




Why and How to Build your Cloud Business

May 2017


#SageSummit Business Builders, Build On! sage summit US

Goals for Today's Session



Develop Clarity, Confidence and Commitment to support your Cloud transformation:

- Best practices
- Key elements of the "How":
 - » Offering structure and approach
 - » Go-to-Market
 - » Operation
- Key economic shifts and financial metrics
- Benefits, from Valuation to Velocity



Clarity & Curiosity
Become informed about Cloud Transformation

Commitment & Courage
Create and "Own" a Plan:

Confidence & Conviction
Understand what to do and how to do it

#SageSummit Business Builders, Build On! sage summit US

Key Session Take-Aways



1.
Requires 100%
commitment
from the top



2.
Take the Leap! –
Learn by doing



3.
Three key functions
change a lot:
Marketing, Sales
and Delivery



4.
Time is a
precious
commodity -
Time to Revenue
and Time to
Value



5.
You need a
joint plan with
Sage

#SageSummit

Business Builders, Build On!

sage summit US



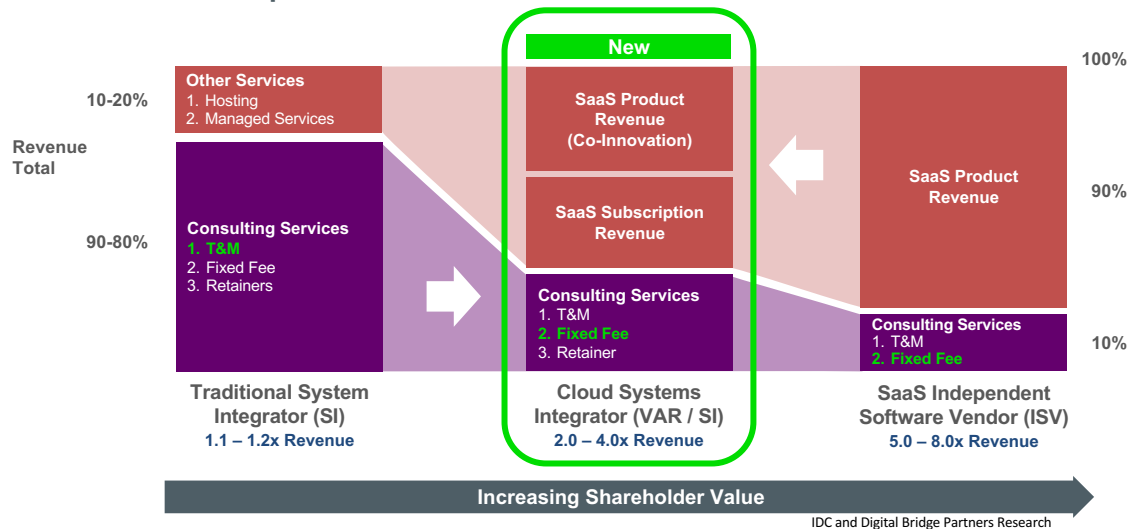
The Partner Opportunity and Importance of Cloud

#SageSummit

Business Builders, Build On!

sage summit US

SaaS Platform is Creating New Valuation Outcomes for IT PS Shops



#SageSummit

Business Builders, Build On!

sage summit US

Cloud Partners Outperform

1. Market Momentum

- Tap into a \$100B opportunity
- Cloud growing 5x faster than on prem

2. Consideration rate

- Customers want Cloud
- Cloud partners grow twice as fast as their non Cloud peers

3. Company Valuation

- Cloud Services generate 30% more revenue per employee than on prem
- Recurring revenues will de-risk the business

Cloud Partners Metrics*



*50% of their revenue related to the cloud (Source IDC)

#SageSummit

Business Builders, Build On!

