Guide to Strategic Positioning For Technology Resellers

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Overview

What is your company's place in the world? Do your customers, business partners and employees have a clear understanding of "what your company is about"? Or do you straddle a number of different technologies and market segments so that it takes some time to explain where you stand and why your company is in business?

Research consistently shows that companies with a clear strategic positioning that is well communicated are more profitable than those with a more confused place in the world. This eBook is aimed at both the executives of technology resellers and the channel teams at technology vendors. The goal is to not only make the business case for clear strategic and market positioning, but also to provide a framework for IT resellers to achieve this.

Master of None

In 2016 The Statistic Brain Research Institute compiled a variety of statistics on business failure rates and the underlying reasons. In their "Information" category (which includes technology resellers) they found a 63% failure rate within the first four years. The same study identified "Incompetence" as causing 46% of failures, which included "Lack of Planning".

Within the technology industry anecdotal evidence suggests that high failure rates amongst resellers can often be attributed to a lack of clear differentiation and positioning. From the technology resellers perspective it is an advantage to be a "Jack of All Trades". They can provide solutions from multiple vendors across the entire technology stack, and thereby never have to lose a sales opportunity.

Viewed from the buyers' (and often a technology Vendors') perspective this "generalist" strategy is counterproductive. The reseller is seen as a generic supplier of technology products and services, but a "Master of None". They cannot be "Best in Class" in any area with this approach and are therefore less valuable as a strategic supplier / partner.

Multiple studies have also confirmed the relationship between differentiation and company profitability. A 2014 Millward Brown study found that "people who believe a brand is meaningfully different on average pay up to 22 percent more than those who do not ".

If a clearly differentiated position in the marketplace is a strong contributor to long-term company success and increased profitability, how can the technology reseller leverage positioning to drive their long-term success?

Market Positioning – the “Now”

Positioning refers to the place that a brand (company, product or person) occupies in the mind of the customer and how it is distinguished from products from competitors. Its objective is to occupy a clear, unique, and advantageous position in the consumer's mind. It requires the technology reseller to create a distinct position in the buyers mind through appropriate communication activities. What matters is how the buyers perceive the company, not how the company sees itself. Most importantly, it is about how the company is seen relative to its competitors.

A successful positioning strategy is usually rooted in the company’s sustainable competitive advantage. It can be based on several things, including:

- Product features
  - For VAR’s, this includes skillsets
- Benefits, needs, solutions
- Use categories
- Usage occasions

Positioning is only as good as the communication that drives it. In a 2007 study, Deloitte & Touche (Marzec, 2007) found that companies which communicate their business strategies, achieve on average 43 % higher market to book ratio comparing to the ones which don’t communicate their strategies at all.

This is where marketing strategy comes in. Once a reseller has achieved clear market positioning in the buyers mind, then they are ready to capitalise on this through effective marketing tactics. Unfortunately, the opposite is usually seen in the marketplace. The norm is for a completely undifferentiated technology reseller with zero market positioning (in the buyers mind) to implement a marketing tactic promoting this quarters in-vogue technology buzz with a me-too offering. They (and the Vendor that co-sponsored it) then wonder why it failed.

The 10 C’s

In his 10 Cs of Supplier Evaluation in a 1995 article in "**Purchasing and Supply Management**" Ray Carter identifies the following criteria, most of which can be considered part of the vendors’ positioning as seen through the eyes of the business technology buyer:

1. Competency.
2. Capacity.
3. Commitment.
4. Control.

5. Cash.

6. Cost.

7. Consistency.

8. Culture.

9. Clean.

10. Communication.

It is important for technology resellers to use a mix of these ten decision criteria used by buyers to position themselves in a meaningful way in the buyers' eyes.

