

strategy&

Part of the PwC network

Partnering up

**How telecom operators
can expand their partner
channel for IT/digital
growth in B2B**



Contacts

Dubai

Jad Hajj
Partner
+971-4-436-3000
jad.hajj
@strategyand.ae.pwc.com

Chady Smayra
Partner
+971-4-436-3000
chady.smayra
@strategyand.ae.pwc.com

Achilles Drettas
Principal
+971-4-436-3000
achilles.drettas
@strategyand.ae.pwc.com

About the authors

Jad Hajj is a partner with Strategy& Middle East, part of the PwC network. Based in Dubai, he is a member of the technology, media, telecommunications, and digital practice in the Middle East. He specializes in helping telecom operators and technology providers develop winning strategies and build distinctive digital capabilities. He has particular expertise in corporate and business-to-business strategy, along with digitization and innovation.

Chady Smayra is a partner with Strategy& Middle East. Based in Dubai, he is a member of the technology, media, telecommunications, and digital practice in the Middle East. He has more than 22 years of experience in information and communications technologies (ICT) focused on the telecoms and technology sectors. He specializes in growth strategy, digital transformation, mergers and acquisitions, technology ventures and digital business models, and performance turnaround programs.

Achilles Drettas is a principal with Strategy& Middle East. Based in Dubai, he is a member of the technology, media, telecommunications, and digital practice in the Middle East. He works with telecom operators and technology providers to expand their IT/digital business with enterprises. He brings deep expertise in corporate and business strategies, governance and operating models, and B2B sales and marketing transformation.

EXECUTIVE SUMMARY

Telecom operators have been expanding their offerings to capitalize on the region's large IT/digital services market, worth around US\$52 billion in the Middle East and Africa in 2020, according to IDC. A major challenge for telecom operators is that their traditional sales channel mix does not position them well for this market. Account managers responsible for large corporate accounts lack the product knowledge and consultative selling skills needed for the more complex field of IT/digital services. Telecom operators' legacy business-to-business (B2B) sales channels for small and medium-sized enterprises (SMEs), such as door-to-door (D2D) sellers and telesales, are similarly unsuitable.

Thanks to their extensive ecosystem of local technology services partners, leading cloud service providers and independent hardware/software vendors have built the scale and valuations often envied by telecom operators. To grasp the IT/digital opportunity, telecom operators need similar broad-based partner channels. They need to take a structured approach by developing and maintaining productive relationships with an extensive range of specialized local IT/digital partners, including system integrators, consultants, managed service providers, resellers, and distributors.

A successful IT/digital partner channel program would lead to substantial gains in the SME segment. It would also help telecom operators generate a 10 percent to 25 percent increase in their IT/digital sales to large enterprises.

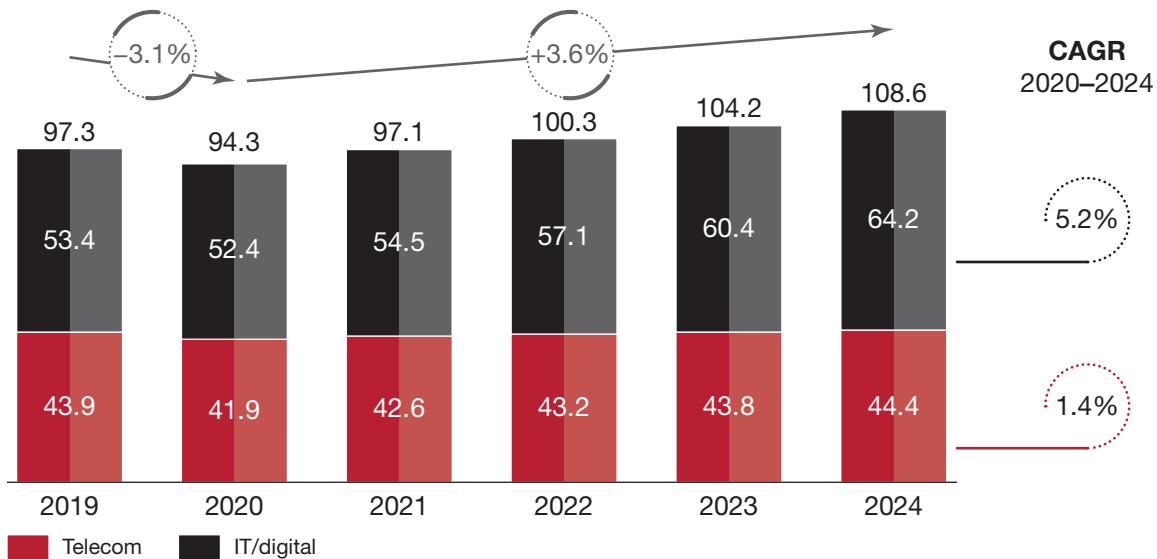
Telecom operators must make several critical decisions about this channel. First, they should determine which customer segments, products, and services they want their partners to prioritize and what roles partners should play. Second, they should identify the right channel partners for each product and define an appealing value proposition to win these partners' attention and commitment. Third, they must determine the design of key program components, such as benefits, partner tiers, and qualification requirements. Fourth, telecom operators need the right enablers to ensure seamless collaboration with partners.

