

Profit Acceleration for Ecosystem Partners



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Mr. McElligott has recently joined Stratcast as a Senior Consulting Analyst for global OSS/BSS strategies. He has 25 years of experience working in carrier environments and writing for telecommunications publications, including FierceMarkets, Telephony magazine and VIRGO publishing.



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As Netformx CEO since 2005, Mr. Bareket has provided strategic leadership that helps service providers, systems integrators, and equipment vendors increase profitability by creating and selling the information, communications, and technology solutions that power business.

Tim McElligott, Senior Consulting Analyst, Global OSS/BSS Strategy at Stratcast, frames the issues around profit acceleration for enterprise ecosystem partners and then interviews Ittai Bareket, Netformx CEO, on CSP challenges and how Netformx helps them increase profitability.

The delivery of global enterprise communications services is increasingly a team effort. In turn, service delivery is gradually comprised of players beyond the communications service provider (CSP) domain to include partners for infrastructure, applications, value-added services and content. There have been concerted efforts across the industry to make these services available in real time, to develop customer and network intelligence in real time and create malleable, software-driven networks that can optimize themselves in real time for the highest quality service delivery. However, these efforts are no more than high-tech theatrics if the realization of revenue and profitability for both CSPs and their partners is not likewise accelerated.

Enterprise services generate more revenue than consumer services and have the potential to be highly profitable. Too often, CSPs and their delivery partners, such as value-added resellers, managed services providers,

content providers, cloud infrastructure providers, and interconnect partners fail to realize this potential. The complexity of service design and delivery, as well as partner management, makes it difficult to achieve higher margins. However, with increased automation enabling the right solutions and process improvements both the complexity and the degree of difficulty can be reduced or eliminated, leading to profit acceleration for all parties involved.

Partner profitability is vitally important. As solutions are created and delivered by leveraging diverse ecosystems of partners, these ecosystems will become competitive themselves. Companies will want to partner with others in the ecosystem whose practices and processes deliver the most efficient and profitable results. A growing emphasis on partner management is reflected in the projected growth of partner management solutions through which the profitability improvements resulting from design automation can be tracked. Partner management solutions will represent approximately 6 percent of the global billing market by next year. Most of that growth will come in support of partner-provided connectivity and value-added services from cloud application suppliers. And the acceleration of profitability for those partners will be owed to improved processes at the very beginning of the sales cycle.

Partners are interested in rapid settlement, but they are even more interested in larger, or higher-margin settlements. Accelerated profitability can only result from eliminating the costs associated with errors and rework in the solution design and fulfillment process. These process improvements are required not only across the CSP domain, but also across the operations domains of all partners. The best practices for the processes and the tools for automation that can streamline and increase the accuracy of service fulfillment begin long before the provisioning and activation activities that garner so much attention. They require a highly automated, error-free design process from the start.

The industry error rate for enterprise network design is as high as 40 percent. Many factors contribute to this intolerable rate, including the nature of the enterprise market itself. Each enterprise has unique requirements, or at least believes its requirements to be unique, and demands customized solutions. Designing custom solutions using manual or semi-automated processes, or processes designed to follow unyielding guidelines, is a process prone to errors.

Other factors contributing to design errors include:

- The pre-sales process: Remote sales teams are not empowered. They rely on static, high-level network diagrams that can't possibly create a service in real-time or even reserve capacity or infrastructure. Such designs are often rejected by the network engineer.
- Partner resource coordination: Sales personnel often lack up-to-date access to partner inventories and promotions or discounts. They are not able to factor these into their decision process, particularly when some of the incentives are applied retroactively.
- Cloud and data center processes are unfamiliar: In addition to the real-time nature of cloud environments, which can be unfamiliar territory for CSP sales teams, the processes for designing cloud-based services is also foreign. The number of new processes as well as suppliers and partners is daunting.

All this uncertainty regarding processes across multiple partners has an adverse effect on profitability. It also increases the time it takes to move orders through the process and tangles up resources, making them unavailable to pursue new opportunities and further diminish profitability for all.

Steps CSPs and their partners can take to accelerate profitability begin with automating the pre-sales process. To instill consistency in all sales engagements, they can:

- Standardize on guided selling methodologies that utilize an up-to-date, common knowledge base of configurable solutions, products and services. This fosters generating validated proposals and reduces rejections. This also reduces implementation time and increases revenue generation.
- Include a profitability optimizer to ensure greatest margins are achieved taking into consideration programs, promotions and cost.
- Replicate best practices across the organization and across all suppliers and partners. Hold partners

accountable for following those practices.

- Incorporate customer requirements into the design and fulfillment processes. This includes regulations and compliance requirements across countries.
- Incorporate technology vendor incentives to maximize profitability at design time.
- Ensure compliance with rules associated with rewards and incentives programs including maintaining the proper vendor certifications.

