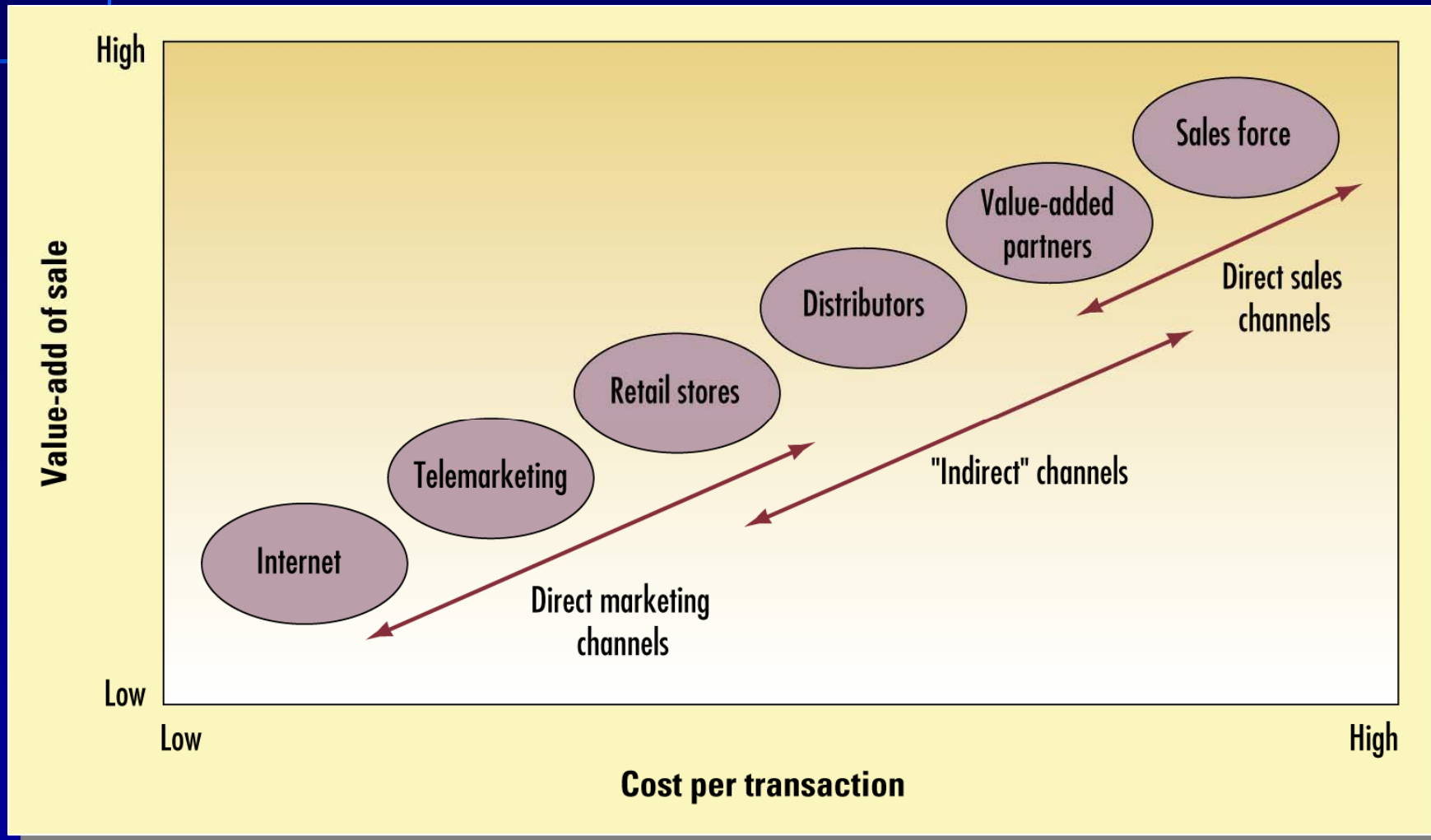
Customer view

Where I buy products
and get help

What does the channel do?