A CHANGING B2B CHANNEL MIX

Telecom operators in the Middle East face a gradual slowdown in the B2B market. Consequently, they are seeking to expand into the adjacent IT/digital services market, which has been growing at much higher rates (see *Exhibit 1*). The IT/digital market covers an expanding range of services and products, including traditional IT services, cloud computing, the internet of things (IoT), big data, and emerging technology services. Penetrating this market is proving to be more difficult than telecom operators had anticipated. One of the main issues is that telecom operators' sales channels are not well suited to the complexity of the IT/digital market.

EXHIBIT 1
IT/digital is driving growth in the business-to-business ICT market in the Middle East and Africa

Value (US\$ billions), CAGR %



Note: IT/digital as defined here includes IT and business services for large enterprises, small- and medium-sized enterprises, including small office/home office. The definition excludes consumers.

CAGR = Compound annual growth rate.

Source: IDC, ICT Spending Guide - Forecast 2020

Account managers are not familiar with IT/digital products and services, and lack the consultative selling skills required to develop such opportunities. Legacy channels for SMEs, such as D2D sellers and telesales, are not appropriate for IT/digital services either. Such channels are highly transactional in nature and the economics of selling IT/digital products through them are not sustainable. Sales conversion rates are not as high due to the lower penetration of IT/digital products, while the complexity and necessary customer education involved in IT/digital services lead to more interactions, and therefore higher cost, than traditional telecom sales.

Telecom operators need to follow the path set by major technology vendors and global cloud providers, such as Microsoft, Dell, Cisco, Amazon Web Services, and Azure, whose extensive partnership networks have been a major contributor to their overall success. Of course, telecom operators should also retain direct face-to-face and virtual relationships. However, when it comes to SMEs, the IT/digital partner channel is the most attractive for telecom operators because it provides wider reach and greater opportunities to extract maximum potential from existing accounts. Telecom operators should seek to collaborate with partners across various customer segments, except perhaps in those select, often very large, accounts in which they are already strongly positioned to sell IT/digital services directly without external assistance.

The IT/digital partner channel uses the existing sales forces of partners that offer complementary services to their established enterprise customer base. This spreads the partners' sales cost over a wider range of services, providing economies of scale and thus more profitable sales.

The prize can be substantial (see *Exhibit 2*). The IT/digital partner channel has the potential to account for more than 70 percent of overall IT/digital sales to SMEs, even when using an extensive channel mix involving virtual account managers and digital sales. The IT/digital partner channel can also account for 10 to 20 percent of IT/digital sales to large enterprises. This figure could be even higher for telecom operators with relatively poor access to large enterprise accounts. The COVID-19 pandemic offers an additional reason to build the IT/digital partner channel. Partners, with their already established relationships, can help telecom operators overcome the impediments imposed by the COVID-19 pandemic in forging new ties.

