



Bold moves to reimagine channel

Never let a good crisis go to waste

Channel is at the heart of high-tech companies. When times are good, with up to 90% of revenue coming from channel, technology companies engage their channel partners to help extend their brand equity and optimize the customer experience. Thus, for many customers, channel partners may be the primary brand ambassadors; and, for many technology companies, channel partners help drive significant sales and propensity to close deals. But the uncertainty of COVID-19 threatens this synergetic relationship between technology companies and their partners.

COVID-19 poses challenges to the relationships that tech companies have with their channel, but also offers unique long-term opportunities.

While stay-at-home orders and work-from-home policies test the fortitude of companies in retail, travel, and hospitality, high-tech companies are forced to overcome revenue, customer, and engagement challenges due to disruptions within their channel organization. As such, their challenges include anticipated revenue slowdown, increasing customer cost

pressure, and transition to new engagement models.

Here is what we know about these challenges:

- **Anticipated revenue slowdown:** There has been a 20% drop in partners who were expecting a revenue increase in 2020,¹ and 12% of partners expect cash flow disruptions or change in payment terms in 2020.²
- **Increasing customer cost pressure:** 40% of businesses have already made formal cuts to IT spending,³ and in 2020 alone, a 7.3% decline in worldwide IT spending was anticipated⁴
- **Transition to new engagement models:** 96% of customers are willing to continue sales motions remotely,² and 65% of business-to-business (B2B) marketers plan to reallocate their budget for live events to online events and webinars.⁵

Although the challenges posed by COVID-19 may seem daunting to some tech companies, market shifts accelerated by COVID-19 offer long-term growth opportunities for their channel:

- **New capabilities and expanded footprint:** 38% of channels anticipate greater use of cloud after the pandemic is over,² and the overall cloud market is expected to grow by 12.5% due to increased software-as-a-service (SaaS) usage during COVID-19.⁶

- **Scale in delivering customer experience:** 75% of consumers currently expect consistent interactions across all functions,⁷ and more than 60% of customer service will be delivered via digital or web self-serve by 2023.⁸
- **Innovation-led differentiation:** 55% of organizations view blockchain as among top five strategic priorities right now,⁹ and 50% of enterprise B2B implementations will use customer engagement analytics by 2024 to optimize sales.¹

Companies are taking an abundance of channel measures to respond to the crisis now.

As the COVID-19 crisis develops, major high-tech companies have taken short-term measures to respond and recover:¹¹

- **Financial incentives and aid:** A leading networking solutions provider extended \$2.5B in credit and financing to its partners.
- **Training:** A large hardware manufacturer waived fees for a maximum of \$180K per partner for on-demand partner services deployment training.
- **Operations support:** A leading technology company waived requirements for delivery partners for 74 days.
- **Grace periods:** A leading technology company extended its partner program

revalidation period for 240 days, during which partners will not decline in program level.

- **Sales and marketing support:** A leading cloud services provider is offering Salesforce Care to health care providers free for 90 days.

So what is going to be your response to the crisis?

History shows that companies that made bold decisions in times of crises outperformed their peers.¹² During the 1975 oil crisis, Time Inc. expanded its product portfolio and launched People magazine, allowing it to become the No. 1 brand by advertising revenue.¹³ During the 1981 Iran crisis, more than 600 businesses that increased their advertising spend achieved a 256% increase in sales.¹⁴ While competitors cut research and development spend during the 9/11 recession, Apple accelerated innovation and launched the iPod, achieving 200% growth in stock prices in less than three years.¹⁵ Finally, amid uncertainty due to the Great Recession, Lego accelerated its global expansion, earning 63% in profits.¹⁶

Here are four decisive moves to help you seize the opportunity while managing the downside.

- **Refresh your channel strategy:** What will be the role of channel in your updated go-to-market (GTM) strategy? How will you leverage channels to thrive in the new normal?
- **Determine the partner of the future:** Who is your partner of the future? Will you require new partners to recover? How will you adjust your value proposition to attract your partner of the future?
- **Redefine your partner experience:** How do you elevate the human experience for your partners and demonstrate empathy to their needs? How do you make your partners most impactful with scarce resources?
- **Accelerate digital ambition:** How do you digitally enable your partners and automate their workflows? How do you adopt a digital-first approach to improve efficiency and drive savings?

Although COVID-19 has changed the growth landscape, Deloitte has experience in guiding companies to make these decisive actions. Notably, Deloitte was engaged to support a Fortune 50 tech company in revamping its partner experience and driving channel sales to a record high. Given our vast experience with channel strategy and transformations, our Deloitte team defined an integrated transformation approach, putting the partner at the center and prioritizing investments in future-state capabilities to bring the partner vision to life. As a result, our redefined partner

experience was well received by partners, enabling them to improve their productivity and better serve their customers.

Let's talk

Finding the right COVID-19 response for your company requires careful analysis of market and internal conditions. It also calls for a clear vision of how the industry is evolving and where your organization can compete most successfully. Deloitte has guided numerous companies in transforming their channel organization, and given the uncertainty, we understand the complexity of the challenge. Let's talk about what this change will mean for you.



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