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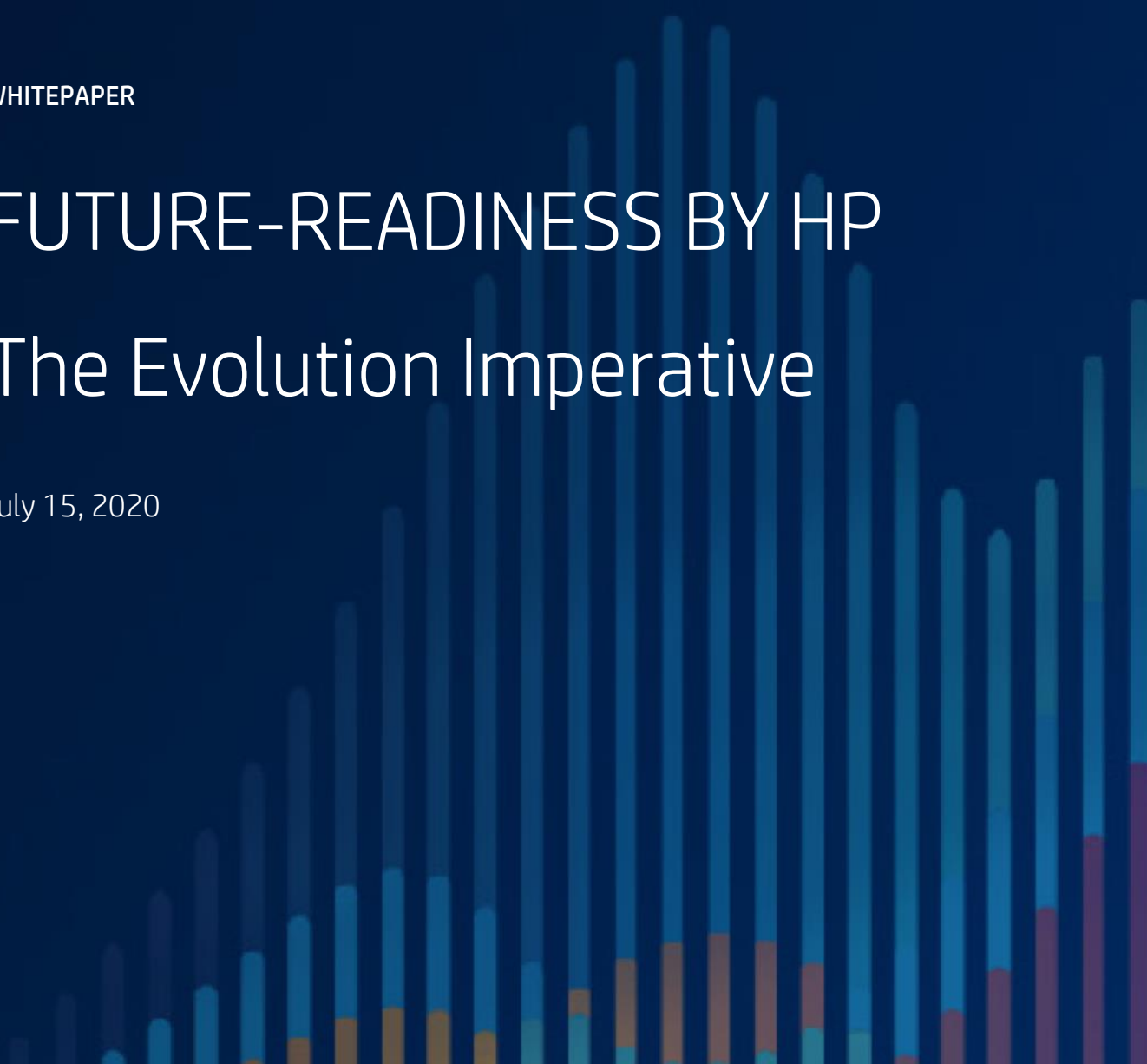
HP PARTNER PROGRAM

WHITEPAPER

FUTURE-READINESS BY HP

The Evolution Imperative

July 15, 2020



The Transformation Imperative

Over the past 30 years, go-to-market models and programs in the technology channel have remained largely unchanged. Vendors produce products. Partners resell products. Customers consume products. Along the way, vendors provide distributors and resellers with incentives to sell more products and augment profitability.