EXHIBIT 2
A well-developed IT/digital partner channel can contribute over 70% to SME segment sales
 Channel mix by segment











CHANNEL	% IT SALES	
	SME	LARGE
Account managers (face to face)	0%	>75%
Virtual account managers	<20%	0%
Door-to-door	<5%	0%
Telesales (inbound calls/outbound calls)	<5%	0%
Retail	<5%	0%
Digital store	<5%	0%
IT/digital partners	>70%	<20%

Source: Strategy& analysis

The IT/digital partner channel should be diverse. It should encompass a broad variety of IT and digital-centric partners, such as system integrators, consultants, and resellers and distributors (see Exhibit 3).

EXHIBIT 3

The ICT partner channel is complex, encompassing a variety of potential partners
 ICT partner types

	TYPE	ROLE
Resellers	 IT distributors	Act as an intermediary in the distribution of software or hardware
	 Agents/simple resellers	Simply sell and earn commissions from vendor solutions
	 B2C physical and online retailers	Purchase goods from a vendor and sell them to consumers
	 B2B online sellers ¹	Sell directly to businesses online
	 Value-added resellers	Attach own value-adding services to resell as a complete package
IT/digital providers	 Consultants	Includes IT consultants and increasingly, other types of professional service providers ²
	 Application developers	Create applications software using vendor solutions
	 Hosting and managed services providers	Remotely manage a customer's IT infrastructure and/or end-user systems
	 Systems integrators	Bring together component subsystems and ensure that they function together
	 Tech vendors (hardware/software)	Develop, market, and sell hardware and software

Note: B2B = business to business. B2C = business to consumer. ¹ Also known as direct market resellers. ² Business consultants, auditors, law firms etc.
 Source: Strategy&

Whereas telecom operators in the Middle East are accustomed to B2B sales partners such as D2D and value-added resellers (VARs), they have yet to expand their partner channels in such a broad-based manner. Globally, a few leading telecom operators have set examples of this type of channel. Telstra Business in Australia revamped its channel program in 2016. It switched the focus of its existing partners to IT/digital services, and attracted new partners with specializations such as security, infrastructure as a service (IaaS), software as a service (SaaS), and digital transformation. Following the acquisition of AlienVault in 2018, AT&T in the U.S. inherited a partner program focused on cybersecurity, with two separate value propositions targeting managed security service providers (MSSPs) and solutions providers. These programs complement AT&T's existing Partner Alliance and Partner Exchange programs, which encompass mostly network-centric partners.

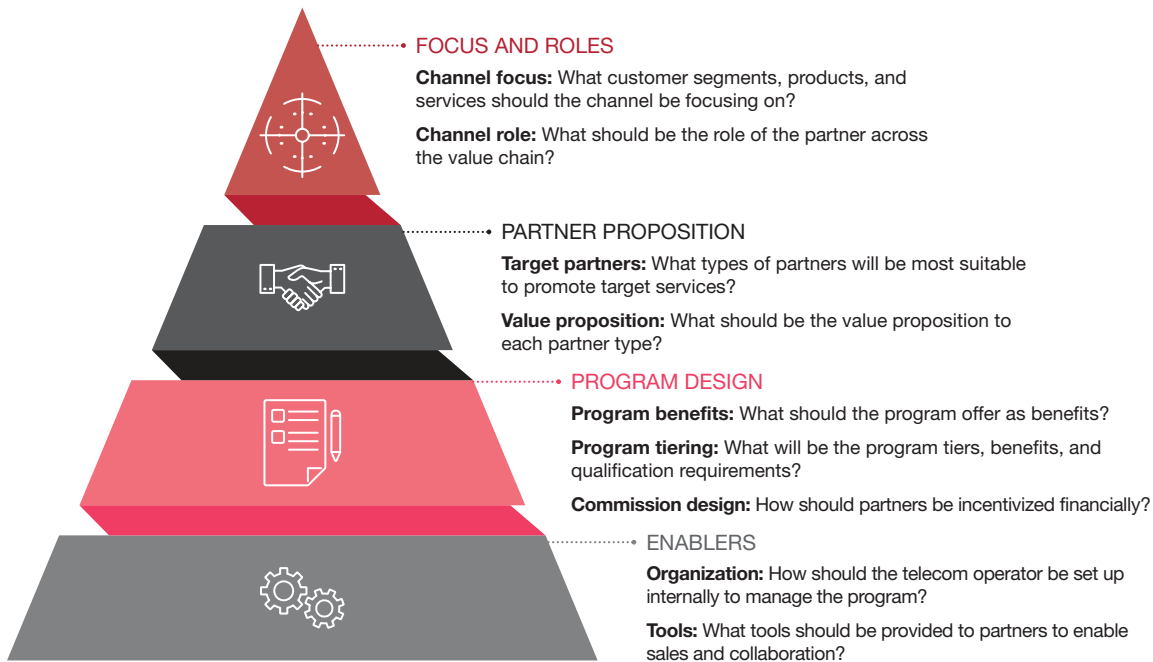
Building strong and sustainable relationships with IT/digital sales partners is difficult. Telecom operators face competition for their partners' sales attention from other suitors, such as tech vendors and global cloud providers. As such, developing the channel requires focus and investment.