In a report from November 2013, called "*Error-free Design: Why Owning Service Complexity Benefits the Business*," Stratecast focused on the CSP business. One CSP in particular, Sprint, was able to reduce its solution design error rate from 20 percent to nearly zero. However, as part of a bigger picture that requires new ecosystem partners working together to deliver services, CSPs also need to focus on the business health of their partners. They can do so by creating designs that are profitable for all partners.

Netformx is a company focused on simplifying the solution design process, accelerating the sales cycle, and enabling higher levels of profitability. Stratecast's Senior Consulting Analyst, Tim McElligott, discussed with Ittai Bareket, CEO of Netformx, the ways CSPs and their partners can benefit from a better design process.

Q: Of the many challenges CSPs have designing and delivering solutions to enterprises today, which is the most pressing and how does Netformx help them address it?

A: CSPs must increase sales productivity and improve order accuracy in a fast moving and highly competitive market. This is particularly challenging for orders that include assembling solutions that incorporate multiple vendors, varied deployment models and partners or complex requirements. The resulting potential for errors is very high. Errors introduced during the design phase will have a ripple effect impacting the profitability of the contract.

Netformx provides sales enablement solutions to create validated designs and optimize overall profitability for every proposal. By relying on guided selling methodologies and a comprehensive catalog of services and products, accurate designs are created without dependencies on experts. In addition, the resulting implementations are error-free with near zero order fallout, significantly reducing truck rolls, returned equipment and service level agreement (SLA) infractions.

When orders are created and fulfilled promptly and without error, CSP revenues increase as a result of faster revenue realization and exceptional customer satisfaction. Margins also increase as expenses shrink thanks to reduced needs for human intervention.

Q: All ecosystem players have their own best practices. How does a CSP get all its partners on board to standardize on a common set of practices?

A: As an example, CSPs must deal with significant complexities when designing solutions for global enterprises. Not only is the technology complex and

▶ changing continually, but also numerous teams must collaborate and design for country-specific requirements.

By implementing standard and more automated processes, CSPs can achieve scalable and predictable results — no matter where in the world the work is being done and how many business, sales, or technical experts are involved in the design. This improves productivity, time to respond, and overall efficiency that mean real business savings.

Q: CSPs are still developing the core competencies for designing and delivering cloud and data center solutions. What is their greatest need and how can you help them meet it?

A: The demand for hosted and hybrid data centers to power cloud-based solutions is exploding. Many CSPs are struggling with the increased number of proposals and the need to deliver competitive solutions. One of the bigger challenges is sizing the application workload and corresponding computing resources. The complexity comes from having the right expertise to properly size all the applications, which will run in this environment, and then selecting the multi-technology solution from a number of vendors. Typically this results in making safe decisions that may be over-engineered and often too expensive for the client.

Netformx addresses this challenge with Netformx Data Center Designer. We enable users to rely on application-based configurations leveraging unique optimization algorithms. Users provide the application requirements by leveraging pre-defined templates. Data Center Designer automatically determines the optimal resources to support the workload and generates an offer with multiple price points. Our industry-first approach accelerates the design process, increases productivity, and reduces the potential for errors. Proposals that used to take weeks to construct now only take minutes.

Q: Why is there such a challenge incorporating incentive programs and promotions into proposals? What are the repercussions of not incorporating them?

A: For example, Cisco's Value Incentive Program (VIP) can be a major contributor to profitability. However the program is dynamic, the rules are complex and have strict compliance requirements. Managing all the variables associated with such a program is both costly and error-prone.

Our PartnerCentral (formerly VARcompliance) automates vendor certification and incentive reward tracking, monitoring, and management. As a result, our customers capture more reward and promotion dollars and ensure their compliance. CSPs can better factor promotions as they generate a proposal. This increased visibility into the profitability associated with a given opportunity aids in making better business decisions that proactively increase profitability and drive operational efficiency.

CSP's that have not yet automated promotion and incentive management are leaving money on the table.

Q: Speaking of acceleration, can you quantify the speed at which you have seen CSPs and their partners accelerate profitability?

A: Our customers have seen some pretty dramatic results, for example:

- Doubling the productivity of their sales teams
- 10 times faster to generate proposals which are 99% error-free
- Identifying an average of \$5K more margin for every \$100K in a bill of materials
- Cutting in half time to market for new products and services
- Reduction in implementation rejections by 20% or more
- Doubling customer satisfaction with the CSP's clients

The opportunity in delivering complex services to the global enterprise market is tremendous. To seize the opportunity, CSPs must shelter customers from the inherent complexity while creating seamless, scalable and predictable sales and ordering processes across their operations and across those of all their ecosystem partners. The resulting increase in sales productivity and improvement in order accuracy will reduce costs and accelerate profitability. To learn more on this topic, download the free report, *Error-Free Design: Why Owning Service Complexity Benefits the Business*, at <http://www.netformx.com/1119>.

For More Information:

Netformx Solutions: <http://www.netformx.com/overview-story>
 Netformx: www.netformx.com