During the past decade, digital transformation disrupted the traditional model to its core. A combination of pervasive high-speed Internet access, the growth in cloud computing, the transition from traditional on-premises break/fix maintenance to managed services, and experience B2B buyers gained through online marketplaces upended the customer journey and buying process.

Much of the change is a result of the growth in B2B marketplaces. According to a pre-pandemic report by Frost & Sullivan, B2B marketplaces will generate \$6.6 trillion in 2020, slightly more than double B2C online sales.¹ Marketplaces such as Amazon, Alibaba, and JD.com have rewritten the buyer's expectations. According to WBR Insights, 91 percent of millennials² – which make up much of middle management and B2B purchasing decision-makers – prefer buying through marketplaces.

Cloud computing has much to do with the shift in buying preferences and business models. Over the last decade, cloud computing spending grew at a compound annual growth rate (CAGR) of 32 percent.³ Managed cloud – cloud services administered by third parties such as systems integrators and managed service providers – grew by a CAGR of 33 percent over the last three years.⁴ And, increasingly, technology vendors and partners are adopting services and subscription-based engagements as a means of generating predictable recurring revenue. According to The 2112 Group, the average partner earns up to 45 percent of its revenue from managed and cloud services. Transactional hardware and software sales account for only one-third of the average partner's revenue mix.⁵

Customers have always sought a return on investment when buying technology products and services. Now, in addition to seeking greater productivity and efficiencies, they're looking for better experiences. According to Ernst & Young,⁶ 65 percent of buyers say they don't get the same experience in their B2B marketplaces as they do with their consumer counterparts. The experience disparity is causing businesses to rethink their customer journey assumptions and sales engagement models.

Managed and cloud services are mature, generating predictable and recurring revenue. Born-in-the-cloud companies are moving faster and operating smarter with their analytics. Marketplaces are resetting B2B buyers' expectations in the purchasing experiences. The digitalization of the economy is prompting every tried-and-true technology vendor in the market to proclaim the same call to arms: "Transform or die."

1 "U.S. B2B eCommerce Platform Market, Forecast to 2023," Frost & Sullivan, September 2017, <https://store.frost.com/u-s-b2b-ecommerce-platform-market-forecast-to-2023.html>.

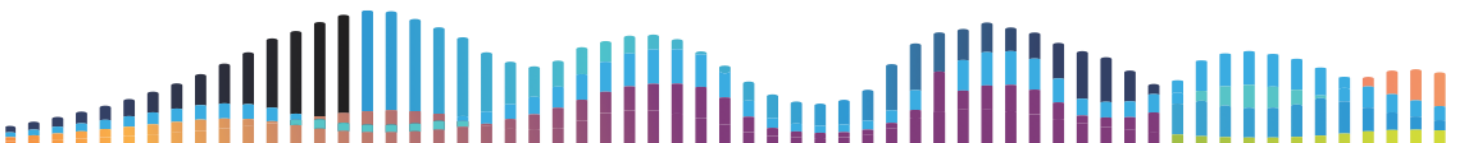
2 "The Next Generation of B2B Purchasing," Mirakl, December 2018.

3 Control the Cloud, Before the Cloud Controls You, Tata Communications & Forrester Research, July 2017, <https://www.tatacommunications.com/wp-content/uploads/2019/02/Forrester-Report.pdf>.

4 Global Cloud Infrastructure as a Service Market Outlook, Frost & Sullivan, March 2019, <https://www.ibm.com/downloads/cas/MD7ZDVVK>.

5 "2112 Channel Forecast: The 2020 Report," The 2112 Group, January 2020, <https://the2112group.com/product/2112-channel-forecast-the-2020-report/>.

6 "How Will You Change Buyers into Stakeholders?," Ernst & Young, 2016, <https://www.ey.com/gl/en/issues/business-environment/ey-megatrends-empowered-customer>



Robust data analytics are essential to meeting and anticipating these customer expectations. In practical terms, data analytics will shape the way different partner types engage with and satisfy their customers.