CREATING A SUCCESSFUL IT/DIGITAL PARTNER CHANNEL

Telecom operators need to make several critical decisions about the partner channel that encompass: focus and roles, partner proposition, program design, and enablers (see *Exhibit 4*).

EXHIBIT 4 How to create a winning IT/digital partner channel



Source: Strategy&

Focus and roles

The telecom operator first needs to decide channel focus and roles. This means defining the segments that partners should target, identifying the products they will be focused on selling, and articulating how they will be involved in the customer life cycle before, during, and after the sale.

Regarding segments, an easy decision is to have IT/digital partners target the SME segment. What is more difficult to determine is whether the telecom operator should allow its IT/digital partners to sell to large corporations and key accounts. Although a telecom operator possessing a strong B2B position often avoids doing so, it is worthy of consideration. There are two advantages to giving IT/digital partners access to large corporations and key accounts. First, some IT/digital partners already have established relationships with these accounts, which means the telecom operator is not surrendering any relationships by allowing them to resell the telecom operator's products and services. Second, some telecom operators are not well positioned in the IT/digital business, which means that they would benefit from multiple contacts with large corporations and key accounts, including those of sales partners.

Regarding products, the decision is whether to allow these partners to sell connectivity, which is the telecom operator's bread and butter, along with IT/digital products and services. There are two considerations to bear in mind: market share, and winning the partner's attention. First, the telecom operator's current market share helps to determine whether the additional partner-generated sales volume can compensate for the discounted prices offered to these partners. Second, the telecom operator should remember that it is competing with multiple global vendors for its partners' attention. Allowing partners to sell connectivity can be an effective means of attracting them and increasing their loyalty.

The telecom operator also needs to determine its partners' role across the value chain, from product creation to lead generation, sales, delivery, and customer support. A variety of models exist, and the following three are the most prevalent.

- *“Sell to” model*: The partner completes the sale. The telecom operator sells the products and services to the partner, who resells to the end customers and retains the relationship and contact with them.
- *“Sale with” model*: The partner closes the sales on behalf of the telecom operator. The end customer contracts with the telecom operator directly, who is then responsible for service provision and after-sales support to the customer.
- *Referral model*: The partner identifies a lead and passes it to the telecom partner for closure. The entire process thereafter is managed by the telecom operator, who compensates the partner for the referral.