- Gather info on customer demand
- Stimulate purchase; negotiate price
- Handle orders, financing and payment
- Move and store products
- Add value: design, install, train, implement, integrate, and support

Types of Channel Players



Source: P. Kotler, Marketing Management

Channel Business Drivers

Type	Example	Business Driver
OEM	Dell, HP, IBM, Cisco, MS	■ ASP/Contribution Margin
Value Added Reseller (VAR)	ACS, Getronics, En Pointe	■ Gross Profit Margin ■ Volume
System Integrator	IBM, EDS, CSC, HP, Accenture, and boutiques	■ Client Value ■ Client Retention/Growth
Distributor	Ingram Micro, TechData, CDW, BellMicro, Comstor	■ Volume ■ Margin
Services Provider	AT&T, BT, Orange	■ Operational Efficiency ■ Cost

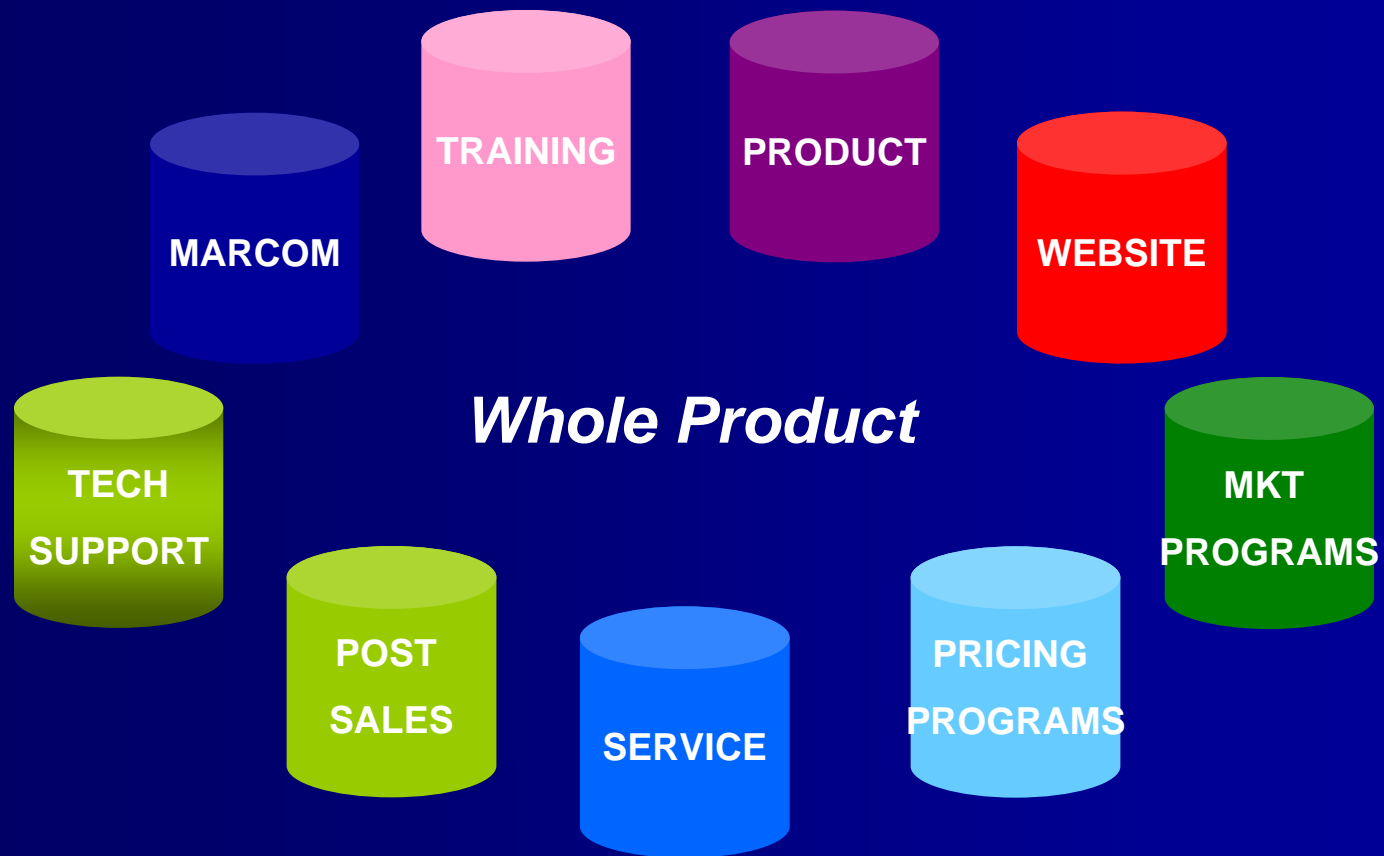
Channel Sales Rep View

Their Situation:

- Represent 40+ products/services
- Have 40+ vendors wooing them with promotions, SPIFs, events, marketing, etc.
- Thin on pre-sales technical resources
- Quota seems to get bigger each year

Their Focus: make quota with 1-3 products that will help them win fast.