Compelling Value Proposition

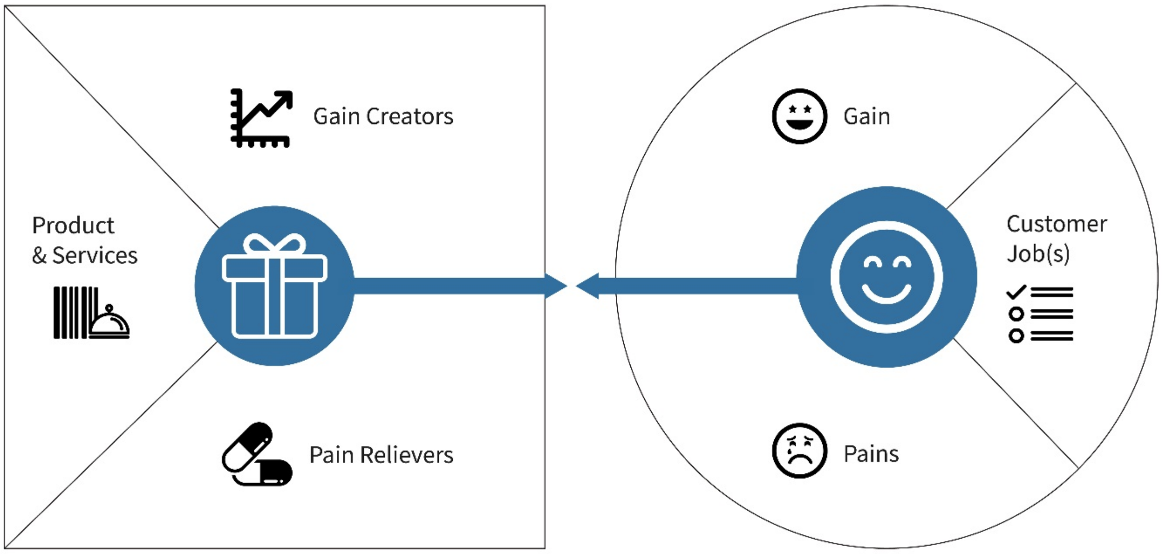
According to Kaplan and Norton "Strategy is based on a differentiated customer value proposition. Satisfying customers is the source of sustainable value creation." A number of actions precede an effective marketing tactic:

1. Company Vision and Mission
2. Clear market positioning
3. A compelling value proposition
4. A business strategy
5. A marketing strategy and plan
6. Finally…marketing tactics

Note the use of the word "differentiated" in Kaplan and Norton's statement. A technology reseller cannot simply use a Vendor's brand or technology as their compelling value proposition. This simply makes them another "me too" player. They must unearth distinctive core competencies and differentiators that are specific to their company and its strengths if the value proposition is to be truly "compelling".

A useful tool for conceptualising the value proposition for your company is something called the "Value Proposition Canvas" (see image below). On the right hand side is a chosen market segment, with the typical customer needs (jobs) in that segment along with gains they are seeking and pains they wish to void. On the left hand side are the company's product and services, interpreted in the form of the gain creators and pain relievers which they can bring to that specific segment. The tool can be used to evaluate multiple market segments to understand how the company's solutions might be most effective as Gain Creators or Pain Relievers for each particular niche.

