White
Paper

Optimizing Channel Transformation Through Collaboration

A Changing Landscape

The landscape is quickly shifting for firms in the telecommunications space and shows no sign of slowing down. Cloud computing, virtualization, mobility and security challenges have driven corporate consolidation and expansion of the solutions offered by both CLECS and larger telecommunications providers. Firms that once simply provided dial tone or a circuit, now provide cloud-based storage, hosted email, IP telephony and a myriad of managed and mobile services for an ever-evolving workforce. This expanding competitive landscape demands that providers evolve and grow their businesses to offer customers a more complete value proposition and one-stop shopping for a total solution.

Whether you call yourself an agent, solution provider or VAR, the firms that specialize with a hyper-focus on provisioning bandwidth or maintaining telecommunications hardware are finding themselves challenged by a combination of newcomers and old-guard telecom firms providing a broad range of value-add solutions. In addition, a new breed of provider, "born in the cloud," whose business model is focused on cloud-based delivery of compute resources rather than on-premises hardware and licensed software, is expanding. Firms historically focused on telecom infrastructure that helped build out the current global network must adapt, risk irrelevancy or become relegated to commodity services.

The Imperative To Evolve

With so many firms moving to provide complete solutions, it's no longer acceptable to just sell bandwidth or carrier services. Nor is it enough to sell cloud-based recovery and refer the client to another provider for the bandwidth. It becomes an enormous missed opportunity to provision the bandwidth for a recovery site but not be able to sell all the supporting products and services to stand up a fully managed service. It's more than just an issue of missing out

on the opportunity to expand both services revenue and recurring revenue. Not offering a full solution portfolio with products, consulting and managed services has become an existential issue for many who've come from a network and telecommunications background.

According to a research study conducted by The Channel Company, 37 percent of IT solution providers led by strategic business leaders are adding network services to their portfolio. When including those who were also seriously considering adding these services, the numbers jump up to 67 percent. These services include telephony-based voice, data and Internet. In addition, IT solution providers are looking to add Voice over IP, Unified Communications Solutions and Mobility Management to their portfolio, in recognition that having to hand off these solutions to an unknown, not trusted firm, is not only a missed opportunity, but in a cloud-driven world, it can be a competitive exposure.

This means the world for communications-only providers is becoming even more competitive with full IT solution providers moving into the space. In order to succeed in this new solution paradigm, firms must expand their offerings either through traditional vendor relationships or through collaboration with other providers who can offer complementary products and services. The three key areas firms must address to compete in this new paradigm are:

1. How can I own the customer relationship?
2. How can I provide a complete solution?
3. How do I differentiate myself from other providers?

Owning the Customer Relationship

In years past, it may have been enough to broker the relationship with a customer, take a fee or just take a residual payment on the

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back end. But with the complex solutions customers deploy today, opportunities for one-off relationships and transactions are not only difficult, but are becoming more rare as end users demand turnkey solutions. As solutions move more to the cloud and are provisioned less on a transaction basis and more as ongoing monthly engagements, providers must front-end all aspects of the transaction. A monthly recurring transaction, which you don't sell and own, can be a competitive exposure in your account and a missed opportunity for both renewal and up-sell revenue down the road.

Providing Complete Solutions

Imagine moving to a beautiful new home and you want to set up your TV. First you call a telecommunications carrier and have them run fiber to your doorstep. Then you shop around for a great set-top box to manage the channels and DVR capability. You then find a store that sells wireless routers and Internet access, and finally you contact content channels to sign up for content like movies and sports, right? It's no wonder this is *not* how we get our cable TV service. And it's not how end users want IT solutions. Services are bundled with a single vendor managing the provisioning of network access. They negotiate content rates, manage the billing, give us the hardware we need and fix it when it's not working.

Customers today have places they can go to source complete solutions and demand full service from their providers. It's not enough anymore to be a specialist in a single area. Providers must build a portfolio of solutions, and have the ability to put together the right pieces for a customer. Particularly in the space of mobile computing, customers need a provider who has mastery of not only the devices but also how to secure and manage those devices. A solution provider who can wrap a complete mobile productivity solution for a company's field employees – including the bandwidth, devices, plans and security they need, then bill them monthly with a single invoice – is the one likely to win the business.

Customers moving to the cloud demand an even greater level of integration requiring a full solution approach. Tech-savvy solution providers can lead here by providing turnkey solutions to build private cloud infrastructure, managing and delivering migration services to move key applications from legacy systems to the new infrastructure, then providing the bandwidth and remote managed

services to monitor and maintain the new environment. In addition, a customer may need to accomplish all of this while juggling less critical applications, which could be run out of a secure, private cloud. Customers demand a provider who can step back and look at the problem holistically, help determine where cloud fits, what type of implementation fits and manage the entire process.

Creating Differentiation

In order to compete successfully, solution providers need their "special sauce." This requires a combination of thought leadership and services that makes you unique in a market where many offer similar products and services. Thought leadership is about communicating your point of view and how you utilize marketing, social media and content on your website to differentiate yourself to prospects and customers. The substance of thought leadership is effectively communicating how your people, the technology you offer, the processes you've developed and the investments you've made all come together to help the customer accomplish their vision of success.

