

Where Did All the VARs Go?

By Dylan Charles



The shift by solution providers away from traditional reseller roles towards a services-centric strategy has reached a critical point.

According to a recent “State of the Channel” survey conducted jointly by Ziff Davis Enterprise, publisher of Channel Insider, and Crimson Consulting Group, a full two-thirds of solution providers' revenue is now coming from services and less than half of solution providers actually resell at all. In fact, most solution providers no longer even refer to themselves as VARs.

Consequently, vendors are finding that they need to invest a lot more time learning how to deliver, manage and monetize effective programs that respond to evolving partner needs. To make these programs successful, vendors will need to compensate for partners' weaknesses in marketing while leveraging partner strengths such growing influence with customers.

As part of the movement away from a technology-centric strategy, solution providers are no longer selling only into the IT organization—today they target business decision makers first. Now seen as valued business and IT experts, solution providers' technology recommendations carry more weight than ever with decision makers. The shift from the technology decision maker to the business decision maker also further underlies the movement from reselling product/infrastructure to influencing solutions.

So where does this leave technology vendors? While technology companies may have programs in place to incent sales influencers, traditionally scant attention was given to these programs compared to pure reseller initiatives, especially when targeting the solution provider community. Vendors are now scrambling to gain visibility into sales influence models that better reflect today's solution provider landscape.

Participants in the solution provider survey also indicated that among all of their company's business objectives, increasing new customer revenue was the most important. Yet, most admit that while technical acumen and services delivery are their company's strong points, marketing ranked last in the list. The lack of marketing expertise and investment leaves a significant gap in the solution providers' ability to acquire new customers and in particular, sell services to new customer targets including most importantly—business decision makers.

The disconnect between business objectives and capabilities is a prime opportunity for savvy vendors to better address the needs of their channel partners. Instead of simply handing out marketing development funds (MDF) or creating content templates, vendors need to develop programs cooperatively with partners, provide better support and jointly drive out solution-based demand generation campaigns.

These new trends present vendors with a significant opportunity to create and maintain competitive advantage. The services model creates closer, more long-term relationships between the solution provider and its customers and locks in a potential vendor relationship with both. Gaining and growing a foothold with the solution provider erects a strong barrier to entry to other vendors, both with the channel and with end customers.

And, with two-thirds of solution providers in the survey indicating that they generate more than half of their revenues from their top three customers, it's crucial for vendors to grow and protect share of wallet with key solution providers. The best way to do this is by helping solution providers acquire new customers and market additional services to existing customers. By driving more business to solution providers, vendors can eclipse their competitors' business with the provider and fix themselves as part of that solution provider's services solution stack.

There are strong implications for vendors who are able to sync their business model with the services model of their solution providers. For vendors, the time is now to rethink partner marketing/channel marketing programs and get them in sync with today's reality—that solution providers are focused on a value-add model that de-emphasizes reselling and focuses on selling services. As part of a complete channel strategy, vendors seeking to create more effective channel programs for solution providers need to:

- Sync their business model with the services model of their solution providers
- Develop models that reward the generation of net-new business through influence and lead passing
- Offer support and manage programs cooperatively to better align with solution providers
- Take advantage of the opportunity to drive more business to solution providers to create mind and wallet share

From the solution provider's perspective, the shift to services doesn't mean that they view vendors as the enemy—on the contrary; they need supportive vendors more than ever in their quest to acquire new customers.

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