- **Retail:** HP will collaborate with retail partners to understand customer buying trends and technology needs, and to better plan inventory management.
- **Resellers (Transactional/LARs):** HP will provide partners with access to the tools and resources to better market to and support customers buying transactionally.
- **Resellers with Online:** HP will collaborate with resellers with online sales capabilities to better engage with customers through omnichannel capabilities.
- **Managed Service Providers:** HP will authorize and support providers of endpoint, security, and print managed services to deliver superior experiences and outcomes for the end customer.

The new HP Amplify will enable HP and its partners to engage with customers on their terms and anticipate their needs. Through the principles of collaboration, evolving capabilities, and value-driven performance, the new program will keep HP and its partners at the forefront of the industry, ensuring their future-readiness and positioning them to win in the digitally transformed market.

This is the purpose and objective of HP Amplify: winning smarter.

Bold Choices for a New, Digital Market

Competition is everywhere – and it’s growing. HP and its partners are no longer competing against traditional personal systems and print vendors. Generating, earning, and retaining customers’ attention require HP and its partners to make choices in their models and value propositions.

Take, for instance, the new ways in which customers perceive the value of technology. Traditionally, customers think of PCs and printers as commodity products – necessary, but low value. PCs are a means of accessing the real value producers: software, cloud services, and cloud-based applications.

According to interviews conducted by The 2112 Group, HP’s largest customers see little differentiation in the core components of PCs and printers offered by the various manufacturers. On the surface, customers assign little value to the machine itself. They value quality, design, and performance, but those measures are secondary to the total cost of ownership and the ability to produce superior business outcomes.

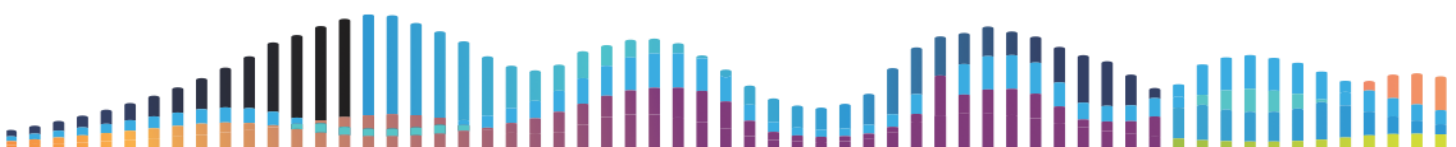
If customers value HP products based on cost alone, HP and its partners will be fighting a losing battle against price erosion and margin compression.

Our mutual customers equate the value of computing with the outcome of their work. The IT professionals and data center administrators appreciate the technology, but the knowledge workers that utilize PCs and printers care about performance, reliability, ease of use, and time. Value doesn’t equate to the machine itself, but to what it enables.

Operational context changes from industry to industry. In a corporate office, a PC may be just a PC, a printer just a printer. However, in health care, financial services, heavy manufacturing, and education, operational demands change. Buyers in these fields value technology providers that understand and deliver on their unique functional specifications.

HP customers routinely ask for products and services that reduce their operational burdens and allow them to focus on their core business functions. In other words, customers are embracing hardware “as-a-service” models as a means of deferring IT administration and support to providers.

Partners have to make progressive choices to meet those complex and dynamic customer expectations:



“Customers are not interested in speeds and feeds. They’re more interested in technologies that make their businesses operate better and more profitably whilst simultaneously delivering better experiences for their users.”

James Hardy, Deputy Managing Director,
CCS Media Officer, HP partner

- Which products are the best to support digital transformation?
- How do you sell products to specific customers across a variety of touchpoints?
- What are the right services, and how do you deliver them with added value to customers?
- Which skills are required to best serve customers in different sectors and circumstances?
- What is the best way to capture and retain data to anticipate and meet future customer needs?

In his book, "Playing to Win," former Procter & Gamble CEO A.G. Lafley wrote that differentiating and succeeding in an evolving and increasingly competitive market, even with commodity products, requires making choices based on goals, customers, skills, and outcomes. Choices lead to focus, and focus leads to better results. Addressing the need for change isn't about changing technology. It's about remaining relevant to the customer. The same principle is the foundation of HP Amplify.