The services element, however, requires more than just marketing. This requires real investment in training and the "productization" of your services. Building out a practice model with investments in expertise, collaborations and unique methodology will differentiate your services, deliver value to your customer and be a source of both repeatable and profitable revenue for you. For example, developing a methodology on how to evaluate the appropriateness of public cloud for certain applications is a service, which can deliver both differentiation and revenue.

Tuning the Business Model

It's critical to recognize that business transformation is not just about taking on a new collaboration or following the latest trend in technology. Both complex solutions and cloud computing require providers to rethink and reassess some fundamental aspects of their business model. These aspects range from sales to marketing, financial management, support operations and may even mean making capital investments in the development of infrastructure that you own and operate in the form of a NOC or customer portal.

In the case of sales and marketing, change comes in two forms. In sales, managers must get their teams comfortable with the idea of becoming problem solvers and solution designers. Sales teams will lean more on pre-sales technical staff to explore customer needs and pain points in order to develop and pitch solutions with multiple components. These sales cycles are longer, so success means getting involved earlier in the sales cycle. On the sales compensation side, new solutions are likely to include more of a recurring revenue component. When services are recognized over longer periods of time, sales compensation must account for this. This is a new model for a salesperson used to getting an up-front commission check based on a referral fee or profit on a discreet transaction. Transition plans must be developed to not only cushion the financial implications for reps, but to also motivate them to sell recurring revenue solutions.

Marketing must adjust to support the new selling effort as well. A combination of developing thought leadership content and a new approach to lead generation is critical to building new revenue streams. For a solution business, it's critical for customers to see how all the pieces fit together and have a vision of how they succeed with an IT initiative. This can be accomplished through developing marketing white papers or publishing articles, which clearly state the firms' point of view on how to implement solutions like mobile computing or cloud-based storage. Marketing teams must harness social media to bring these messages to the user community and build a funnel of prospects.

From an infrastructure perspective, companies must be ready and willing to take on the task of managing client billing and monitoring the provisioning of services, so providers can own the customer relationship. This may mean building out a NOC and developing or purchasing a front-end system to manage customer interaction, provisioning and financial management. Such infrastructure can be used not only to mange the provisioning of multiple cloud solutions, but also to deliver managed services to your customers. However, building a NOC can be a major investment. While some secure the funds and make the commitment to build their own, others take advantage of collaborating with other providers. Many third-party NOC and help-desk services are available so solution providers can enjoy the benefits these services bring to customers and their own operations while not having to invest directly in the infrastructure to manage the service.

Lastly, collaboration is key to a successful transition. No firm can do it all by themselves. It's one thing to expand your solution capability, it's another to try to be all things to all people and fail. There will be aspects of the solution you cannot master. For these, you must collaborate with others who bring areas of specialty you don't have.

The AT&T Partner Exchange℠ Program

AT&T has developed a truly unique way to help solution providers build a complete solutions portfolio and transform their businesses to compete in the new wave of computing. The AT&T Partner Exchange program is more than just a way to sell AT&T products and services. It's a road map for business transformation. Headquartered at the AT&T Foundry facility in Plano, Texas (one of four globally), AT&T Partner Exchange is a dedicated division launched with a start-up mentality to mirror the solution providers it supports. This unique approach creates a culture committed to success and one where employees feel like they are part of the solution provider market,

transforming it from within. The AT&T Partner Exchange team has built a portfolio of solutions drawn from AT&T's enterprise-class resources and has customized them in a toolkit for solution providers to utilize in a total solutions strategy. These offerings include networking solutions such as Virtual Private Networks, Managed Internet Services, IP Flexible Reach and Switched Ethernet Services. Cloud and Hosting Solutions include Colocation, Storage as a Service and Private Cloud. There is also a full complement of mobile solutions, including devices, rate plans and the infrastructure solution providers need to provide innovative mobile solutions.

AT&T Partner Exchange goes beyond traditional elements of supporting solution providers, investing directly in the solution providers' success. Realizing that transitioning to a new way of doing business takes both a time and a financial commitment for solution providers, AT&T provides access to development funds that program members can use to build and improve aspects of their business. Solution providers can use these funds to help build out NOCs, retrain sales teams, invest in billing applications and develop front-end customer-facing cloud portals. In fact, in addition to helping fund the buildout of infrastructure, AT&T also makes its APIs available to solutions providers for certain services. Creating a more effortless experience, solution providers can link their interface directly to AT&T's core systems to reduce development cycle time and streamline the delivery of services to customers.

Lastly, AT&T brings the power of a multinational marketing firm directly to solution providers to support executive-level sales efforts. In addition to development funds that support a variety of sales and marketing activities both in concert with AT&T and independently, Channel Account Managers, Technical Sales Consultants and Marketing Consultants can be utilized to directly interface with providers and their customers. These valuable assets help accelerate sales cycles, uncover new opportunities and build a strong brand image for the solution provider.

Conclusion

Change is difficult but inevitable. It's becoming more and more challenging to focus only in one segment without building out new capabilities or collaborating for a broader solution offering. Providers today must embrace the cloud and the business model changes it drives, as well as build a complete solutions portfolio by collaborating with others and making direct investments to support the business model. AT&T Partner Exchange stands ready to assist in the transition with a program built to help solution providers expand their business and gain a competitive advantage.

For more information contact your AT&T Representative or visit us at att.com/partnerexchange.