

Strategic Influence Selling

This white paper outlines a practical and proven strategy that enables emerging technology companies to win the business of the large solution provider OEMs by directly influencing their channel and end-user customers.

Overview

*“Leadership is influence - nothing more, nothing less.”
— John C Maxwell*

A limited number of manufacturing and integration solution providers dominate the I.T. market. These solution providers integrate, deliver and support complete solutions to I.T. buyers with the backing of well-respected brands, such as IBM and HP. Few, if any, emerging companies are equipped to gain immediate access to the major solution providers. Yet how these companies work with the powerful solution providers is a key determinant of their long-term success.

Emerging companies stand to generate significant revenue, benefit from reference-ability and technology access if they can forge solution provider partnerships. Building these relationships, however, requires that the emerging company rise above the noise of the many hundreds of other vendors parked on the solution provider’s doorstep. The emerging company must convince the target solution provider that it is strategic to that solution provider’s business. This is a tall order for an emerging company trying to deal with a solution provider that is typically customer-focused.

Emerging companies may be start-ups or companies who have not yet achieved sufficient market penetration and momentum to generate sustainable return on shareholder investment. Such companies are resource-challenged, from both a financial and time perspective. They need to generate revenue to reduce their burn rate, lack the market respect gained by success and longevity, and frequently lack the experience to choose the right sales model.

Strategic Influence Selling is a hybrid channel strategy implemented for the purpose of winning major OEM or resale deals with market leading solution providers. This strategy can be effectively executed by smaller, resource restrained, but highly responsive businesses.

The Challenge Facing Emerging Technology Businesses

*“Big thinking precedes great achievement.”
— Wilfred Peterson*

We have seen an unprecedented level of technology innovation in the last few years. Much of this innovation has been spawned outside of the large established companies, in the hundreds of emerging companies who received venture capital funding. Mostly, these companies have focused on providing point solutions or components where they can add value by specializing.

Much of the challenge in marketing point or component solutions lies in the fact they really need to be integrated into a larger system in order for end users to see and realize an appreciable return on their investment. Hence, the end user community continues to look to the large trusted solution providers for products and support. End users want solutions, not components, and they want “one neck to choke” if something goes wrong.

Technology solution providers include those who design and manufacture software and hardware systems. Well known Original Equipment Manufacturers (OEMs) include HP, Dell, IBM, Sun, Hitachi, Microsoft and many more. Integration solution providers include IBM Global Services and HP Global Services among other large players. Typically three to five large players control 80% of the market share of any given technology segment. The remaining 20% market share is split among tens, if not hundreds, of smaller players.

As long as the I.T. solutions remain complex and are viewed as risky, solution providers will retain market control, as they provide valuable integration and enjoy significant brand loyalty. As an indicator of the market control held by solution providers, consider the attach-rate of computer storage to servers. IBM’s attach rate is as high as 90%.

Signing just one “big gorilla” solution provider to integrate or resell your product can re-



sult in significant revenue growth, dramatic market share gains, higher stock valuations and technology access. Such deals also open the door to many new customer and finance opportunities because of the credibility associated with recognized brand-name reference customers.

With relatively few players dominating the various segments of the technology industry a resale deal with one of them could catapult a new player from zero market share to 20% plus market share within a few short years. Furthermore such a market share position allow a technology company to set the de facto technology standard to which others must comply, creating the conditions necessary to maintain a category leadership position.

Failing to win such big deals forces a business to chase many smaller deals considerably increasing the costs of sales, marketing and support. It also takes longer to penetrate the market and such delays may require a business to sustain several product generations without achieving profitability.

If winning these major deals were a straight forward as sending in your best sales rep, producing a technically superior product, or following the latest request for proposal (RFP) everyone would be a winner. While these tactics are important, those who typically win these big deals do something else. Something that can seem like a distraction from gorilla hunting but is really the implementation of a Strategic Influence Selling strategy.

Strategic Influence Selling

"Where absolute superiority is not attainable, you must produce a relative one at the decisive point by making skillful use of what you have."

— Karl von Clausewitz (On War, 1832)

Strategic Influence Selling involves selling to the large solution provider's influencers – its visible customers and technology partners. And it involves using those influencers to advocate your solution as critical or strategically important to the solution provider's future sales success.

