Changing Go-to-Market DNA in the Age of Cloud

From Product to Solution Marketing, A MarketBlueprint Webinar

March 1, 2012
MarketBridge Overview

Deep expertise and experience working closely with Fortune 1000 and emerging growth companies’ senior Marketing and Sales leaders to drive revenue growth by leveraging technology and strengthening empirical discipline.

Customers

- 18 of the top 50 global B2B brands
- Global Fortune 1000 corporations and emerging growth companies
- Considered-Purchase Products
- Enterprise, Mid-Market, and SMB Business Customers
- Executive Leadership team clients – CXO, Marketing, Sales

Differentiators

- Exclusive focus on revenue growth via new go-to-market strategies and solutions
- View Marketing & Sales as an integrated process
- Leverage emerging technologies – social, digital, CRM – with traditional Marketing capabilities and Sales channels
- Empirical, analytical core competency
- Strategy-to-execution-to-results

Sample Clients across Technology, Financial and Business Services, and Healthcare

[Logos of various companies such as IBM, SAP, MasterCard, Microsoft, Symantec, Dell, HP, Humana]
Today’s Discussion Topics

- Context and Challenge

- Three Pivotal Areas for “Changing the Go-to-Market DNA”

- What You Can Do This Quarter

- Q&A
The Trend Toward Cloud Continues to Gather Steam

- By 2015, SaaS delivery will significantly outpace traditional software product delivery, growing nearly **five times faster than the software market** as a whole.
  - *IDC Market Analysis Perspective*

- The global market for cloud computing will grow from $40.7 billion in 2011 to **more than $241 billion in 2020**
  - *Forrester “Sizing the Cloud”*

- **Mobile SaaS Market** will reach $1.2 billion in 2011 and grow to $3.7 billion by 2016, with a five-year compound growth rate (**CAGR**) of **25.8 percent**
  - *Wireless Enterprise Strategies*
And Vendors are Making Significant Bets

Case Example: Telecommunications Industry

- High profile cloud acquisitions

- Over $2B investment in cloud services (2011)

- “You'll see more international growth out of us, especially around the cloud services”

  - Verizon EVP and CFO, Francis Shammo
. . . With Significant Focus on the Channel

Case Examples: Tech Industry

- 30% of revenue through indirect channel (2011)
- 7,000+ global partners
- Launch of single, unified partner program
  “Our goal is to become one of the world’s greatest service companies”

- Changed rules of engagement for channel partners on Google Apps
- Allow channel access to larger deals
- New comp plan for sales reps who bring in partners

Cloud Conduit initiative, founding members:
So What Does This Have to Do with Solution Marketing?

**solutions marketing (noun)**

The process of defining, educating, and providing access to complete and integrated solutions that deliver customer value by helping customers to solve their problems.

**Objective:** deliver scalable, higher margin, customer-centric solutions through an integrated and connected sales and marketing approach.
“Traditional” Solution Marketing Challenges

- Solutions are too product centric
- Lack of investment in people and programs
- Marketing collateral development
- Marketing Requirements not defined
- Sales and marketing are disconnected when it comes to solutions
- More complex partner ecosystem
New Challenge: The Channel Is the Solution

Evolving Challenge:

Customer adoption of cloud solutions

Channel delivery of cloud solutions

Channel increasingly becomes integral part of the solution
Our Approach: MarketBlueprint

Data-Driven Go-to-Market Strategy & Operational Planning

1. Segment Customers by Buying Scenarios

2. Understand How Segments Prefer to Buy

3. Build Route-to-Market Playbooks by Segment

4. Determine Marketing, Sales & Channel Resources

5. Establish Financial Performance Plan

MarketBlueprint
Three Pivotal Areas to Help “Change the DNA”:

Data-Driven Go-to-Market Strategy & Operational Planning

1. Segment Customers by Buying Scenarios
   - Customer Type
     - Enterprise
     - SMB
   - Buying Scenario
     - New Purchase/Upgrade
     - Renew/Refresh
   - Segment size, growth, profitability

2. Understand How Segments Prefer to Buy
   - Offering Portfolio
   - Marketing Channels
   - Sales Channels
   - Find
   - Learn
   - Engage
   - Buy
   - Attach

3. Build Route-to-Market Playbooks by Segment
   - Customer Interaction
   - Find
   - Learn
   - Engage
   - Buy
   - Attach
   - Search
   - Direct Marketing
   - Social Media
   - Industry Events
   - Web Site(s)
   - Inside Sales

4. Determine Marketing, Sales & Channel Resources
   - Marketing Resources
   - Sales Resources
   - Channel Resources
   - Technology Support

5. Establish Financial Performance Plan
   - Revenue
   - Costs

MarketBlueprint
1. Define Your Cloud Buying Scenarios

Customer Type

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>SMB</th>
<th>Mid-Market</th>
<th>Existing Enterprise</th>
<th>New Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large, Custom</td>
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<tr>
<td>Major Upgrade</td>
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<tr>
<td>XaaS, Services</td>
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<tr>
<td>Contract</td>
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<tr>
<td>Large, Add-on</td>
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<tr>
<td>Purchase</td>
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<tr>
<td>Small, Add-on</td>
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</table>

Buyer Scenarios

- Who is the buyer?
- What type of transaction?
- What is the preferred channel?
1. Define Your Cloud Buying Scenarios (cont.)