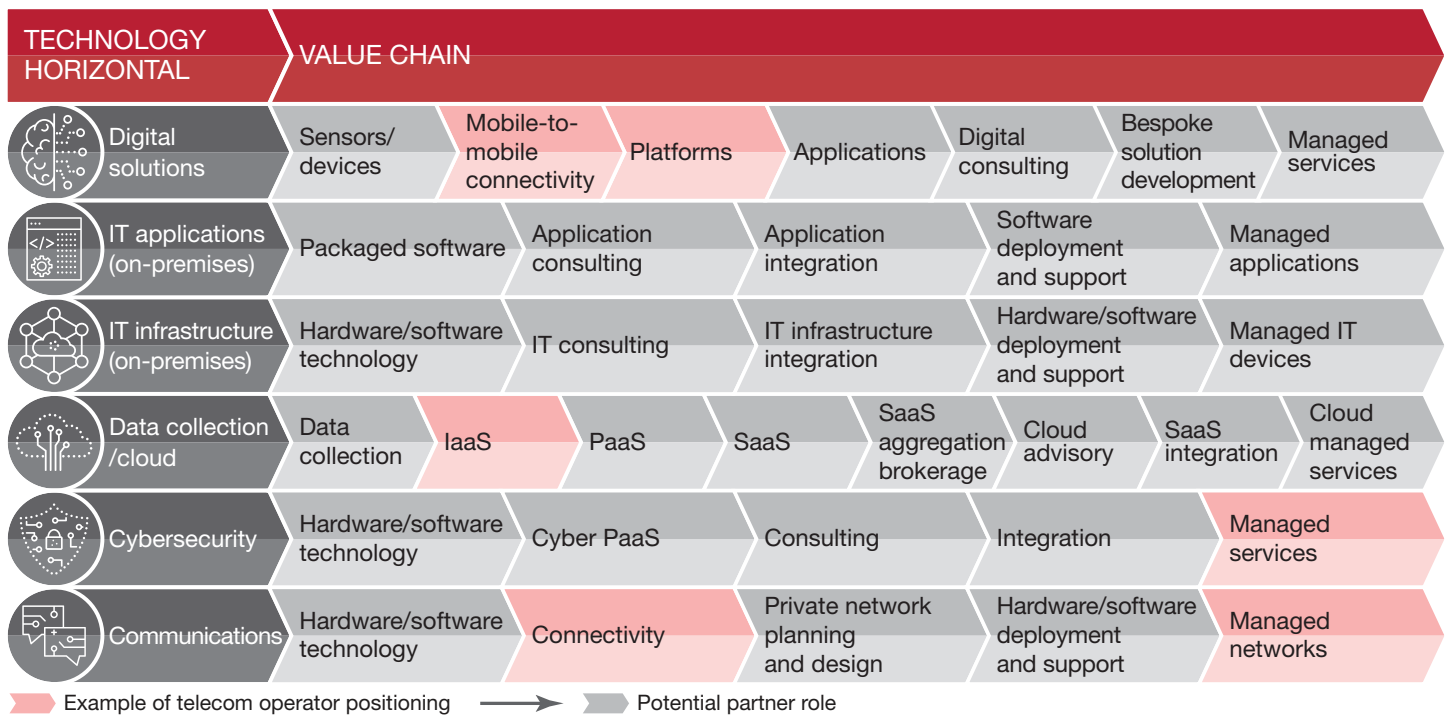
The critical point is that the channel design should allow a wide range of sales models, for two reasons. First, allowing partners to play a broad range of roles in the sales cycle means more potential partners and wider sales reach for the telecom operator. Second, having multiple sales models allows the partner channel to accommodate the various requirements of different products, current and future. Indeed, the leading channel programs are able to measure the contribution of the sales partners on a product and deal-by-deal basis, and compensate them accordingly.

Partner proposition

To design the value proposition that they offer to their partners, telecom operators first need to define what types of partner are needed to promote IT/digital products and services to the designated segments. Different partners will be suitable for each product and service. For example, managed service providers and application integrators are likely to be good at promoting cloud hosting services. For video surveillance, the most appropriate partners are likely to be physical security consultants and operators, system integrators accustomed to deploying and reselling Internet Protocol (IP) cameras, and local distributors of IP-based cameras.

A systematic approach to identifying potential partners involves understanding the end-to-end value chain for the relevant product or service, and then searching for partners that operate either more upstream or more downstream in that value chain (see Exhibit 5). Telecom operators can assess potential partners using a two-dimensional matrix, with the sales reach in one dimension and technical capabilities in the other. Partners that score high on both dimensions are the best fit. However, if the telecom operator is looking to maximize reach, then partners with strong capabilities in just one of these dimensions are also worthy of consideration.