sage summit US



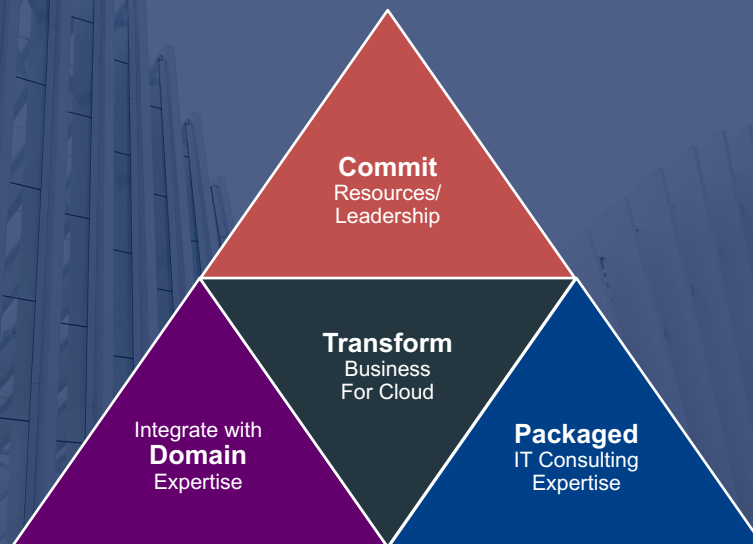
Approaching the Transformation

#SageSummit

Business Builders, Build On!

sage summit US

How to Approach the Cloud VAR Journey



#SageSummit

Business Builders, Build On!

sage summit US



Transformation Roadmap

#SageSummit

Business Builders, Build On!

sage summit US

Partner Transformations

The partner transformations required to effectively deliver public cloud* are comprehensive and touch all aspects of the business and operating model

- Change needs to happen holistically
- It must be driven by CXO leadership
- It must happen in multiple areas of the business:
 - A. Business Model and Offering
 - B. Go To Market
 - C. Operating Model
 - D. Financials
- The Partner plan cannot be incremental, or fragmented

Primary Areas of Transformation

A. Business Model/ Offerings	B. Go to Market	C. Operating Model	D. Financials
	Marketing	Organization and Governance	Investments
	Sales		Revenue, Cost, Profit
	Delivery	Processes and Roles	KPI's & Metrics

* Although we are emphasizing Public Cloud, Private, Virtual Private and Hybrid Cloud will have similar dynamics

#SageSummit

Business Builders, Build On!

sage summit US

A. The “First 5 Deals” are critical in establishing Cloud DNA

Emphasize:

1

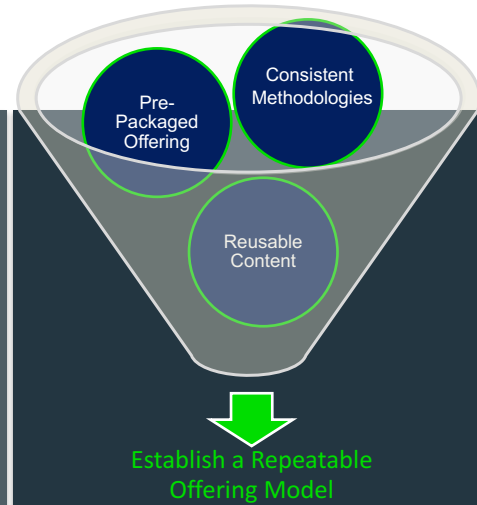
Climbing the sales and delivery learning curve

2

Establishing a foundation for the offering and building a repeatable model

3

The focus should not be on margin



#SageSummit

Business Builders, Build On!

sage summit US

A. Repeatable Pre-Packaged Offerings and Methodologies

To facilitate and speed sales and delivery, pre-packaged offerings and delivery methodologies should be developed

– Capture your unique best practices:

- Value Proposition
- Modular business requirements
- Target KPI's and metrics to facilitate rollout, renewal, and up sell