In most cases a large solution providers visible customers are direct accounts, but they can also include indirect accounts used for reference-ability (e.g. PR activity, beta testing and the like). Specialized resellers also tend to be visible because the OEM courts their business and typically they have an established communications channel (e.g. a sales team, regular reseller events). Influencers also include other technology providers who make

up the end-user's solution (e.g. a switch provider supplying a storage area network).

Distributors are rarely strategic influencers because, although they have high volume sales, they tend not to get proactively involved in technology discussions.

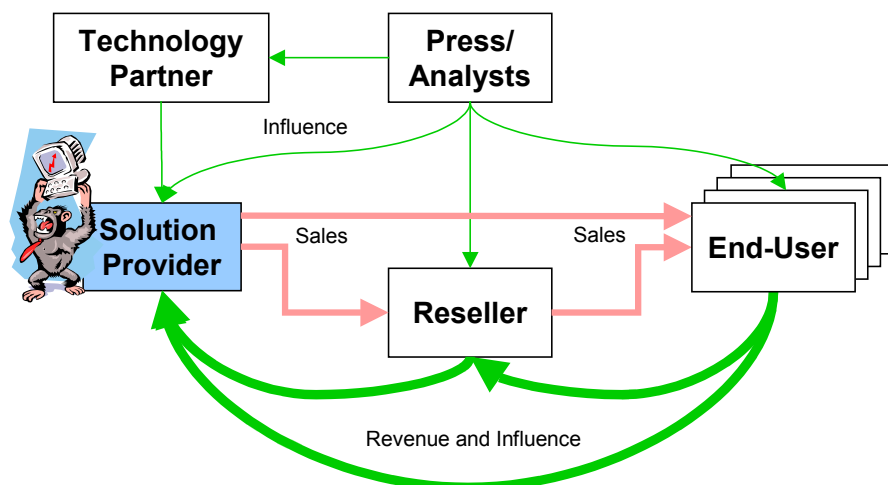
Generally, the solution provider's product teams determine the products that will be integrated or resold. As such the product manager for the end-user solution, or that persons boss, determines whether your product will be evaluated as part of that solution. With revolutionary technology, a strategic planning manger or chief technology officer often sets the wheels in motion. These people are influenced by what they are told by their sales team as well as the customer, analysts and press.

Figure 1 (next page) summarizes the key advantages and disadvantages of manufacturing and integration solution providers and direct sales distribution methods.

Strategic Influence Selling strategy recognizes that the large solution providers are influenced by their strategic customers, technology partners, analysts, press, and by new sales opportunities. It also recognizes that a technology startups priority is product acceptance (traction) and profitable revenue and that the ideal sales strategy has yet to be discovered.

Simply put, using Strategic Influence Selling, emerging companies carefully target sales directly with strategic end users and select resellers. Armed with a detailed understanding of industry relationships, they leverage these successes to gain footholds with desirable solution providers. Success breeds success if properly leveraged. This is the premise of Strategic Influence Selling.

It is important to decide strategically who are the best solution providers for the company in the medium-to-long term. This ought to be decided from an overall customer and market perspective, and not merely reflect the emerging company's preference. For instance, an emerging company may have the ability to significantly increase overall system efficiency but require agent access to all networked components in order to do so. Such a com-



Distribution Method	Advantages	Disadvantages	Influencers
Solution Providers – Manufacturers/OEMs	<ul style="list-style-type: none"> • Big orders • Broadest market access • Reduces sales and marketing expenditure • Integrates solution or certifies interoperability • Taps into substantial, loyal customer base • Adds credibility • Provides support 	<ul style="list-style-type: none"> • Long lead times • Less control • Lower margins 	<ul style="list-style-type: none"> • Resellers • End users • Desirable reference accounts • Competitors • Analysts • Media
Solution Providers – Integrators Channel/Resellers	<ul style="list-style-type: none"> • Broad market access • Integrates solution • Existing customer and prospect base • Builds, tests best-of-breed solution from multiple vendors 	<ul style="list-style-type: none"> • Less control • Significant support requirements • Shared margin 	<ul style="list-style-type: none"> • End users • Desirable reference accounts • Vendors • Analysts • Media
Direct Sales	<ul style="list-style-type: none"> • Highest control • Shorter lead times • Highest margin 	<ul style="list-style-type: none"> • Sales, marketing, support expenditure • Difficult to scale • Only one part of solution 	<ul style="list-style-type: none"> • Suppliers • Peers • Solution Providers • Analysts • Media

FIGURE 1: DISTRIBUTION METHODS COMPARED

pany would best serve the market if it could ultimately convince manufacturing solution providers to support its agent. Knowing where you ultimately want to be is the first step in getting there.

