Partner Strategies for Success with SaaS

vmware®

Executive Summary

Digital transformation continues to disrupt the world at a pace that's been accelerated by recent global events. As organizations aggressively embrace cloud technologies and software-as-a-service (SaaS) operating models, they're actively seeking out technology partners who can provide guidance and offerings.

As a leader in both on-premises data center technology and next-generation cloud and SaaS solutions, VMware is uniquely positioned to provide organizations with pragmatic solutions that minimize disruption and risk in the pursuit of application and cloud modernization.

At VMware, we also know that capturing this market opportunity requires close go-to-market collaboration with our valued partner community. Thus, we're committed to empowering partners of all types to be successful in the burgeoning SaaS economy.

The SaaS Imperative

In 2011, Marc Andreessen of the Silicon Valley venture capital firm Andreessen Horowitz spoke the now-famous words, "Software is eating the world." We have witnessed this happen across multiple industries and companies–from Amazon and the rise of web services to Netflix redefining entertainment delivery.

The events of 2020 shined a light on the power of cloud and SaaS. Organizations were able to empower their newly distributed workforces to stay connected and be productive. Without the ability to quickly spin up new infrastructure in the cloud, the increased demand for secure work-from-home environments could never have been met.

Now, nearly every organization in nearly every industry is looking to solve their business challenges through software. Many executives–even non-technical ones–are laser focused on what digital transformation can do for their business. They understand that on-premises data center and legacy monolithic applications can be roadblocks to innovation, and thus are migrating at least some of their on-premises infrastructure to the cloud. They want to "get out of the data center business" and reap well-known cloud benefits such as reduced CapEx and greater flexibility and agility. More often than not, modern applications are built for the cloud, and delivered from the cloud as services that are paid for based on use. This minimizes the risk that comes with the high cost and long implementation times associated with traditional legacy monolithic applications.

However, very few organizations are in a position to shut down all of their on-premises infrastructure and move it to the cloud, or suddenly stop using the legacy applications that power their business. It's simply too expensive, time consuming, difficult, and risky. For them, success lies in finding ways to manage both on-premises infrastructure and cloud environments. This way, they can gradually rebuild the legacy apps they need to keep so that they run in the cloud, while simultaneously starting to deploy more modern ones.

Partners are pivoting from primarily reselling hardware and software to providing a mix of software and services. According to IDC data, in 2020, services sales accounted for 65 percent of partner sales, up from 22 percent in 2015.[1]

Embracing SaaS: The Partner Perspective

Digital transformation is a journey, and not an easy one, which is why many enterprises are looking to third-party technology providers to help them every step of the way.

Increasingly, VMware technology partners are focused on providing customers with practical, pragmatic cloud adoption strategies, cutting-edge cloud technologies, cloud management services, and access to the burgeoning marketplace of SaaS services now available. These partners understand that because most organizations are moving away from large-scale traditional IT initiatives, there are greater opportunities for third-party technology providers that are cloud and SaaS savvy.

Given that SaaS technologies and subscription services have fundamentally changed how technology is developed, purchased, and consumed, technology partners who have not pivoted to providing SaaS offerings need to consider the necessary changes to their existing business, engagement, and operations models.

Business model considerations

For a partner whose current business model is based on collecting revenues for once-per-year, high-ticket transactions, embracing a model predicated on perpetual, smaller-priced subscriptions requires a commitment to organization-wide analysis, planning and change.

While every leader knows the importance of fully understanding the risks involved in any business model pivot, SaaS presents unique factors. For example, SaaS revenues don't come all at once; subscription fees are most often paid on a frequent (e.g., monthly) basis. Rather than making one-time payments for hardware or software products, customers pay for a service as they use it. In the event that they aren't pleased with the value the service is delivering, they can simply stop using—and paying for—it. This redistribution of risk impacts virtually every aspect of business planning, from general, selling and administrative expense management to staffing plans, compensation programs, and more.

Further adding to the risk and complexity is that most technology partners are not in a position to completely abandon their current business model to become a SaaS provider. Much like the organizations that can't migrate all of their apps to the cloud at once, partners must plan for a period of time where they are operating in both legacy and SaaS models.