**Buyer Scenario: Design Points**

- Focus initially on manageable portfolio of 3-5 buyer scenarios.
- Outline solution benefits from the point of view of customer’s pain points.
- Focus value proposition and pricing model on customer business value metrics.
- Align sales motion (including channel and services) to customer decision process.
2. Understand Your Customer Preferences . . .

Marketing  
Sales Channels  
Service & Support  
Complete Route-to-Market

1. Reach  
Search  
Social Media  
On-line Advertising  
Digital Marketing

2. Engage  
Web Site  
White  
Papers/Blogs  
Telemarketing  
Events

3. Close  
Inside Sales  
Field Sales  
Channel Partners  
Technical Support

4. Expand  
Acct. Mgt.  
Customer Portals  
Direct Marketing  
Telemarketing  
Customer Service
2. Understand Your Customer Preferences . . .

Research Excerpt: How Customers Shop for and Purchase SaaS Solutions
North America SMB Market 2011

Preferred Channel to **Shop for** SaaS

- SaaS Vendors, 17%
- IT Professional Colleagues, 12%
- Internet Search Engines, 12%
- Industry Analysts, 10%
- Managed Service Providers, 5%
- Traditional VARs, 5%
- Managed Service Providers, 5%
- IT Industry Magazines/e-Zines, 3%
- External IT Consultants, 10%

Preferred Channel to **Buy** SaaS

- Software Vendors, 33%
- Business Advisor, 4%
- Business Process Outsourcer, 6%
- Management Consultant, 8%
- Value Added Reseller, 8%
- Systems Integrator, 8%
- Telephone Cable Providers, 5%
- Marketing service Provider, 6%
- Retailer, 6%
- Managed Service Provider, 6%

Source: MarketBridge survey of North America SMB Customers on cloud adoption, 2011
2. . . . And Your Channel Requirements

### AVERAGE MARGINS BY PRIMARY BUSINESS MODEL

- **On-premise product resale**
  - VAR: 26.4%
  - Consultant: 21.9%
  - Systems integrator: 25.3%
  - Custom System builder: 31.0%
  - MSP: 20.5%

- **On-premise hosted**
  - VAR: 25.3%
  - Consultant: 27.9%
  - Systems integrator: 26.2%
  - Custom System builder: 40.3%
  - MSP: 40.3%

- **Off-premise hosted**
  - VAR: 20.3%
  - Consultant: 18.9%
  - Systems integrator: 21.9%
  - Custom System builder: 15.9%
  - MSP: 18.9%

- **Cloud**
  - VAR: 34.6%
  - Consultant: 34.7%
  - Systems integrator: 25.3%
  - Custom System builder: 28.8%
  - MSP: 34.7%

**AVG GM APPROX 25%**

### AVERAGE DEAL SIZE ($000s)

- **On-premise product resale**
  - Total: $40.5

- **On-premise hosted**
  - Total: $29.5

- **Off-premise hosted**
  - Total: $19.0

- **Cloud**
  - Total: $21.5

**Ratio: 1 on-premise to 2 Managed or Cloud**

Source: MarketBridge/IPED survey of North America channel partners on cloud business model profitability, 2011
3. Define Routes to Market

**Key Questions**
- Who is the buyer?
- What type of transaction?
- What is the preferred channel?
- What is preferred digital engagement?
- What is preferred sales engagement?
- What’s the RTM cost envelope?

**Customer Type**

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<td>New Enterprise</td>
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**Transaction Type**

- SMB
- Mid-Market
- Existing Enterprise
- New Enterprise
3. Define Routes to Market (cont.)

**Overall Route-to-Market Costs**

Baseline cost “envelope” = 30% of gross margins (rule of thumb)

<table>
<thead>
<tr>
<th>Route Mix</th>
<th>Lean Direct</th>
<th>Lean 2-Tier</th>
<th>Xaas, MSP</th>
<th>Vertical Solutions</th>
<th>Enterprise/ Direct</th>
<th>Enterprise/ Influencer</th>
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<tr>
<td><strong>Route Trend</strong></td>
<td>↑</td>
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<td>↑</td>
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</tr>
<tr>
<td><strong>Transaction Size</strong></td>
<td>&lt;$20,000</td>
<td>$5,000-$100,000</td>
<td>$5,000-$100,000</td>
<td>$50,000-$500,000</td>
<td>$200,000-$1,000,000</td>
<td>&gt;1,000,000</td>
</tr>
<tr>
<td><strong>Benchmark Route E/R</strong></td>
<td>5-8%</td>
<td>6-12%</td>
<td>&gt;15% year 1, &lt;5% years 2-5</td>
<td>10-18%</td>
<td>8-15%</td>
<td>10-20+%</td>
</tr>
</tbody>
</table>

**Traditional Best-of-Breed**

- Dell
- HP
- Salesforce
- Cisco
- IBM
- SAP

**Route Spending Mix**

- Digital Engagement (i.e. Marketing)

**Sales Engagement** (field, inside, partner)
3 Things You Can Do This Quarter:

1. Document top 3-5 customer buying scenarios and understand route to market dynamics for each

2. Analyze customer buying preferences (learn, shop, buy, support) and relevant channel requirements (business model, GTM, support and enablement)

3. Conduct workshop across Product, Sales, Marketing, Channel and Services teams to identify “big hit” improvements to GTM approach
Thank You and Q&A

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