EXHIBIT 5
How to identify potential partner types across the value chain



Note: IaaS = Infrastructure-as-a-service; PaaS = Platform-as-a-service; SaaS = Software-as-a-service.
Source: Strategy&

The telecom operator needs to convince these potential partners to join its IT/digital partner channel. This involves determining which elements of the value proposition to emphasize in program design. Experience suggests the following are particularly important:

- *Solve customer challenges*: Telecom operators can help IT/digital partners to meet their clients' needs in a holistic way. Telecom operators will find it difficult to position themselves as comprehensive enablers of innovation, given the prominence of global cloud providers. Nevertheless, they can offer two unique selling points to partners: connectivity, and in-country cloud infrastructure that is compliant with data protection regulations. They can encourage partners to work with them rather than look for alternatives in the open market by offering premium technical support and service-level agreements as part of their channel programs.
- *Win more business*: Telecom operators can help their IT/digital partners win more business through their strong brand and customer reach. In particular, telecom operators can provide formal accreditation, include partners in the telecom operator's website and marketing events, and share marketing qualified leads with IT/digital channel partners. They can also cooperate on joint sales planning to target opportunities within the telecom operator's customer base and grant partners access to marketing tools and materials. The partners will value such benefits because the majority are small operations with relatively low margins and reach.
- *Generate new income*: Telecom operators need to provide financial inducements to IT/digital channel partners so that they join the partner ecosystem. Although the partnership brings other equally important benefits, additional income is important to partners, especially for smaller companies. Moreover, global vendors also offer such incentives. When partners purchases services from the telecom operator, it can respond by offering sales incentives, discounts, or rebates. Monetary and non-monetary awards for top-performing sales agents can further boost sales performance.
- *Collaborate seamlessly*: The partnership demands commitment from both sides. The telecom operator can establish dedicated partner account teams and streamlined processes facilitated by support tools to make collaboration smooth. Besides, automation can reduce the cost burden of the partnership.
- *Build expertise*: Telecom operators can offer training to their sales partners in such areas as marketing, sales, and technical support. Sales partners value access to knowledge bases and training that help their teams acquire expertise and serve their customers better. If properly designed, such training would be valuable for partners and lead to more revenue for the telecom operator.

The importance of each individual element in the value proposition will depend on various factors. These include the partner's business model, size of business, marketing capability, and technical sophistication. As with designing products for customers, tailoring the value proposition starts with an in-depth understanding of the businesses of the potential partners and their challenges. Telecom operators should involve potential partners early in the design process to ensure that the partner program is mutually beneficial.

Program design

Elaborating the design of the partner program entails determining its overall structure, and the tiers of partners, along with the benefits, and the incentives to be provided to them.

The telecom operator is better off building a single, flexible program structure rewarding the partner according to its own contribution to sales, and for each sale separately. Such flexibility is an improvement on the previous approach of tailored sub-programs with unique benefits for each target partner category. The limitation of the old model is that IT/digital services firms are not easily categorized; for example, they could be system integrators, VARs, IT consultants, managed service providers, or cloud hosting providers. Flexibility is vital because the technology industry is dynamic, which means frequent crossover between categories. Players expand across the technology services value chain — such as platforms, consulting, integration, managed services — and across technology horizontals, such as connectivity, cloud, security, enterprise IT hardware/software, IoT, and big data. Flexibility is also important because the role of the partner will vary according to its capabilities and the relevant product or service. A flexible definition of a partner's role for any product avoids the frictions that could limit the effectiveness of the partner program. Leading global vendors with broad product portfolios have started using this flexible approach.

Most vendor programs encompass four tiers of partners. Promotion from one tier to the next typically depends on sales performance, certifications, technical and solutions expertise, and the submission of a joint business plan. The most basic tier is typically for registered partners. There are minimal qualification requirements. The benefits are simple, such as access to a partner portal that contains marketing collateral, training courses, a knowledge base, webcasts, and on-line support tools. As partners advance into more rewarding tiers, they gain more benefits, such as marketing support, dedicated channel account managers, premium technical support, and field assistance from product specialists (see *Exhibit 6*).