Defining "Product"



Recommendations

1. Simple, compelling value proposition
2. Attractive margins/incentives
3. Product packaging simplicity
4. Short sales cycle
5. Killer demo
6. Leveraged sales
7. Repeat purchase
8. Usability

1. Simple, Compelling Value Proposition

- “Bring unmanageable server sprawl under control by using virtualization to run multiple workloads on fewer servers.” – VMware
- “Access any application with the fastest performance, highest security, and lowest cost.” – Citrix
- “Meet the growing customer demand for messaging. Microsoft Exchange Server 2007 offers advanced protection, anywhere access and increased operational efficiency.” -Microsoft

Test: do you have a compelling, one sentence value prop?

2. Attractive Margins and Incentives

- > 30% discount off street price
- 5-10 % of annual support contract
- 5-10% for "deal registration"
- > 2% Marketing Distribution Funds

Test: do you offer good margins for the channel?

4. Short Sales Cycle

The screenshot shows the Barracuda Networks website. At the top left is the Barracuda Networks logo. To its right is the tagline: "The trusted source for spam, spyware, virus, and content blocking." There is a language dropdown menu set to "English" and a "LIVE CHAT" button with the text "With a Barracuda Sales or Support Representative". Below this is a navigation menu with links for "Company", "Products", "Customers", "Partners", "Ops Center", "News & Events", "Purchase", and "Support". A "CALL NOW 1-888-ANTI-SPAM" button is also visible. The main content area features a large image of a Barracuda network appliance. To the right of the appliance is the heading "RECLAIM YOUR NETWORK™" and a paragraph: "Barracuda Networks products are used by over 35,000 enterprises worldwide for superior protection against spam, spyware, viruses, and inappropriate content entering or leaving their networks." Below this is the text "Powerful. Easy to use. Affordable." and a button that says "Order a free Evaluation Unit! LEARN MORE" with a right-pointing arrow. On the left side of the appliance image, there is a list of features: "• SPAM FILTERING", "• SPYWARE PROTECTION", "• VIRUS PROTECTION", "• OUTBOUND E-MAIL PROTECTION", "• WEB FILTERING", and "• SECURE LOAD BALANCING".

- 24 hour demo box delivery
- 30-day trial with fast setup
- 98% conversion rate to purchase order

Test: does it take less than 90-days to PO?

5. Killer Demo



The screenshot shows the VMware website's download page for VMware Server. At the top, there is a navigation bar with links for Downloads, Store, Account, Help, and Contact. Below this is a search bar and a navigation menu with categories like SOLUTIONS, PRODUCTS, SERVICES, SUPPORT, CUSTOMERS, PARTNERS, EVENTS, NEWS, and ABOUT US. The main content area is titled 'Download VMware Server' and includes a 'REGISTER NOW' button and a 'DOWNLOAD NOW' button. A sidebar on the right contains a table of contents for VMware Server, including sections for Product Info, Documentation, Knowledge Base, Discussion Forum, SUPPORT & LEGAL, COMPARE PRODUCTS, and VMWARE VIRTUALIZATION.

vmware®
AN EMC COMPANY

Downloads | Store | Account | Help | Contact

Search
advanced search

SOLUTIONS | PRODUCTS | SERVICES | SUPPORT | CUSTOMERS | PARTNERS | EVENTS | NEWS | ABOUT US

Home > Download VMware Server

EMAIL PAGE | PRINT PAGE

Download VMware Server

[Product Versions](#) | [Drivers & Tools](#) | [Open Source](#)

REGISTER NOW to receive your free serial number(s).

VMware Server 1.0.1
Latest Version: 1.0.1 | 8/14/06 | Build 29996

DOWNLOAD NOW [Release Notes](#)

VMware Server 1.0.0
Version: 1.0.0 | 7/10/06 | Build 28343

[Download](#) | [Release Notes](#)

Learn about [VMware VirtualCenter for VMware Server](#).