An emerging company may have a strategic play to a manufacturing solution provider in any of the following ways:

1. Be purchased by the solution provider
2. Be bundled with the solution provider (products)
3. Be included in plans/ next generation discussions

The first two are typically well understood. The third option, although highly strategic, is sometimes less obvious. An example of such a relationship would be a company that produces drivers for a system platform. Such a company may be neither a take-over target nor a bundled product deal. However, the speed of penetration of new versions of the system requires device drivers for interoperability. The company in our example is highly strategic to the solution provider and, as such, is included in product development plans and in all stages of product development.

Once an emerging company has a clear vision of its desired solution provider partners and the relationship it will ultimately have with each, the next step is to consider who, in turn, influences these partners. For instance, a manufacturing solution provider will have key reseller partners and key end users. Some of these will be more obvious than others, based on sheer volumes of purchases. Others will not be as readily apparent. For instance, smaller, manufacturer-loyal I.T. shops tend to be more strongly influential to that solution provider that

larger shops who mix platforms. Where a solution provider is looking to expand its presence in a particular market segment or geography, representative customers and resellers can be hugely influential. Also, consider the other industry players and the influence they exert on the solution providers. These may also provide leverage points back into the target partner, or important information about partner plans.

Look to what the emerging company's capabilities are. For instance, the company may be able to capitalize on personal relationships to make some strategic direct end user sales. While these sales may take up significant internal resources to close and support, they do provide a revenue stream and a potential reference that can be leveraged as a point of strategic influence.

Consider how such early sales can be used to influence solution providers and their key influencers. For example, a reseller is more likely to carry and support a line of products where the vendor can bring them into a deal. The emerging company can partner with a reseller to make the end-user sale and use the success as a joint case study to encourage future sales and a channel relationship.

Having a loyal or influential end user customer explain to the solution provider how a vendor's solution made their systems better is far more compelling than any vendor presentation of features and functions from the vendor to the solution provider. Often times, successful end-user implementations can be used to expand solution certification by the solution provider.

Emerging companies need to be disciplined in always asking their customers and new channel partners

to be reference-able. From experience, I would suggest raising this thought early on in the sales cycle rather than later. For most companies, this will not be a problem and they will be glad of the increased exposure, whether to solution providers or to the media. Public reference can also be used as a negotiating lever. Rather than the emerging company giving in unilaterally to an end user customer on a sales term, such as pricing or support, the company can bargain for the type of reference access that will benefit it the most. This could be an email endorsement to a key solution provider or a press release after installation.

By taking the trouble to understand the influence potential of end-user sales, and to leverage this highly, an emerging company can accelerate its achievement of solution provider success and generate revenue at the same time.

While pursuing strategic influence selling, emerging companies should continue to work on developing their desired channels. Keeping a level of direct engagement with solution providers, for instance, lets you know their direction and who they are looking at. You can identify gaps and be available for filling them and getting qualified. Likewise, you keep an open channel of communication for your end-user and other successes.

Important Considerations

As with any successful selling effort, emerging companies must clearly match their solutions to end-user and solution provider partner gains or pain points. It is imperative to clearly articulate just how the end-user or partner can benefit from being involved with the emerging company.

Compatibility and interoperability are key concerns in the I.T. world. Emerging companies' solutions must work in the environment in which they are installed. Emerging companies should leverage their operational success by getting implementations accepted or certified with solution and other technology providers. The more compatible a solution is, the fewer barriers to entry into a strategic long-term relationship.

Emerging companies ought to thoroughly assess their target solution providers. Who are the solution providers' key channel partners – not just distributors? For example, with whom do they have competency centers? What are their key vertical industry focuses? What geographies are they trying to expand? Then figure out how one might build an end-user success that goes for a 1-2-3 punch of success. Is it possible for the emerging company to target and effectively serve some key customers who can help forge a channel connection and a demonstration of success to a target solution provider?