EXHIBIT 6

Benefits provided by partner programs

Partner benefits

1 WIN MORE DEALS	2 GENERATE NEW INCOME	3 COLLABORATE SEAMLESSLY	4 SOLVE CUSTOMER CHALLENGES	5 BUILD TECHNICAL EXPERTISE
Joint marketing planning	Sales incentives/ rebates	Partner performance monitoring tools	Awards for innovation	New hire assistance
Marketing and communications support services	Marketing development funds	Lead registration tools	After-sales/ technical support	Business transformation training
Branding support	Discount promotions	CPQ tools	Installation/ configuration tools	Fast-track training and certification
Marketing and sales tools	Tiered discounts	Partner performance reporting	Service/SLA monitoring tools	Technical knowledge tests
Marketing sales training	SPIFs	Partner incentive reporting	Issue ticketing tools	Technical training
Leads sharing	Low-interest financing	CRM	FAQs/knowledge base	Technical certification
Pre-sales and sales support	Loyalty program	Dedicated account team	Managed services community	After-sales training

Financial incentives
Tools
Support
Training education upskilling

Note: CPQ = configure, price, quote; CRM = customer relationship management; FAQs = frequently asked questions; SLA = service level agreement; SPIFs = sales person incentive formulas. Source: Global vendor partner programs; Strategy& analysis

Each telecom operator will have to devise its own specific program tiers, qualifications requirements, and benefits. Telecom operators creating a program for the first time could start with one program tier for which they set the minimum viable level of benefits to make partner collaboration productive. They should then draft a plan so that they augment benefits as the program expands. As its partner ecosystem grows, the telecom operator will want to manage the cost of such benefits, at which point more than one tier will become necessary.

Sales incentives are an important element of the value proposition for potential IT/digital partners. They are demanded by partners and they are a powerful means of encouraging partners to work in concert with the telecom operator’s strategic goals. Telecom operators should consider the following when designing their commission programs:

- *Incentive mix*: Combining incentives of various types can help to meet different objectives. There are many types of incentives, such as discounts, rebates, immediate bonuses, and referral payments. The key differences among them are the target (the partner or the partner’s sales staff), duration (permanent or short-term incentives related to a specific promotion), and actions involved (sales, referrals, renewals, or training). Partner discounts and rebates are the most effective in attracting partner organizations and building loyalty, whereas immediate bonuses for the partners’ sales reps can help boost sales. Combining partner and staff partner incentives ensures that all sell-side stakeholders in the value chain are working toward the same goal.

- *Payout formula:* Telecom operators can combine a variety of metrics into a single payout formula, an approach also used by global technology vendors to encourage behaviors in line with their strategies. In this approach, the payout comprises several components, each associated with a different key performance indicator (KPI) and calculated based on a predetermined percentage multiplier and associated base, such as quarterly revenue. Telecom operators can link the percentage multiplier and the corresponding base to specific sales and non-sales-related KPIs that reflect the telecom operators' objectives. Such aims could be joining the partner network, reaching "stretch" goals, sales of new or strategic products and services, cross-selling, penetration of new segments or accounts, technical certifications, and end-customer experience (see *Exhibit 7*).
- *Non-cash rewards:* Non-cash rewards can create more loyalty and provide higher value than the telecom operator's cost of providing them. Such rewards could include marketing support such as the participation of the telecom operator in the partner's customer events or sharing leads.
- *Partner engagement:* Telecom operators need a quarterly or more frequent sales incentive cycle, with clear and frequent communication throughout. They should avoid the old-style, ineffective programs that are communicated once at the start and paid out one or two months after the end of the annual cycle. It is important before the start of the incentive cycle for the telecom operator to highlight the objectives, expected benefits, and rules of engagement. During the sales cycle, partners should be able to monitor their performance against goals in a near real-time fashion. This can happen through dashboards in a sales partner portal offered by the telecom operator. At the end of the cycle, the telecom operator should communicate accrued rewards and settle quickly. Calculation of the incentive should be automated, mostly using transaction data, reducing the need for partners to submit invoices or other cumbersome claims processes that can discourage partner participation and create churn.



Telecom operators need a quarterly or more frequent sales incentive cycle, with clear and frequent communication throughout. They should avoid the old-style, ineffective programs that are communicated once at the start and paid out one or two months after the end of the annual cycle.

EXHIBIT 7

A typical discount and rebate structure can be included in the payout formula for IT/digital partners

Types of incentives



Source: Strategy&

Enablers

The right people, policies, and processes must be in place and the necessary tools should be provided to partners if the channel is to succeed.

