

EXECUTIVE SUMMARY

Building Value in the Channel: Cisco's Enhanced Partner Program and Strategy

Sponsored by: Cisco Systems

Ken Presti
March 2006

"MAXIMUM FLEXIBILITY"

When people discuss "change" in the IT industry, the context often regards advances in technologies and the growing intelligence in the network. But as technologies evolve, the business of delivering those technologies to end users evolves with them.

Technology transitions and supporting sales and service transitions do not occur at equal rates. A new technology can change an entire market overnight. But changes to the business and service strategies occur more slowly — yet in some ways more dangerously. VARs, integrators, and other members of the indirect sales channel often continue leveraging strategies that slowly — almost imperceptibly — become outmoded. Thus, partners must make proper adjustments to stay competitive and capture growth opportunities. These adjustments involve not only continually growing their skills in targeted practice areas but also extending their expertise into new technologies and services.

An IDC survey of 219 business executives confirms that their top IT priorities include end-to-end design and management, virtualization of resources and IT services, ease of integration/optimization, and flexible cost and sourcing models. In essence, customers are looking for maximum flexibility from their IT investments combined with an almost singular approach to designing and managing them. This approach also corresponds to the "one-throat-to-choke" perspective, a double-edged sword that will either help channel partners keep their customers or cause channel partners to lose customers, based on the partners' talents and capabilities.

The ultimate success of any vendor's channel program is closely tied to how well it helps partners differentiate themselves from their competitors while also enhancing growth and profitability. In the past, this differentiation has mostly been about discounts. But more recently, training in advanced technologies, professional life-cycle service capabilities, partnering capabilities, and comprehension of the end user's business challenges have moved to the forefront of channel differentiation.

GO WIDE, GO DEEP

Partners must evaluate their development along two axes: the breadth of technologies and services provided and the depth to which they offer them. In a world of limited investment resources, this development translates to striking a careful balance between adding new technologies to the portfolio and increasing expertise in existing technologies. Partners can identify the correct balance through a close

examination of the customer base and an honest internal evaluation of where their companies' skills lie. Through this comparison, they can make decisions around growth markets, sustainable competitive differentiators, targeted solutions and services, vertical markets, and even future customers.

In addition, a means of delivering life-cycle services has become increasingly crucial — from both the customer retention perspective and the customer service perspective. Life-cycle services do much more than add profit margin. They help the partner to become a trusted advisor who stays engaged with that particular customer for the long haul, which ultimately translates to more effective deployments and repeatable business.

These are important times for channel partners because there is much to be gained or lost. While maintaining a traditional course of business might seem like a safe path, successful companies must continually reinvent themselves. They actively navigate the tides of market changes, choose their growth opportunities, assess their strengths and weaknesses with candor, and build solid strategies by being neither rash nor overly cautious.

Challenges

As is the case with any channel program revision, ultimate success will be dictated by Cisco's ability to refine and execute on this strategy over time.

Opportunities

Cisco's evolving channel strategy provides the vendor with a solid opportunity to help channel partners expand their business capabilities and opportunities at a time when such expansion can do the most good. Changes are an ongoing dynamic in the IT industry. But channel partners should keep in mind that the talents that got them where they are today — their ability to understand and link their customers' needs to the available technology — are the same talents that are going to move them to the next level. Cisco's existing channel partners and prospective partners should proactively build a program transition plan that will help them extend their current technology and services capabilities to remain competitive and capture new growth opportunities.

Copyright Notice

External Publication of IDC Information and Data — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2006 IDC. Reproduction without written permission is completely forbidden.