IT solution providers find success selling subscriptions with a full customer lifecycle approach

InterComms talks to Ittai Bareket, CEO of Netformx

Ittai Bareket
Under Mr. Bareket's strategic leadership Netformx has become the leader in opportunity-to-quote solutions specifically designed for IT solution and service providers, vendors, and distributors. The Netformx cloud-based CPQ-for-IT application suite enables users to quickly and accurately create differentiated, winning multi-vendor designs, quotes, and proposals, while leveraging business insights and analytics to increase productivity and profitability.

IT solution and service providers, such as resellers and Communications Service Providers, are being challenged on multiple fronts. Their customers may be large corporations with multiple branches that span jurisdictions or small to mid-sized enterprises with more straightforward networking needs. No matter what the size, enterprises expect excellent customer service and solutions that meet their needs. Competition is intense and sharply focused on providing the best customer experience.

At the same time, IT solution providers must focus on operational excellence to ensure their own profitability. They require streamlined and consistent sales processes that provide efficiency and scalability, while simultaneously delighting their customers. Efficiency is difficult to achieve because custom solutions, especially for large enterprises, are generally required to meet each customer's specific needs.

Rationalizing the parallel needs of providing individual customer excellence to increase revenues with the necessity to streamline operations to increase profitability is a significant challenge for IT solution providers.

The customer engagement journey doesn't end with the technology sale

In the past, traditional IT sales were drop-ship where sales teams focused on technology "box" or asset sales. Once the technology was purchased the renewals team would manage the customer's maintenance contracts. That is no longer the case. These days, even hardware is sold as a subscription in lieu of charging for the traditional iron, not to mention selling subscriptions for the associated software. Hardware companies are transforming into software subscription providers who are now generating substantial recurring revenues. IT solution providers must also transform their business model and selling motions to meet ever-evolving commercial models of recurring offers, everything-as-a-service, and multi-year subscription engagements.

In today's economy, selling a solution is not enough. Enterprises must also adopt, i.e., utilize, the solutions and leverage them to drive their businesses. If solutions are not adopted and benefits realized, the solution provider will not be able to obtain annual renewals and will not be able to upsell new functionality and expand its offering to the enterprise.

Happy customers are loyal to their solution provider, spending more money over time. Yet if the product or service isn't meeting their needs—at any point along the customer journey—they might churn to another provider, drying up the recurring revenue stream of the prior provider. Leading IT solution providers engage with their customers throughout the solution lifecycle, from initial sale, to adoption, expansion, and renewals.

The LAER Customer Engagement Model for sales
The LAER customer engagement model[1] (pronounced "layer"), created by Technology Services Industry Association (TSIA), describes four steps in the customer journey, viewed from the solution provider's perspective.

The LAER steps are:

- **Land:** All sales and marketing activities required to land the first sale of a solution to a new customer, and the initial implementation of that solution.
- **Adopt:** All activities involved in making sure the customer is successfully adopting and expanding their use of the solution.
- **Expand:** All activities required to cost-effectively help current customers expand their spending as usage increases, including both cross-selling and upselling.
- **Renew:** All activities required to ensure the customer renews their contract(s).

This customer engagement model contrasts greatly with the technology asset sales of the past that only focused on landing the technology contract.

Applying the LAER Model
Today, the *landing* phase typically involves understanding complex customer requirements, quickly creating a proposal that meets their business needs and is priced competitively, and successfully implementing it on-time, on-budget, and without problems. Initial and continuing *adoption* of the IT solution engenders the customer's loyalty and creates stickiness. It is accomplished by working with the customer to help them achieve their business outcomes. Providing validated, error-free configurations that are implementable and easy to adopt support this step.

The *expand* and *renew* steps are essential to growing the IT solution provider's revenue streams. The solution provider can *expand* the enterprise's engagement by suggesting new features to boost their efficiency or to help them achieve new goals. These may be accomplished through the application of analytics and machine learning. Solution Providers may also want to consider using insightful asset management and tracking to proactively remind customers of coming service contract expirations or end-of-life or end-

of-support situations to increase *renewal* rates. Overall, the IT solution provider should provide data to help their customers understand the value they have received. With the facts in their hands, expansion and renewals are easy to justify and occur without objection.

The Cisco Lifecycle Advantage[2] program echoes the customer engagement lifecycle perspective by centering on important milestones in the life of a customer and using action-triggered email automation to provide partners with a simple, efficient customer engagement model.
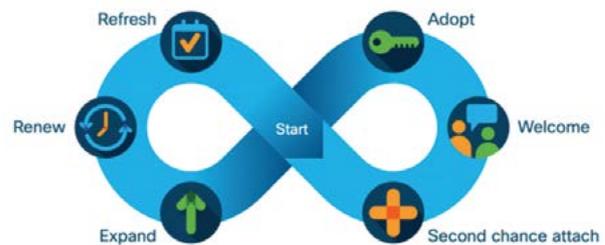
Operationalizing the customer engagement journey
This all sounds great for an IT solution provider's business, but what tools do they need to operationalize successful customer engagement journeys? How can they streamline and scale their operations to maintain profitability as their business grows?