Implementing a partner channel program successfully requires a shift in the mind-set and responsibilities within the telecom operators' organization, particularly its B2B units and supporting functions. In particular:

- Product teams need to develop products that create opportunities for partners to add value.
- Marketing teams should design introductory material and provide partners with high-quality marketing and sales support.
- Technology and operations teams should deploy tools and processes that reduce the cost of doing business for the telecom operator and partners alike.
- Sales teams should adopt a new engagement model that involves joint selling in certain cases with partner organizations.

A necessary component of a successful partner channel program is the establishment of a new role, the Partner Account Manager (PAM) within the telecom operator's organization. The PAM's role is to understand the sales partners' needs and act as an internal change agent to ensure partner satisfaction. Each PAM manages potential conflict with other sales channels by fostering excellent communication and ensuring strict adherence to the rules of engagement. The PAM builds the relationship and manages the performance of partner organizations. The PAM also acts as a scout, identifying partners that meet the telecom operator's target profile before recruiting them and bringing them into the channel. This ensures that the new partners become productive rapidly. The PAM manages the relationship continuously, agreeing performance targets with the partners, leading partner training, and actively supporting sales execution by working with the partner's sales organization and internal specialists.

Telecom operators should make partner channel management as efficient as possible. This means streamlined processes supported by digital tools and hands-on support to allow for uninterrupted collaboration. There are four particular processes that will facilitate seamless cooperation (see *Exhibit 8*).

EXHIBIT 8

Four processes can make the partner channel management more efficient



Source: Strategy&

- *Marketing management:* The telecom operator should build a lead generation engine that identifies, nurtures, and qualifies leads that it can assign to partners for closure. Alternatively, it can enable the partners to generate qualified leads on their own through readily available collateral and marketing automation tools.
- *Sales management:* The telecom operator should use sales software to monitor partner performance in relation to agreed KPIs, thereby identifying gaps in performance and coverage across products, segments, and geographies. The operator can shorten the sales cycle and improve conversion rates by deploying automated workflows, which allow simple registration of deals, along with configure-price-quote software.
- *After-sales service management:* The telecom operator should provide a host of tools that enhance the after-sales support for partners and their customers. This can include tools that enable partners to monitor service performance, as well as log and track service tickets.
- *Partner channel development and Partner performance:* The telecom operator should increase partner satisfaction and build the channel by automating partner management processes to make them more efficient. It is essential that new partner relationships begin with a solid introductory process. It is also important to automate key daily activities that would otherwise absorb partners' time and increase their cost of doing business. Most critically, the partners should have easy access to their performance and incentives earned to date through a profile-based portal.

CONCLUSION

Telecom operators in the Middle East need partner channels that use wide-ranging roles to achieve growth. By building diverse channels and strong relationships systematically, telecom operators can seize the considerable opportunities in the fast-growing IT/digital market.

Strategy&

Strategy& is a global strategy consulting business uniquely positioned to help deliver your best future: one that is built on differentiation from the inside out and tailored exactly to you. As part of PwC, every day we're building the winning systems that are at the heart of growth. We combine our powerful foresight with this tangible know-how, technology, and scale to help you create a better, more transformative strategy from day one.

As the only at-scale strategy business that's part of a global professional services network, we embed our strategy capabilities with frontline teams across PwC to show you where you need to go, the choices you'll need to make to get there, and how to get it right.

The result is an authentic strategy process powerful enough to capture possibility, while pragmatic enough to ensure effective delivery. It's the strategy that gets an organization through the changes of today and drives results that redefine tomorrow. It's the strategy that turns vision into reality. It's strategy, made real.

Read the latest Ideation Center insights



ideationcenter.com

Connect with Strategy& Middle East



twitter.com/strategyandme



linkedin.com/company/strategyandme



strategyand.pwc.com/me

Connect with Strategy&



twitter.com/strategyand



linkedin.com/company/strategyand



youtube.com/user/strategyand

strategy&

Part of the PwC network

www.strategyand.pwc.com/me

© 2021 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. Mentions of Strategy& refer to the global team of practical strategists that is integrated within the PwC network of firms. For more about Strategy&, see www.strategyand.pwc.com. No reproduction is permitted in whole or part without written permission of PwC. Disclaimer: This content is for general purposes only, and should not be used as a substitute for consultation with professional advisors.