VMWARE SERVER

- Product Info
- Documentation
- Knowledge Base
- Discussion Forum

SUPPORT & LEGAL

- VMware Server Support
- Support Policies
- Support Requests & Feedback

COMPARE PRODUCTS

- Compare Server Products

VMWARE VIRTUALIZATION

- VMware Technology Network
- What is Virtualization?
- What is Virtual Infrastructure?

Test: can a sales rep wow a prospect in < 15 mins?

6. Leveraged Sales

Allow your channel to make money on:

- Planning, Designing, Architecting
- Implementation
- Technical Support
- Customer education

6. Leveraged Sales

SAP GLOBAL Country Sites | Your P

SAP.com Home
Industries
Solutions
Services
Platform
Partners
Partner Categories
SME Partners
Partner Guidelines
Partner & SAP Commitments
Targets & Metrics
How to Partner With SAP
SAP Channel Partner Portal
Communities
Our Company
Careers

SAP PARTNEREDGE PROGRAM CREATES NEW OPPORTUNITIES FOR CHANNEL PARTNERS

If your company is looking for new opportunities in the small and midsize enterprise (SME) marketplace, or currently partners with a competing vendor, we invite you to experience the SAP difference by applying for the SAP PartnerEdge program. SAP PartnerEdge provides VARs and ISVs with the support and resources you need to drive success in the SME market.

[Read the Fact Sheet](#)

Qualify Today as an SAP Channel Partner

SAP | PartnerEdge

If you believe you have what it takes to succeed in the expanding SME marketplace, or if you find your current relationship with other vendors is not providing you with the business opportunities you need, it's time to consider SAP. As an SAP channel partner, you will enjoy a great relationship with a vendor that can fuel your success with powerful new business-enabling resources and all the benefits of our innovative partner program. And, unlike other partner programs, SAP PartnerEdge recognizes and rewards you not just for sales success, but for your commitment and ability to successfully satisfy our mutual customers.

Apply for Partnership
Channel partners play an essential role in providing solutions and expertise to SMEs. Apply today for partnership.

[Apply](#)

Test: Do you leverage \$1-3 of other products for \$1 of yours?

