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SALES & MARKETING INSIGHTS

ZS Interview: As Change Keeps Coming, the High-Tech Industry Revamps Its Sales and Marketing Operations

Participant: Ashish Vazirani

It's an exciting time to be in the high-tech industry—but for high-tech sales and marketing executives, it can be daunting.

Perhaps more than any other industry, high tech is defined by innovation, which extends to how hardware, software and technology-enabled services are bought, sold and distributed. The cloud is making corporate ownership of infrastructure passé. Traditional software licensing is giving way to subscriptions. Even raw computing power is being offered as a service.

For technology sales and marketing executives, these changes provide both challenges and opportunities. They have to figure out basic questions, such as how to provide incentive compensation in a subscription model, and even more complex issues, such as how to align sales and marketing as the ground beneath them is moving.

Ashish Vazirani, a ZS Principal based in San Francisco, speaks about the challenges high-tech companies have in light of these changes, explains what they can do to meet them and outlines why measuring sales potential is a major stumbling block for many in the high-tech industry.

About the Expert

Ashish Vazirani, Principal

ZS Associates, San Francisco

Ashish has developed and executed integrated marketing and sales models and go-to-market strategy for high-tech companies and business in several other industries. He has led large engagements with leading technology and health-care companies, and has been an architect of major marketing and sales organization transformations worldwide.

What are the key trends in high tech that will affect sales and marketing?

ASHISH VAZIRANI: The first key trend is a shift from a product to a solution orientation, and an organizational shift from being engineering- and product-driven to becoming segment focused. In terms of sales and marketing, these shifts mean companies not only have to think about how they market their solutions, but how they design and develop solutions. The second key trend is the emergence of the cloud.

How does the shift to the cloud affect sales and marketing?

ASHISH: The shift to cloud-based computing means business models will change, and the change has a significant impact on sales and marketing.

In terms of marketing, customers are more likely to be engaged through a service provider than directly with a manufacturer or a reseller, which raises two challenges: The first is how to engage the service provider and embed an offering as part of its value proposition. The second is making sure the service provider delivers the value proposition in a way that differentiates the manufacturer's brand.

The cloud also affects sales incentives and compensation. For example, prior to selling software as a service, a company would sell an enterprise software license agreement to another company, the salesperson would close the deal and get a commission up front, and the company would typically book a significant part of the revenue.

But now, the customer may have a software subscription. This creates an annuity revenue stream, but the revenue isn't front-loaded and the customer could cancel the subscription. So how do you develop the compensation plan —do you pay commission on the full value of the subscription or over time?

What is difficult about sales and marketing in high tech?

ASHISH: Sales and marketing executives in companies that have operated in the traditional enterprise selling model are wondering if they can prevent themselves from becoming irrelevant. Because in this new solutions and cloud world, the customer may engage a service provider for a solution that a single manufacturer can't provide on its own.

Manufacturers have to find a way to become a differentiated part of the solution. How do they make sure they communicate their value to customers, and how do they deliver that value through emerging business models?

What about companies already providing infrastructure?

ASHISH: Successful providers are growing at a rapid pace. What's keeping those executives awake at night are the challenges of rapid growth. As they grow and expand their offerings, and diversify their customer bases, can they still maintain a high level of customer engagement and not become big, slow and unresponsive? The challenges of being in high-growth mode—and simply having the time to answer these questions—can be vexing.

Have companies changed their sales and marketing models?

ASHISH: A number of companies have shifted from marketing and selling a product to a segment-based or industry-oriented solution. However, many companies are thinking about it and need help to shift from a product-oriented approach and to change how they plan and budget internally. It's a significant shift in mind-set and requires a big change-management effort.

The other thing is that there's a greater need for marketing and sales alignment. Because customers are much better informed, marketing will play a much greater role in engaging the customer early on—there's an appropriate level of engagement, lead-nurturing programs and customer-relationship programs, so sales teams act where they are most effective, and allow a lower-cost, higher-leverage model to nurture relationships.

What problems does high tech have with sales and marketing?

ASHISH: Defining sales potential—or not doing it well, at least—has significant downstream impact. What many companies have done is use proxy measures to help them understand potential—for instance, number of employees or revenue or prior year's sales. Are they Fortune 500 or Forbes 2000? How much did they spend with us; how much do they spend on IT?

In some cases, they're not an indication of true potential. Do a light-industrial manufacturer and a financial-services company with the same revenues have the same IT needs and potential? Probably not.

What are these companies doing wrong?

ASHISH: Take a provider of network infrastructure like switches and routers related to data centers. When this company evaluates potential, it may be able to observe customer size or IT spending, but may not know how dependent an organization is on network computing.

And if the company looks at IT spending, does it have an idea how much of that spending is related to the portfolio of products the company sells? What often gets lost is knowing who the most important customers really are.

Consider a specific industry: Financial services is more heavily computing oriented than other businesses, and in financial services, banking is heavily network driven because of retail branches. Some banks may be focused on reducing network operating costs, while others are investing in their networks for new solutions like mobile banking.

Also, if there's significant potential for a customer, what is the company's likelihood to buy? Can you use something like social networks to see if an organization is in a stage of readiness?

What advice would you like to share about high tech?

ASHISH: Companies would be much more effective if they put more effort into honing their current sales and marketing operations.

To meet today's challenges, companies may need transformational change, but this takes considerable organizational energy, attention and commitment. While preparing for such changes, companies can take immediate action to improve productivity 5% to 10%.

We see a lot of companies fixated on the "new big thing" without the right level of insight and planning. That's where companies get distracted and often fail—if you're always looking for that silver bullet, you won't find solutions that already exist.

About ZS Associates

ZS Associates is a global leader in sales and marketing consulting, outsourcing, technology and software. For almost 30 years, ZS has helped companies across a range of industries get the most out of their sales and marketing organizations. From 20 offices around the world, ZS experts use analytics and deep expertise to help companies make smart decisions quickly and cost-effectively. ZS comprises multiple affiliated legal entities. Learn more at www.zsassociates.com.

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