



CASE STUDY

Novell has been providing high-performance network services since 1983 and is widely regarded as the pioneer of networking software. Today, it is a global business serving over 80 per cent of Fortune 500 companies, powering more than 4.5 million servers and supporting in excess of 90 million users.

It works with more than 27,000 channel partners worldwide and it was Novell's approach to channel marketing in its EMEA region – which accounts for 30 per cent of worldwide revenues – that became the initial focus of a series of consultancy assignments carried out by Channel Dynamics (CDL).

James Pattinson was Director for European Channel Sales in 1998: “At that time, we had 102 distributors across our EMEA region and needed to tackle both the lack of focus and erosion of margins we were experiencing. In essence, we were looking to consolidate our distribution structure to make sure that partners and resellers were receiving the support that they needed in order to provide effective service to our customers.”

James had already established a relationship with CDL and knew that the depth of their channels experience and innovative thinking made them the ideal consultants to work with. Having liaised closely with James to design and plan the project, CDL used a variety of objective-based criteria to help Novell select 52 distributors, representing a reduction of nearly 50% and the most significant realignment of its distribution channel in recent years.

To do this effectively, CDL had to understand the resources and geographical coverage that distributors were providing, the revenues they needed to achieve to make their franchise relationship with Novell commercially viable, and the number of distributors that would enable Novell to achieve an ideal balance between their own and distributor resources. They were also briefed to define the distributor role and proposition within a new structure and to develop a transition plan.

CDL's approach combined desk-based research, discussions with Novell's European managers and

interviews with key distributors and resellers. This process was followed by a workshop for all European Distribution Account Managers to ensure buy-in to the project's rationale and objectives. The workshop incorporated role-play sessions designed to help Distribution Account Managers handle separation interviews with distributors effectively.

“The role-play element was invaluable,” says James. “It helped us to anticipate difficult questions with effective answers and generally prepared everyone for what was inevitably a difficult job that had to be handled sensitively, from a personal as well as commercial and PR point of view.

“The subsequent execution was excellent. Our CEO even received a letter from one of the distributors we had had to let go, congratulating us on how professionally the matter had been handled.”

The longer term results for Novell were also a success: tighter focus, a greater commitment from distributors and



enhanced value to resellers, including new business opportunities, increased profitability, easier purchasing and better pre-and-post sales, marketing and technical support.

The second phase of consultancy work concerned Novell's partner development programme, which had been operating with mixed success. CDL helped Novell to clarify the role it wanted its partners to play, by defining the partner proposition in terms of responsibilities, rewards and mutual commitment, and then ensured that the infrastructure was in place to manage the delivery of partner benefits.

CDL also helped Novell to identify which products to sell into which markets with which partner. The final element involved a series of Novell/partner workshops.

This process effectively changed Novell's entire approach to partnering, as a direct result of which, in February 2000, it announced a major strategic alliance with IBM in Europe, aimed at providing joint networking and software solutions for eBusiness customers. Under this alliance, IBM undertook to train a number of consultants as Novell Certified Directory Engineers and to establish a Novell solutions practice in all major European countries.

As Mike Lawrie, IBM's EMEA General Manager, commented at the time of the announcement: "IBM and Novell share a vision on the benefits the Internet offers businesses. The partnership goes far beyond the marriage of key products and technologies – we have each committed to energising our sales and support organisations around this opportunity."

The final phase of CDL's work for Novell centred on a review of its market engagement strategy. "We needed to make the best possible allocation of resources against our various business streams to optimise revenues," explains Alistair Aitchison, Novell's then Director of Sales Development EMEA. "We thought we had three

business types, but CDL helped us understand that we only had two."

Through a series of customer, partner and wide-ranging internal interviews, combined with desk research, CDL identified firstly a core business engaged in selling mature Novell products. But they also revealed an inappropriate intensive deployment of resources on what were effectively cash cows. Conversely, CDL showed that Novell were not allocating sufficient resources to their second, emergent business stream focused on new technology products. As a result, Novell was failing to invest in partnerships at the right level.

CDL presented their findings at a series of workshops for senior and local management teams, which were also the forum for developing a revised market engagement strategy and creating the resulting transition plan.

"CDL's analysis of our go-to-market strategy was a real eye opener," says Alistair. "They showed us that the need to secure existing business as well as nurturing emergent business required differing strategies and implementations in terms of deal types, staffing and measures. They're really two different cultures that need to be run as separate businesses.

"Their approach was very clear, particularly their technique of classifying deal types within the Technology Adoption Lifecycle. We really understood their language and this helped us internally to brainstorm ideas, debate our options and move forward to finding solutions."

Steve Brown, Novell's UK Regional Director, supports this. "We needed a third party view from outside the goldfish bowl, so to speak, and not just a rubber stamp on our own thinking, because we had big issues to deal with – how to move away from products towards solutions, how to address new markets and how to embrace new technologies."

He believes CDL's input has had real and positive impact across all

three phases: Novell's distributor structure is now one that is balanced across different markets, whilst still focused on maximising sales; it has good relationships with key partners, including Ernst & Young and Cap Gemini, which have resulted in major public sector contracts; and its business is now effectively structured to focus on target markets with optimal resource deployment.

Asked why CDL were successful, Steve points to experience and approach: "Channel Dynamics brought us strong industry contacts, including access to key partners, and an invaluable understanding of partnering models within other companies in our sector. As well as being very comfortable with the chasm-crossing methodology and 'whole product' concept they employed, there was a genuine meeting of minds and we were able to establish a good working relationship that has resulted in further projects."

James Pattinson and Alistair Aitchison agree: both found that CDL's broad experience and specialised expertise brought unique perspective to the task at hand, added considerable value to Novell's strategic thinking and above all produced real results. This was due partly to their pragmatic approach to customising established chasm-crossing techniques to suit Novell's particular needs, but also to their intimate understanding of channel marketing.

As Alistair summed up: "CDL's understanding of the market engagement model is better than anyone else's in the UK – and probably Europe."

Footnote: Channel Dynamics has subsequently been advising Novell on delivery of a pilot scheme for Bracknell Forest Borough Council to provide residents with access to a range of council services on-line. This initiative is part of the Government's commitment to providing all council services electronically UK-wide by 2005.

CHANNEL
DYNAMICS

Channel Dynamics Limited, The Broadway, Windsor End, Old Town Beaconsfield, Bucks, HP9 2JW
Tel: +44 (0) 1494 730080 Fax: +44 (0) 1494 730090 Email: channel.dynamics@channeldynamics.com
web: www.channeldynamics.com