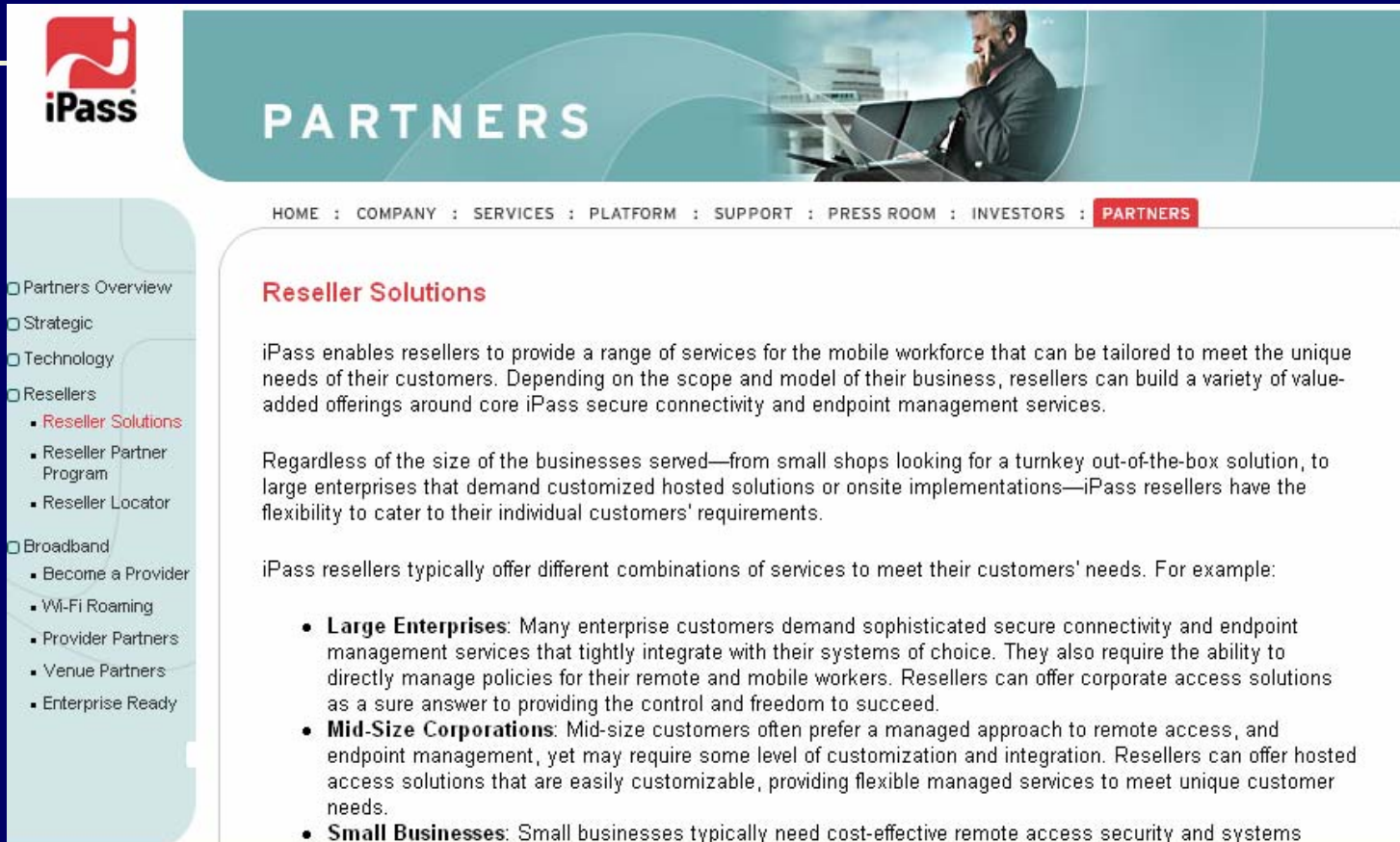
7. Repeat Purchase

Ways to generate repeat business:

- Renew – support & maintenance
- Upsell – more licenses of same product
- Cross sell – other products/services

“Land and Expand”

7. Repeat Purchase



The screenshot shows the iPass website's 'PARTNERS' page. The iPass logo is in the top left. The main header is 'PARTNERS' in large white letters on a teal background. Below the header is a navigation bar with links: HOME, COMPANY, SERVICES, PLATFORM, SUPPORT, PRESS ROOM, INVESTORS, and PARTNERS (highlighted in red). A left sidebar contains a menu with categories: Partners Overview, Strategic, Technology, Resellers (with sub-items: Reseller Solutions, Reseller Partner Program, Reseller Locator), Broadband (with sub-items: Become a Provider, Wi-Fi Roaming, Provider Partners, Venue Partners, Enterprise Ready). The main content area is titled 'Reseller Solutions' in red. It contains two paragraphs of text and a bulleted list of three types of businesses: Large Enterprises, Mid-Size Corporations, and Small Businesses.

iPass

PARTNERS

HOME : COMPANY : SERVICES : PLATFORM : SUPPORT : PRESS ROOM : INVESTORS : **PARTNERS**

Reseller Solutions

iPass enables resellers to provide a range of services for the mobile workforce that can be tailored to meet the unique needs of their customers. Depending on the scope and model of their business, resellers can build a variety of value-added offerings around core iPass secure connectivity and endpoint management services.

Regardless of the size of the businesses served—from small shops looking for a turnkey out-of-the-box solution, to large enterprises that demand customized hosted solutions or onsite implementations—iPass resellers have the flexibility to cater to their individual customers' requirements.

iPass resellers typically offer different combinations of services to meet their customers' needs. For example:

- **Large Enterprises:** Many enterprise customers demand sophisticated secure connectivity and endpoint management services that tightly integrate with their systems of choice. They also require the ability to directly manage policies for their remote and mobile workers. Resellers can offer corporate access solutions as a sure answer to providing the control and freedom to succeed.
- **Mid-Size Corporations:** Mid-size customers often prefer a managed approach to remote access, and endpoint management, yet may require some level of customization and integration. Resellers can offer hosted access solutions that are easily customizable, providing flexible managed services to meet unique customer needs.
- **Small Businesses:** Small businesses typically need cost-effective remote access security and systems

7. Repeat Purchase

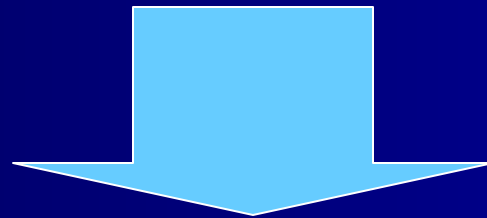
Create a modular product structure:

- Identify the triggers for buying more
- Quantity add-on option -- more seats, licenses, appliances, subscriptions, etc.
- Modules – adjacent use-cases

Test: Do you create a reason for rep to sell again to installed accounts in <6 months?