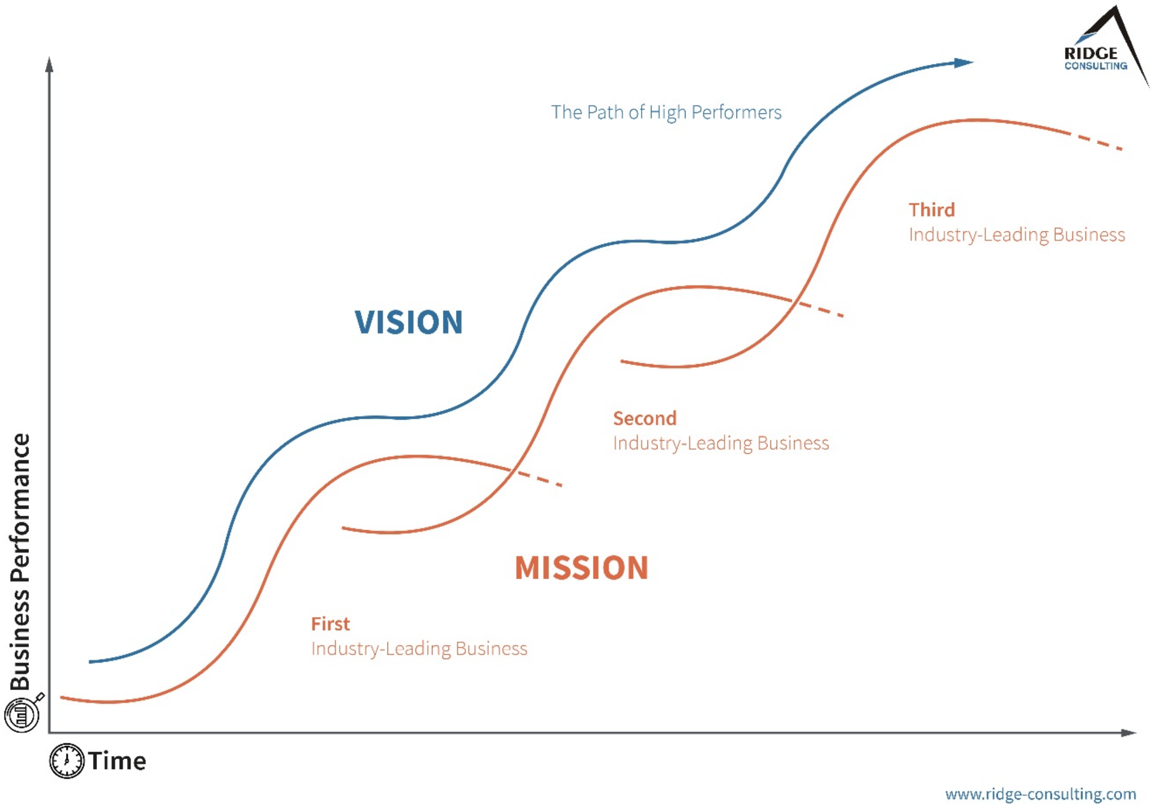
Once the leadership team have identified a strong “fit” between both sides, they have the basis of a strong value proposition for the company.



Linking S-Curves

It is important for leadership teams to remember that positioning can be moved in the long-term by a company making strategic investments in order to build a new positioning. We will look at that in the next section “Strategic Positioning”. First we will examine why this might be strategically important for the company. The answer lies in business and technology “S-Curves”.

The reader may be familiar with the concept of “S-curves” already. Businesses, or their markets that follow an S curve, are characterized by a shallow start, where only early adopters and niche markets buy the product. Then they experience a rapid growth, and the product or business has a dominant position in the market. After the rapid growth, the business sector (and the resellers playing in it) often see revenues plateau before eventually starting to fall. The key for the successful reseller is to “link” S-curves, jumping from the plateau of one to the rising wave of the next. To achieve this consistently requires both vision and positioning.



The most successful resellers use a two-fold strategy:

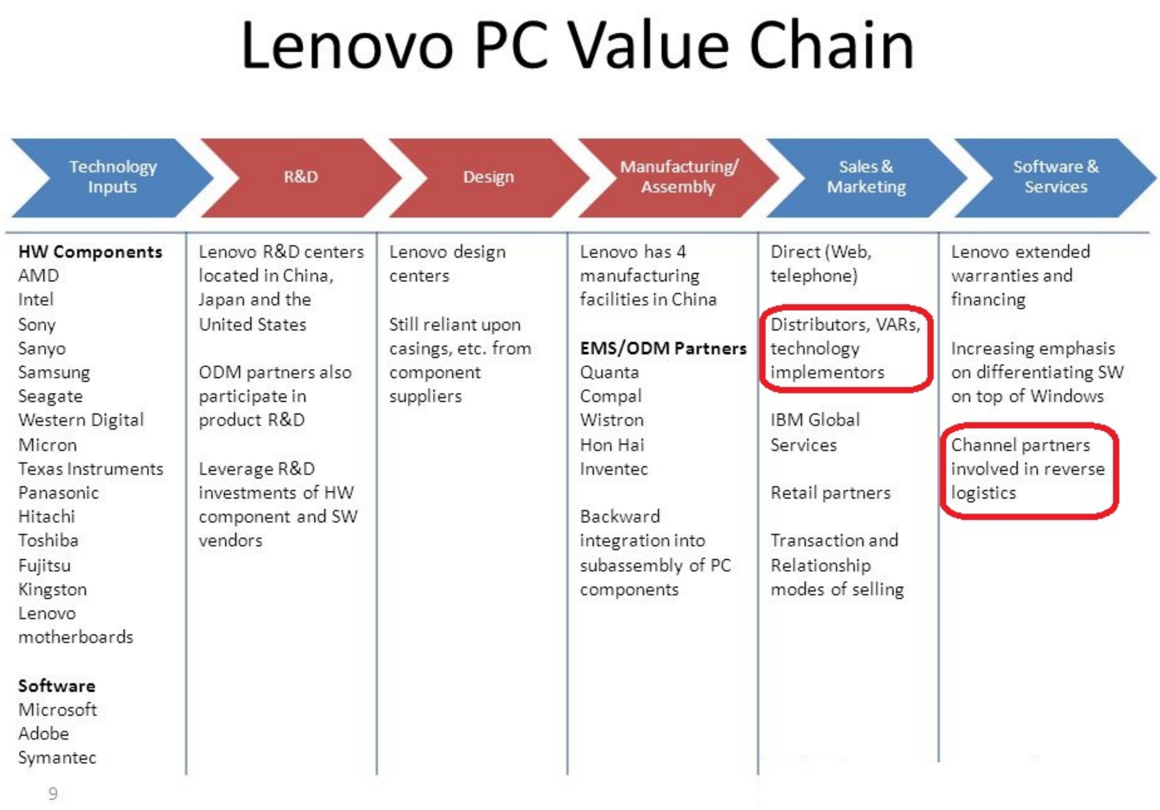
1. Clear market positioning for "Now", playing the hand that's dealt them with the resources they have. This is often considered to be the company's current "Mission".
2. Visionary strategic positioning for the "Next" – matching their company vision with future trends to identify the next S-curve most suitable for them which should be highly attractive and profitable. Then identifying the strategic investments required to make them number one in that segment when the market takes off.

Vendor Alignment

When an IT reseller thinks about positioning it is also important that they consider their vendor strategy. In some cases it may be a positive if they are aligned with multiple Vendors. For some positioning it may be important that they are positioned (in the minds of the Buyer) as being deeply connected with a single Vendor to reinforce their technical expertise and commitment.

Similarly, a reseller should bear in mind that they will also need to demonstrate clear positioning when it comes to engaging with a Vendors sales teams. In joint selling situations it will be important for a vendors sales people to know that a channel partner will not "stray outside the lines" of a sales opportunity by repositioning themselves midway through the sales process. A clear and disciplined positioning will help engender trust with the vendor sales team and will lead to more business opportunities from that Vendor.

A compelling value proposition is a direct product of clear market positioning. For technology resellers it is particularly important that their value proposition is clearly seen as part of a larger framework that includes the Vendors Point-of-View (PoV) for that technology. It may be useful for the reseller to think of their value proposition in terms of a “Value Chain”:



The above value chain is for Lenovo’s PC division but it can equally apply to Big Data, Business Process Management (BPM) or most other technology solutions. The important thing for the technology reseller to remember is that Buyers want a “whole product” solution, not just a piecemeal approach to technology. In other words, they want to buy a story that demonstrates how the Value Added Reseller and Vendor are completely aligned and can deliver a fully integrated working solution.

The image below represents the “whole product” that a Buyer needs to know they will receive from their VAR. In order for a reseller to convince the Buyer that they can deliver, they need to be able to communicate a story that shows how their value proposition “backs into” the Vendors value chain and delivers this “whole product”.