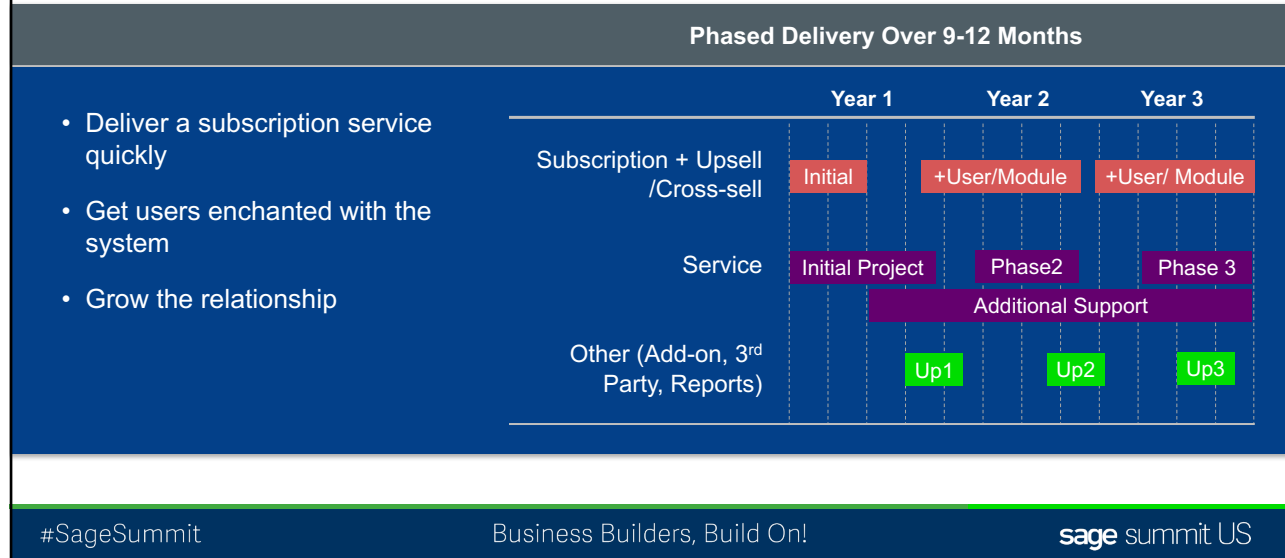


#SageSummit

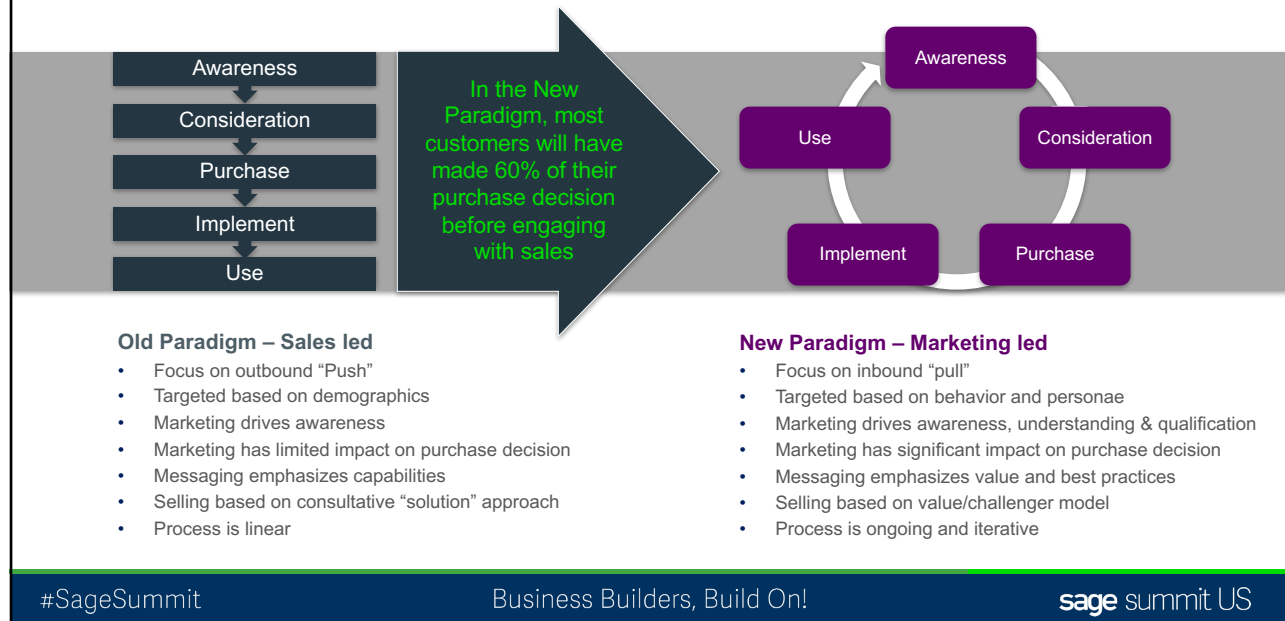
Business Builders, Build On!