8. Usability

- Intuitive UI drives down support calls
- Rich logging/error reporting enables one-call resolution
- Metrics for install, setup, and usage



More Margin!

8. Usability

The screenshot displays the Postini website interface. At the top right, there are navigation links for Home, Contact Us, Customer Login, and Support. The Postini logo, featuring the word 'postini' in orange and 'INTEGRATED MESSAGE MANAGEMENT' below it, is on the left. A search bar is located to the right of the logo. Below the logo is a horizontal menu with categories: POSTINI SOLUTIONS, RESOURCE CENTER, PARTNERS, CUSTOMERS, NEWS & EVENTS, and COMPANY. Underneath this menu are three buttons: WHY POSTINI, REQUEST A DEMO, and GET A FREE TRIAL. The main content area is titled 'Postini Solutions' and 'Support Programs'. It includes a breadcrumb trail: Home > Postini Solutions > Support Programs. The text describes Postini's superior customer care and support services. A quote from Mike Proctor of Network Solutions Group is also present. On the left side of the content area, there is a vertical navigation menu with categories: ENTERPRISE SOLUTIONS (with sub-items: Integrated Message Management, Email Security & Management, IM Security & Management, Message Archiving, Message Encryption, Postini Technology, and Consulting & Support) and SMALL BUSINESS SOLUTIONS.

Test: Do you have a goal to drive down the number of cases per mo (e.g. 2 per mo per partner)?

CRN Magazine "2006 Channel Champions"*

2006 CHANNEL CHAMPIONS

Business Software Suites

	Microsoft	Oracle	SAP	Sage Software	Criteria Weight*
Technical Criteria					
Product quality and reliability	91.4	90.0	82.9	80.0	1.08
Price/performance	84.3	80.0	77.1	74.3	1.04
Ease of integrating professional services with core product	88.6	81.4	78.6	74.3	1.04
Ease of adding features	85.7	78.6	72.9	72.9	1.01
Technical satisfaction rating	85.7	82.5	77.9	75.4	
Channel Criteria					
Total ROI for customer	82.9	78.6	77.1	75.7	1.03
Vendor support over life cycle of project	85.7	77.1	77.1	75.7	1.03
Service revenue opportunities	81.4	75.7	75.7	72.9	1.01
Technical education (certification and training)	81.4	74.3	74.3	71.4	0.99
Consistency of channel programs over time	75.7	71.4	71.4	70.0	0.97
Reducing/eliminating channel conflict	72.9	70.0	72.9	68.6	0.97
Ease of sale of core products	78.6	72.9	71.4	70.0	0.97
Responsiveness to SP feedback	70.0	70.0	70.0	68.6	0.96
Keeping SPs informed of changes (visibility)	74.3	70.0	70.0	70.0	0.96
Margins/Rebates/Spiffs	70.0	67.1	68.6	67.1	0.94
Channel program satisfaction rating	77.3	72.7	72.9	71.0	
Overall Channel Champions Rating	80.2	75.5	74.3	72.3	

* Survey of 1,400 solution (hardware/software/service) providers

Summary of Tests

1. Compelling, one sentence value prop?
2. Good margins for the channel?
3. Sales rep can prepare a quote in < 5 minutes?
4. Does it take less than 90-days to PO?
5. Can a sales rep wow a prospect in < 15 mins?
6. Leverage \$1-3 of other products for \$1 of yours?
7. Do you create a reason for rep to call again?
8. Do you have a goal to drive down support cases?

Resources

- Multi-channel Strategies
- Philip Kotler – Marketing Management
- CRN Channel Champions
- 2006 VAR Business 500
- Peter Cohan's DemoGuru's

Thank you!

Sridhar Ramanathan

(925) 371-8400

sridhar@pacificagroup.com