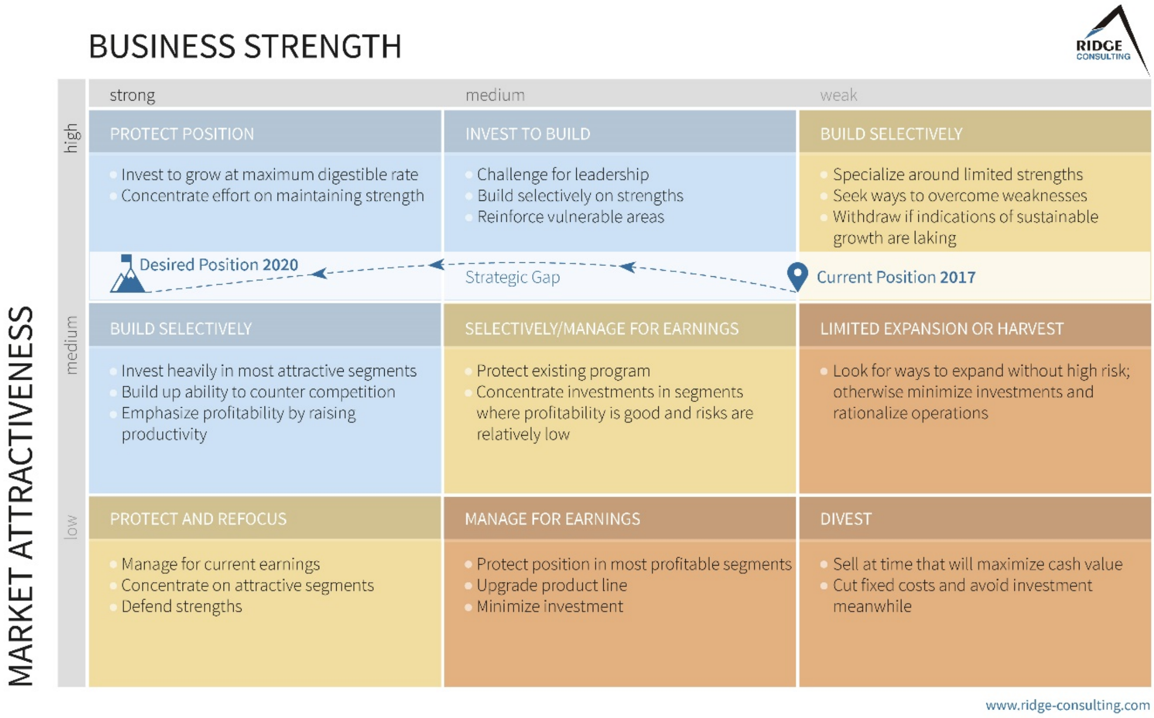
Strategic Positioning – the "Next"

Strategic positioning is the key to long-term success and profitability. While "market positioning" says "this is the best place we can play to win with what we have now", strategic positioning is about changing the game over the long term. Strategic positioning requires the leadership team to decide where they will play to win in the medium to long term, and what strategic investments in resources are required to get them there.

According to the [National Federation of Independent Business (NFIB)], over the lifetime of a business only 39% are profitable, with another 30% of businesses achieving break even, 30% lose money and 1% cannot say. Similar research specific to technology resellers worldwide is not available, but intuitively we expect the numbers to be broadly the same. By identifying a new strategic position for the future of the company, and investing the resources to get there the reseller can beat these odds, dramatically increasing profitability over the long-term.

The GE-McKinsey Matrix

What can the leadership team at a reseller do to kickstart their strategic positioning process? One of our favourite strategy tools for achieving this is the GE / McKinsey Matrix.