sage summit US

A. The offering should be structured in a “stackable” fashion to allow for a customer beach head

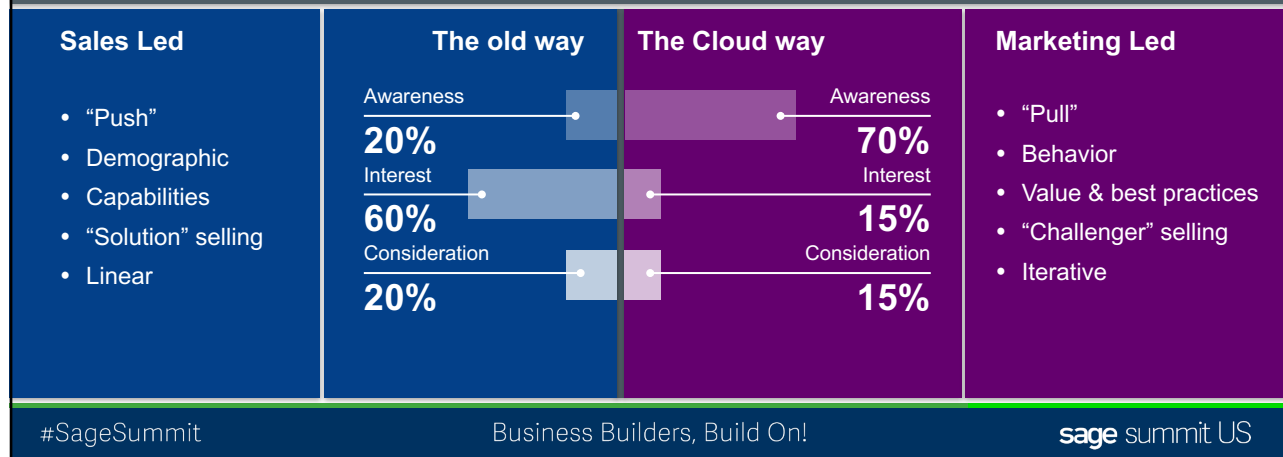


B. Go To Market – Customer Journey



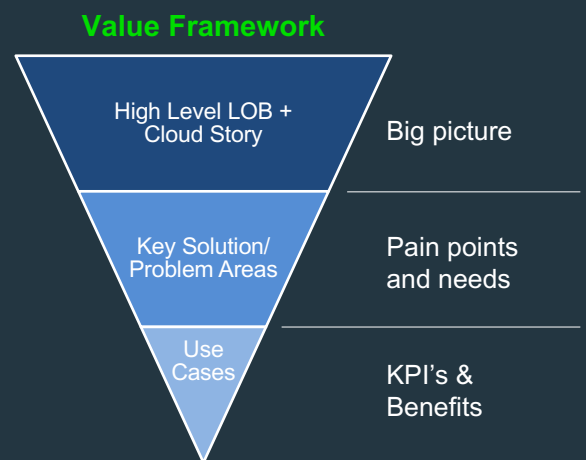
B. The Cloud Buyer's Journey is Different

60% of Cloud customers have already decided on a solution before they even contact you



B. Emphasize value, outcomes, and business objectives, not systems or features

- Deliver qualified leads focused on a given set of business outcomes
- Reduce the cost of sales and increase time to revenue
- Set context for increased customer satisfaction and reduced churn