For example, consider that IBM has a published case study of its success with St. Luke's hospital in Southfield, MI. St. Luke's hospital has a relationship with reseller Compsat Technology. Compsat has a strong competency and business focus on providing storage solutions. It has a partnering relationship with major storage vendors, in-

cluding IBM. Compsat is an IBM Business Partner and one of 54 IBM TotalStorage Solution Centers nationwide, and the only one in Michigan.

Sun has 28 partner solutions centers, specializing in various industry segments. While these may not be universally applicable, they could represent strategic leverage points with the right end-user targets. By having its product be part of a solution that is tested and proven in a setting such as this, an emerging company can make valuable contacts and prove significant technical capabilities to potentially valuable solution providers through leveraging a strategic end user relationship.

Visible successes with end users that can be leveraged into relationship expansion with the target solution providers are an extremely effective selling tool. A real, live end-user and/or a valuable channel partner can have a much stronger voice as an "impartial advocate" than can the "self-interested" emerging vendor itself.

Strategically desirable as it is for emerging companies to play with the "big gorillas", there are significant challenges in forging these relationships:

- + Breaking through the noise and getting the attention of product decision makers
- + Convincing large solution providers that you are strategic to their needs
- + Solution providers are customer-focused - you are not a customer
- + Start-up limitations of resources and credibility

Implementing A Strategic Influence Selling Strategy

"God is not on the side of the heavy battalions, but of the best shots." — Voltaire

The concept of Strategic Influence Selling is straightforward and logical, but rarely implemented effectively. Here are some of the reasons why the strategy does not get implemented:

- + The hybrid channel strategy of Strategic Influence Selling is not explained and embraced company wide. Many people view strategy in all-or-nothing terms arguing that it may not be feasible to sell and support end-users or reseller customers, and subsequently do not differentiate between the few selected strategic influencers used as a means to an end, and a broad sales strategy targeting end-users or resellers in general.
- + Sales and marketing people do not know which prospects could be strategic. Identifying strategic influencers is time consuming and requires a high degree of product and industry knowledge. Those with the knowledge (e.g. product managers, executives) cannot invest

the time and those with the time (e.g. interns, assistants) cannot pre-qualify the prospects.

For example if you want to sell to IBM, getting a list of IBM Business Partners is not helpful unless you can determine which of those resellers represent the division of IBM whom you wish to sell.

- + Closing a deal with a prospect you select, rather than one who selects you, may require concessions that make the deal look financially unattractive. This is especially true when that customer's strategic importance is not factored in.
- + Salespeople and product support people are not motivated to seek or close deals with end-users or resellers that appear to be relatively small revenue opportunities and which may require a high degree of support.
- + When proposals are being submitted to prospective strategic influence customers, reference-ability is not included as a term of the deal. A sale is made but the sale cannot be leveraged into publicity and lobbying to the large solution provider

While the Strategic Influence Selling model outlined here makes a lot of sense, its implementation takes smarts, dedication and legwork. It takes time, industry knowledge and a level of ingenuity to properly map the inter-relationships from end-user through channel and industry peers to manufacturer. To execute on the strategy takes skill, experience, passion and commitment.

Consider the following questions as you assess your ability to execute on this powerful strategy:

- + Who are the top 400 technology solution providers?
- + Can you name 30 key influencers for each of your key solution providers?
- + Can you list 250 key end-user influencers for any of the major solution providers?
- + Do you have sufficient internal bandwidth to find the answers then act?
- + What is the combined actual and opportunity cost to the business of a 1-month delay in getting to market?

How MarketingSage Can Help

MarketingSage's channel development service enables information technology companies to accelerate sales results and establish meaningful business partnerships.

Our channel development service includes planning strategy, identifying prospects, creating channel programs, developing sales tools, approaching and recruiting potential partners, reviewing agreement terms, helping the partner achieve the critical first sale, and the ongoing management of channel communications.

Our service is better, faster and less expensive than building a large internal channel marketing team because many of the development activities are transitory and require high-level (expensive) sales and marketing skills. MarketingSage is also unique in its breadth of integrated marketing services, information technology experience and marketing skills. Clients can get the right help at the right time without the difficulty of managing multiple agencies and consultants.

By utilizing MarketingSage's channel expertise your business can benefit from:

- + Accelerated sales results
- + Lower channel development costs
- + Better, more strategic, partnerships

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www.marketingsage.com

4900 Hopyard Road, Suite 100
Pleasanton, CA 94566, U.S.A.

Telephone: 925-426-0488
Fax: 925-226-4026