Selling IT solutions is very complicated. Markets, channels, and end-customer requirements keep changing. IT technologies are complex and evolving continually. Products, price models, and incentive programs are modified continuously by each vendor, making it difficult to create proposals and quotes that optimize the solution provider's margins. Sales can be very technical and require a high level of expertise, which is an expensive and limited resource. Especially for large enterprise customers, each sale requires a customized solution. Yet unique, manually created designs and proposals are expensive to create and can lead to design errors, interoperability issues, and more costly custom implementations. Despite these challenges, the fact remains that if solution providers are to be profitable they must automate the implementation of best practices, repeatability, and consistency across their sales organization.

To do this, IT solution providers have turned in earnest to sophisticated sales enablement and opportunity-to-quote applications and tools that increase their operational efficiency. These streamline the IT sales process through powerful business intelligence, actionable insights, guided selling, collaboration, and automation, resulting in better business outcomes.

Typical sales productivity enhancement systems include Customer Relationship Management (CRM) systems that manage a company's interactions with current and potential ▶

customers and Configure, Price, and Quote (CPQ) systems that help companies accurately determine prices across a large and constantly changing set of variables and to quote a customer the best price that satisfies all the variables.

CPQ-for-IT Goes Beyond the Initial Sale
An end-to-end IT networking solution may involve dozens of products, services and software from multiple vendors. These may have complex interoperability, capacity, and performance constraints. They may even involve different geographic or regulatory requirements for multiple branch offices. Alternative products need to be evaluated, each having different costs and/or vendor discounts. To speed cost-effective implementation, solution provider best practices and preferred design decisions may come into play. This is where a standard CPQ solution may not fit the bill.

A comprehensive and sophisticated CPQ-for-IT solution should simplify this multifaceted IT sales process and position the solution provider to continue the customer relationship for the long haul and with more than just a renewal. CPQ-for-IT solutions provide an efficient way to configure, design, and sell complex solutions. They increase sales team productivity in the face of rapidly changing technologies and vendor pricing models and incentives. And they reduce the time from request to quote to order, ensure solution accuracy, and provide business insights that improve their profitability. Additionally, they ensure adoption of the solution, followed by solution expansion to meet the evolving customer's need, and ensure the subscription renewal is desired well before renewal time comes.

To add even more value to the IT Solution Provider, Netformx has introduced the Expose, Educate, and Guide (EEG) concept to the market. EEG means providing at the sales team's fingertips the information they need at any given point in the sales process. That is, in context, expose them to the relevant product and incentive information, provide high level explanations and links to the specific details, and then help guide the conversation with customers, for example by providing talking points and customer data related to renewals and upsell opportunities.

Behind the EEG-oriented user interface are CPQ engines that support configuration, pricing, quoting, and proposing. An important aspect for CPQ-for-IT is the need for vendor product and promotion content data feeds that are updated daily, aggregated, correlated, analyzed, and pushed to the user community. A comprehensive KnowledgeBase and analytics tools enable users to easily manage and maximize benefits from vendor partner discounts and incentive programs and to automatically identify risks and opportunities for up-sell and cross-sell. Having this all at their fingertips via EEG means that the CPQ tools can be used out-of-the-box and with minimal training on vendor programs and idiosyncrasies.

Predictive, proactive, and prescriptive analytics, as well as artificial intelligence and machine learning, play an increasingly important role in IT sales efficiency and profitability. They provide in-context actionable insights such as:

- Guided selling advisors to simplify and guide the sales process
- Highlighting alternate products during the design process to increase margins
- Analyzing deals in depth to maximize profitability, at different points in the sales process

A best-in-breed CPQ-for-IT solution goes well beyond creating a quote. It simplifies *adoption* through accurate proposals that incorporate services and subscriptions, *expands* adoption through up-sell and cross-sell opportunity identification, and provides the insights needed to increase *renewal* rates. Despite growing complexity and rapid changes in the IT environment, technology advances such as these enable IT solution providers to efficiently operationalize the sales process across the customer's entire journey.

Managing the Complexity of Selling IT Solutions to Enterprises
The world of IT sales is changing dramatically. The industry is moving to a subscription-based economy where the monetary value of a customer is realized over time, not at the initial sale. At the same time, solutions are becoming more complex and the penalty for poor customer service has never been higher. To stay ahead of the competition and retain their customers, IT solution providers must focus more deeply on the customer's complete LAER engagement journey, from *landing* the initial sale to simplifying and supporting *adoption* to *expanding* adoption to *renewing* subscriptions. They need to become trusted lifecycle advisors and build long-lasting relationships that help their customers realize the full value of their investment throughout the engagement journey.

To support that customer journey and engender loyalty IT solution providers must incorporate analytics, automation, and business-focused insights in their sales operations. These capabilities support the customer but also benefit the solution provider operationally by enabling them to move quickly, be agile and responsive, scale as they grow, and increase profitability through cost-effective execution.

Find out more about Netformx at: www.netformx.com

1 http://blog.tsia.com/blog/laer-explained-a-new-customer-engagement-model-for-a-new-business-era

2 https://i.crn.com/sites/default/files/ckfinderimages/userfiles/images/crn/Cisco/CommittedGrowth/Lifecycle-advantage-datasheet.pdf