Engagement model considerations

In a SaaS model, should a customer learn of a service offering that that seems better, faster or cheaper, there is little to stop them from making a change. The partners who obtain, retain and grow SaaS business are the ones who recognize that success lies not in selling a customer a product, but in becoming a trusted advisor committed to their ongoing success. As a result, technology partners typically need to retrain transactional sales representatives, or replace them with customer success professionals who are experienced in helping clients reach their goals and are always on the lookout for upsell opportunities. Many partners also provide 24x7 customer support via phone, email, text or AI-powered chatbots.

Other opportunities to retain and grow revenues exist within SaaS applications themselves. Savvy application providers continually release new features and functionality, and also build in opportunities to unlock additional functionality for additional fees. These are the kinds of applications that partners want to be providing.

Operations model considerations

The systems designed to track and manage occasional sales of hardware products aren't designed for SaaS. SKUs become meaningless in a business that sells multiple services to customers who are billed in a pay-as-you-use model.

Instead, SaaS providers house applications in an online marketplace where customers can find, buy, and sometimes even pay for usage. Such a changes turns the traditional supply chain on its head, and requires meticulous planning and extensive changes in vendor sourcing, management and revenue recognition.

What's important to remember is that many of the same reasons why customers love SaaS (OpEx over CapEx, low barrier to trying new technologies) apply to technology partners as well. Partners starting out can mine their existing customer base for low-risk opportunities to get in the SaaS game, while continuing with traditional engagements and models.

The VMware Advantage

At VMware, we recognize that capitalizing on the massive opportunity presented by SaaS requires tight alignment with partners of all types. Thus, we offer many programs to help partners first tackle the challenges involved in SaaS transformation, then take full advantage of the myriad monetization opportunities it presents.

We partner with distributors and VARs to resell products and services and rely on managed services partners with strong technical and service capabilities to optimize the performance of our technology solutions and grow business, together. We encourage partners to develop sophisticated offerings of their own in high-growth categories such as hybrid and multi-cloud, expanding their SaaS operational capabilities. We collaborate with partners on our mission to become the platform of choice for modern, cloud native apps by continuing to expand our SaaS marketplace. With VMware, partners have a unique opportunity to shape the future of their customers' infrastructures and business outcomes by delivering transformative digital technology solutions through a trusted, committed collaboration with VMware.

VMWARE AND OUR PARTNERS: CLOSE COLLABORATION AT EVERY PHASE OF A CUSTOMER ENGAGEMENT				
1. Discover Understand partner business need	**2. Develop** Align partner to solution platform	**3. Build** Develop skills to support success	**4. Accelerate** Execute capability sprint	**5. Grow** Create, align and deploy
VMware Become familiar with partner capabilities and capacity.	**VMware** Outline and execute a plan.	**VMware** Assess opportunity, define motion, execute discovery workshop.	**VMware** Execute program with partner.	**VMware** Measure, monitor and grow.
Partner Clearly communicate business need.	**Partner** Invest in the required resources and skills.	**Partner** Drive shared ccountability for workshop planning and execution.	**Partner** Execute program with VMware.	**Partner** Drive ongoing usage and additional deployments.

Technologies to meet customer needs—today and tomorrow

VMware solutions power the technology infrastructure of organizations embarking on strategic cloud migration projects involving not only business-critical applications, but also their entire data center infrastructure.

Innovative technology offerings such as VMware Cloud Foundation™ address the key challenges of migrating to the cloud and modernizing applications by providing organizations with the freedom to migrate some or all of their VMware vSphere®-based applications from the data center to the cloud without the need to re-architect them. They can continue to run some applications on-premises, and some in public clouds such as Azure VMware Solutions, IBM Cloud for VMware, Oracle Cloud VMware Solution and Google Cloud VMware Engine.

With VMware Cloud on AWS, organizations can use the same VMware technologies their IT teams already know. This flagship offering provides a consistent and interoperable infrastructure and services between VMware-based datacenters and the AWS cloud, thereby minimizing the complexity and associated risks of managing diverse environments.

Take the Next Step

As organizations aggressively embrace cloud technologies and software-as-a-service (SaaS) operating models, they're choosing to work with technology partners who can provide guidance and deliver solutions. VMware is committed to empowering partners to succeed in the types of SaaS-driven engagements that create high-value opportunities at all stages of the customer lifecycle.

To better understand how you can take advantage of VMware's portfolio as you navigate the shift to SaaS contact your Partner Business Manager to learn more. For more on VMware's partner organization and its programs, click here.