Prescriptive Analytics –
Key for Solution Providers to Profitably Grow their Cloud and Telecom Sales Business

Ittai Bareket, CEO, Netformx Inc., discusses how prescriptive analytics can help enterprise sales management

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In our previous issue, Mr. Bareket, Netformx CEO, facilitated a customer roundtable to discuss the many ways solution providers are using Netformx ChannelXpert to discover hidden profits in their sales process. Today, he describes how prescriptive analytics are helping enterprise sales management identify needed business actions and how to quickly execute them.

Ittai Bareket is Netformx CEO (www.netformx.com). Netformx helps service providers, systems integrators, and technology vendors enable their enterprise sales and accelerate profits. Using powerful business intelligence, actionable insights, collaboration and automation, Netformx

customers design and sell winning and implementable multivendor solutions demanded by enterprises across the globe, while optimizing the business aspect of their sales operations to accelerate profitability.

Is your deal profitability hit-or-miss?
Selling enterprise technology solutions has become increasingly dynamic and complex, making it difficult to manage the business aspects of the sales process. Solutions are usually multivendor and may include private and third party services and bundles. In addition, participation in vendor and distributor programs and promotions are important components of a deal's margin; but these programs have strict compliance requirements that, if not met, can have large negative financial impacts. This is a challenging situation for solution providers, whose margins are also being squeezed by competitive   pressures.

    Solution providers typically rely on manual efforts – if they do anything at all – to sort through a maze of supplier, distributor and internal data as well as vendor promotional requirements to understand their anticipated profitability for each deal. They struggle to answer basic questions such as:

- How much are we buying direct from Cisco or other vendors versus through distributors? How much from each distributor?
- How much is Cisco VIP (Value Incentive Program)-applicable?
- What is the value of deals expiring in 30 days?
- What percent of registered deals have been won?
- What percent of deals have promotional rebates?

► • How close are we to our booking targets?
• Where are we making money? Where not?
• What is our profitability going to be?
• What rebate payout will we actually receive?
• Are higher margin services being left off proposals where other vendor services are being included?

No wonder deal profitability is hit-or-miss for most solution providers. To achieve maximum profitability and/or margins it is imperative to manage the sales process efficiently through consistency and automation and to use powerful analytics to manage the business. By applying sophisticated analytics to a wide array of data, including vendor requirements, vendor and distributor product information, and internal sales information, powerful business insights can be uncovered throughout the sales process and actions identified that will maximize profitability.

Analytics: From passive to prescriptive
Analytics have been in use for some time, but initially solution providers often would take a **_passive_** approach. They would gather customer requirements and passively design solutions to meet those requirements without any business analysis. Equipment would be selected based on current technical fit without regard to vendor promotional incentives, planning for customer growth or other impacts on profitability. These were technical, not business decisions.

Some solution providers became more **_proactive_**, taking into account their experience and best practices to influence the solution and deal in order to increase their margins. They might use business intelligence systems to gain insights from past deals, such as statistics on how many deals were closed and how many were registered.

The next advance was **_predictive_** analytics that provides business insights, for example predicting, based on past experience, the profitability of a deal and what rebates are expected. Predictive analysis is forward-looking and uses models based on behaviors and rules to find hidden patterns in the wealth of data to predict what is likely to happen and why.

To deliver the largest value, however, analytics should be **_prescriptive_**, combining proactive and predictive approaches. Prescriptive analytics deliver digestible information in a timely manner, giving clear direction to the decision-maker on the action that needs to be taken. For example, telling the manager they need to book another $10K in order to meet a minimum bookings target which in turn will ensure $50K in rebates.

Each type of analytics has value to the business, but prescriptive analytics allows decision makers to derive immediate business benefits.

Applying analytics to sales management
By using an innovative analytics engine, such as Netformx ChannelXpert, solution providers can gain powerful business insights to better understand the selling lifecycle and to identify hidden profits. By applying analytics to data gathered from vendors, distributors and solution providers, opportunities can be identified to increase gross margin and profitability across the deal lifecycle from start to finish. When you use an analytics engine that efficiently automates the management of capturing vendor reward dollars, adhering to discount-based incentives, ensuring compliance, tracking employee certifications, and managing deals, channels, and partners, the result is higher productivity, accuracy and profitability.

A Control Room can provide ribbons with the latest sales financial information at a glance, with detailed supporting reports only a click away. Example ribbons are:

Profit: Summarizes the booking targets and bookings to date. Statistics are also provided on meeting rebate eligibility criteria such as value of shipped and unshipped orders (orders must be shipped to end customers to be eligible for rebate), customer satisfaction, and the value of deals that have high potential for rebate if challenged. The analytics are applied to, for example, vendor product catalogs and pricing information, vendor rebate rules, and deal information from several data sources including vendors and distributors. These insights enable the manager to quickly focus on actions to take to increase profits.

Purchasing: Aggregates purchasing data from, for example, the vendors and distributors. The manager can see information such as the purchases to date, the distribution and amount of direct manufacturer versus distributor purchases, the number of deals applying to rebates, and the number of end customers. One of our customers noticed that they were selling mostly vendor-branded services, purchased via distribution. Since purchasing these services via distributors had lower margins, the solution provider's profitability was impacted significantly. So they launched a campaign with the sales team to lead with their own branded services to significantly improve their bottom line. To streamline the selling process, by leveraging other Netformx platforms, they could also create rules that automatically attach their own services to a solution.

Deal: Analyzes deals, such as the number of open deals and why they are not closed, the value of deals expiring in 30 days, and registration status. Deal bookings reports analyze the data from the perspective of Cisco's incentive tracks and subtracks. Since those rules change frequently it is difficult for Cisco partners to monitor their status without this kind of analysis. Sales management needs to stay on top of this to ensure the team is focusing on selling the right solutions and that action is taken to avoid disqualification or reduced incentives.

Certification: Automates the management, monitoring, and up-keep of employee certification status at ►

► company, program, and individual levels. A required-action checklist makes the results readily understandable and immediately actionable. With a single click the manager can see the impact of an employee leaving the company, who needs to be recertified and by when, so action can be taken in advance, such as ensuring professional development matches vendor requirements or identifying someone else to fill the gap.

Business Notifications provide predictive actions and prescriptive recommendations that enable the solution provider to increase profitability. Actions with clear, guided steps enable quick problem resolution, such as which deal expirations need to be addressed first, where to invest selling efforts, how to recover additional vendor rebates, and which deals require attention by the sales team. They are told what they will lose if they decide not to take action. Examples are:

- A notification of rebates that can be recovered links to a report of deals that could potentially be recovered, with all the information the partner needs to challenge the no-rebate status.
- A notification alerts the manager that a minimum bookings target is not met for a Cisco subtrack, which means the VIP rebate will not get paid. The notification identifies deals that if closed will enable the minimum

subtrack booking requirement to be met. For example, booking an additional $10K will put them over the minimum, which will enable a $50K rebate.
- A notification indicates deals that sales should focus on so that the solution provider doesn't lose the deal registration and its financial benefit. While the individual deal could be small it could have significant impact on the rebate and thus profitability.
- A notification about a pending certification issue that could impact the solution provider's partnership level and vendor rewards.

Analytics enable competitiveness and profitability
As margins get squeezed more and more, prescriptive analytics is becoming a critical sales management tool, enabling solution providers to manage their business. They can focus on business insights and actions, not raw data and complex reports, and to be more prescriptive to the sales team, even down to an individual level.

With analytics, management can calculate and fine-tune deal profitability and be more prescriptive and proactive on the kinds of deals they want to sell. Deal profitability is then by design, not hit-or-miss.

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