The GE / McKinsey Matrix

Although originally conceived as a framework to evaluate a company's portfolio of strategic business units, the GE / McKinsey Matrix can be adapted to provide guidance to smaller companies seeking to make strategic choices and establish strategic fit. The matrix requires that the leadership team look at its future environment from both an external industry attractiveness perspective and an internal business strength perspective. This forces the leadership team to acknowledge and address the strategic gap that currently exists, and how close (or far away) they are from a reasonable strategic fit.

Assuming that various attractive market segments have been identified through comprehensive market research, the next step is evaluating the "Business Strength" for each segment. The GE / McKinsey Matrix framework requires the leadership team to consider the factors such as the following in making this determination:

- Market share
- Growth in market share
- Brand equity and differentiators
- Distribution channel access
- Production / service capacity
- Profit margins relative to competitors
- Alliances and partnerships

The outcome should be a "Strategic Fit" i.e. a highly attractive market segment that can be dominated through the company's (future) strengths and resources. Even though the company may not currently have a position of strength in that market segment, they have time to invest in building up the necessary strengths and resources before the market matures into its growth phase.

Once a fit has been established a strategic plan can be put in place to position the company to dominate this next S-curve. A strategic plan provides a business with the roadmap it needs to pursue a specific strategic direction and set of performance goals, deliver customer value, and be successful.

Numerous studies have confirmed the impact of strategic planning on company profitability. For example,

- Research by M3 Planning found that businesses using strategic plans are 12% more profitable than those that do not use it. The same study found that firms whose top management were committed to executing strategic planning saw an 80% increase in sales volume.
- Research by Capon and Hurlburt at Columbia University showed strategy improves performance by more than 1 percent return on capital.
- A 2016 study by PwC found that "Not only is (lack of strategy) limiting their ambition to expand and grow, and wider contribution to economies, but it could expose them to additional risk they have not effectively planned for".

Strategy before Marketing

Far too many technology resellers jump into marketing implementation before they are ready. The key to successful marketing tactics and ROI is a well thought out marketing strategy that is part of a business strategy framework. This means that your company Vision, Mission and Strategy need to be in place *before* a reseller launches marketing tactics.

Vision: The "Why":

Why are you doing what you're doing? How do you want the world to be different in ten years?

Mission: The "What"

What are you going to do to help create that future? What single broad statement sums up what you are doing now?

Strategy: The "How"

How are you going to accomplish that mission? What different steps will you take to get there year over year?

Discipline

Finally, strategic positioning takes time, commitment and above all, discipline. Along the way there will be distractions, loss of confidence and pressures to reposition. There will also be temptations to dilute the positioning so that the company can pursue opportunities that come across its table by accident, but are no longer within its core competencies and strategic direction. While these opportunities may bring short term gains, it may divert important resources from the core strategy and lead to its failure.

According to a 2013 study by the Economist Intelligence Unit "*61% of respondents acknowledge that their firms often struggle to bridge the gap between strategy formulation and its day-to-day implementation. Moreover, in the last three years an average of just 56% of strategic initiatives have been successful*." Various studies over the years have similarly shown that anywhere between 60% and 90% of management strategies fail.

Discipline and commitment to the strategy and positioning are critical. Throughout the process it will be important for the leadership team to remember these words:

"The Company without a strategy is willing to try anything." – Michael Porter

"If you don't know where you are going, you'll end up someplace else." – Yogi Berra

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About The Channel Institute

The Channel Institute is the only training body in the world that provides business training specifically for the channel profession through a syllabus approved by a vendor-independent Industry Advisory Council.

Training for the business aspect of the channel profession has historically been ad hoc. Each employer has their own channel marketing and channel management training course, supplemented by various channel consulting companies providing non-standardized workshops. The Channel Institute brings a formal, standardized structure to learning for channel professionals, especially those that are relatively new to the profession.

The Industry Advisory Council is comprised of the most senior leadership in the channel profession at many of the world's largest employers. These channel thought leaders ensure that our channel management and channel marketing course content meets their future employment needs. A certificate from the Channel Institute assures these employers that the graduate has the foundation knowledge they require to drive their channel forward.

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