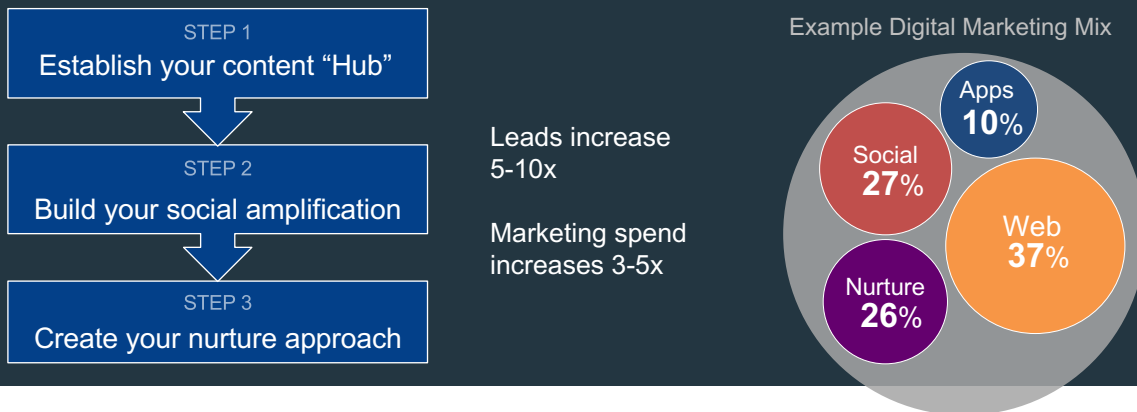
#SageSummit

Business Builders, Build On!

sage summit US

B. Build the marketing machine

A repeatable digital marketing process that creates and nurtures leads is critical for success in marketing Cloud solutions



#SageSummit

Business Builders, Build On!

sage summit US

B. Pre-Sales and Sales

Leverage "Challenger Selling" built on how your offering can change the customer's business

- Emphasis up-front on business outcomes
- Pre-sales focuses on evaluating alignment to best practices
- Speed from lead to close is more important than size of the deal

"5 Clicks to Close"

1. One hour response to enquiries
2. Full demo in 8 hours
3. Leave them with a live instance
4. Gated 30 day pre-sales process incorporating virtual workshop(s)
5. 30 day closing call

#SageSummit

Business Builders, Build On!

sage summit US

B. The most significant transformation for integrators will take place in the delivery function

The most significant transformation for integrators will take place in the delivery function

- 50% decline in short-term Professional Services Revenues
- Configuration and change management rather than customization
- Rapid implementation designed to get customers live ASAP

Onsite

- Project Manager/Consultant
- Each consultant may have 4-6 clients

Offsite/Remote

- Most technology functions and people
- Consider low cost locations (Philippines, etc)

Much of the delivery effort will take place remotely

#SageSummit

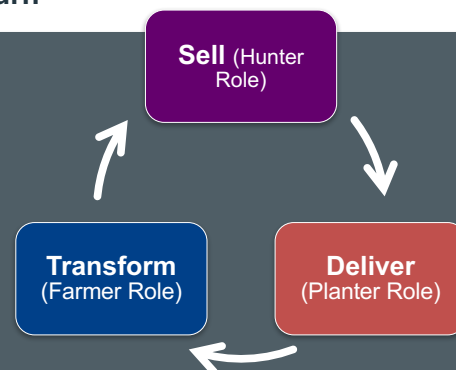
Business Builders, Build On!

sage summit US

B. Customer Success / Account Management

Customer Success Management will be a new role for most integrators and is focused on managing Churn

- The selling motion never really “ends” – Upsell/cross sell and incremental services strategy
- Change management and Solution Adoption are critical to help address Churn
- Success Management will contribute up to 50% of LTV



#SageSummit

Business Builders, Build On!

sage summit US

C. Operations

The Cloud business can't be a "side business," it requires focus and should essentially be treated as a start-up venture:

- There will be changes in focus and compensation for existing roles, and the addition of new roles
- The business model is disruptive, expect significant push back from entrenched teams



#SageSummit

Business Builders, Build On!

sage summit US

C. Operating Model – Roles

Build a separate organization/team and as the business matures, in 2-3 years certain functions can be folded into the larger organization

Org	Action	Comments
Sales	Retrain 30% Hire new 70%	<ul style="list-style-type: none"> • Need to adopt new approach • Retain if they've been selling to the LOB
Delivery	Rebuild from scratch at least up to 70% of team <ul style="list-style-type: none"> • Consulting • Implementation 	<ul style="list-style-type: none"> • Complete change in mindset required • Don't sell large complex projects • Quick, rapid fire, drive to purchase • Eliminate custom coders and focus on ability to drive best practices
Marketing	Retrain	<ul style="list-style-type: none"> • Hire people who can run a digital and Marketing Machine
Customer Success	Hire or retrain from sales/delivery	<ul style="list-style-type: none"> • Heavy emphasis on change management
Product Management	Hire	<ul style="list-style-type: none"> • Over time, Product Development will become important, creating repeatable (ISV-like) offerings

#SageSummit

Business Builders, Build On!

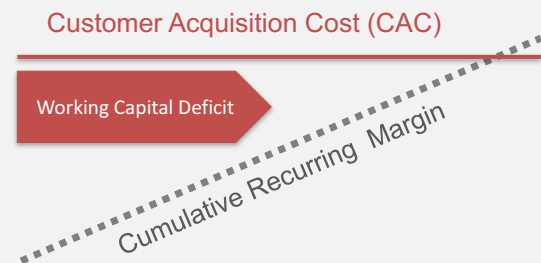
sage summit US

D. Financial – Investment

Working capital will be required to get the initiative off the ground

- Working capital required for:
 - Start-up costs prior to cash flow from new sales
 - Cash flow float on sales and marketing costs (in first two years)
 - Staffing Delivery team in advance of full utilization
 - Will depend on market/business model
- Expect 3 years to ramp the business
- Expect to recover Cost of Customer acquisition (CAC) after 1 year (per transaction view)
 - Time required for margin on subscription and services to pay for total sales, marketing and account management costs
- ROI from invested cash
 - Negative cash in years 1 and 2
 - Begins to return in year 3

12 Months to Recover CAC



#SageSummit

Business Builders, Build On!

sage summit US

D. Financial – Selected KPI's and Drivers for Cloud*

- **Speed to Transact:** First sale in first three months, 2-3 Value deals or 6 Volume deals in following six months
- **Margins:** Keep above 20% on Subscription and **30% on Services**
- **CAC:** Keep under first year's total margins
- **Churn:** Keep under 10%
- **Total Cash Required and Time to Recover Cash:** Pivot on margins, CAC and rate of cloud growth

Key Valuation Sensitivities:

Valuation Multiple (expect 2-3x Revenue) adjusted by		
Cloud Growth	Customer Retention	LTV/CAC
20%+	1-Churn 90%+	Break Even in YR1, 3X Lifetime

* For Cloud business (does not consider On-Prem)

#SageSummit

Business Builders, Build On!

sage summit US



Discussion

#SageSummit

Business Builders, Build On!

sage summit US

Discussion - Summary

1. Change requires 100% commitment from the top to start something new and shake up the business (being tentative = being dead)
 - Attitude – This is the future
2. Make the Leap! - First deals (teaches the Reseller the business)
3. Time is a precious commodity (Time to Revenue and Time to Value)
 - All about packaging and process to drive speed
 - Qualify, qualify, qualify. Marketing drives sales
 - It's about the relationship, manage and grow
4. Three key functions change a lot: Marketing, Sales and Delivery
5. What resonates with you and what are you going to change?

#SageSummit

Business Builders, Build On!

sage summit US



digitalbridge
PARTNERS

Thank you

#SageSummit Business Builders, Build On! sage summit US