Market relevancy is a reflection of customer experience. If HP and its partners can provide customers with a greater pre- and post-sales experience, they'll grow market share, share of wallet, profitability, and repeat business. According to research firm Walker, 86 percent of B2B customers will pay more for a better experience.⁷

HP is creating outcome-focused training so that partners can be ready for anything. Partners can build their stacks around transactional, services-led, and hybrid models, as well as specific technology and vertical specializations. No matter what the future holds, together they'll be ready.

"We have to be laser-focused on differentiating ourselves. And we have to make sure the true value of HP technology and solutions is evident. That's how we create stickiness with our customers. That's how we transform."

- Christoph Schell, Chief Commercial Officer, HP

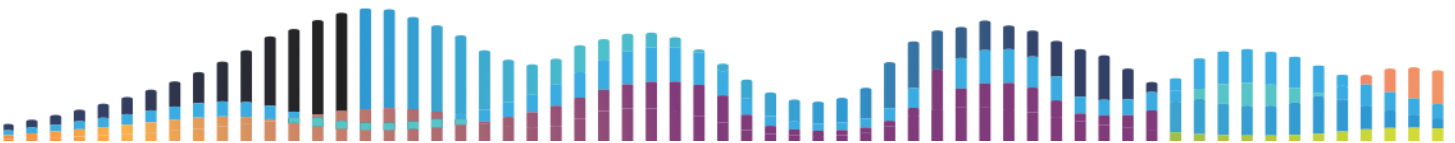
The foundation of being market-ready is digital insights fueled by data. HP Amplify will leverage the data of HP and its partners to create the intelligence that will not just give partners situational awareness, but vision to anticipate customers' future and evolving technology needs. Moreover, HP will enable partners to meet customers wherever they are - such as retail, online, services and marketplaces.

Reimagined Capabilities: Skills for Tomorrow

Despite a decade of talk about consultative selling, the IT industry – vendors and partners alike – continues to focus on technical skills rather than the soft skills of business. Emphasizing technology specifications and product features is second nature for many in the industry. Addressing the specific needs of customers relative to their operating models and market conditions is more challenging. Through the smart use of data, HP and its partners will anticipate what's ahead and pave a path of customer excellence.

Capabilities consist of more than just technical skills and a bench of technicians. HP and partners' capabilities must align and meet customers where they want to purchase. Capabilities mean having the sales channels and platforms needed to amaze customers at every point in an omnichannel journey. With advanced digital capabilities and through the smart use of data, partners can gain insights for improving go-to-market processes and deliver intuitive and exciting customer experiences.

⁷ "Customers 2020: A Progress Report," Walker, 2017,



Future-ready capabilities fall into several categories:

Digital Excellence

All partners must have the technical and sales skills required to sell, deploy, maintain, and support the different technologies in the HP product portfolio. But digital excellence goes much further. Partners need a strong digital presence – one that captivates the attention of customers, the majority of whom will look online first. Partners also need to model the best-in-class digital acumen that customers want for themselves. Together, HP and its partners must meet customers where they want to buy by providing options for transactional (traditional), contractual (services), and hybrid or omnichannel sales routes to market.

Customer-Centricity

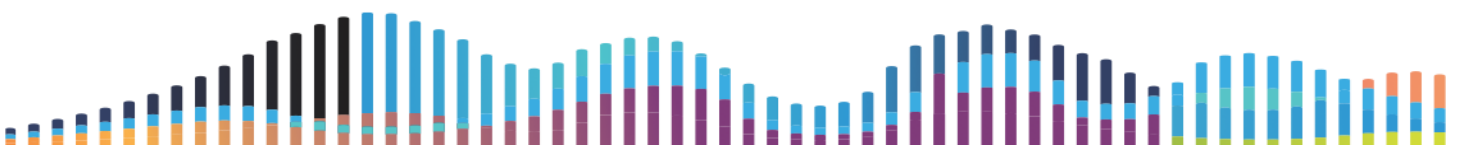
Just as partners want a simpler way to collaborate with HP, customers want a simplified buying journey. To make that a reality, HP and its partners have to work together to know customers better. By aggregating the data, HP and its partners can capture, retain, process, and analyze customer data in more nuanced ways. In many cases, data analysis can predict market changes and anticipate needs even before customers become aware of them, making HP and its partners even more customer-centric than before. Success will be rooted in a foundation of data and analytics.

Everything-as-a-Service

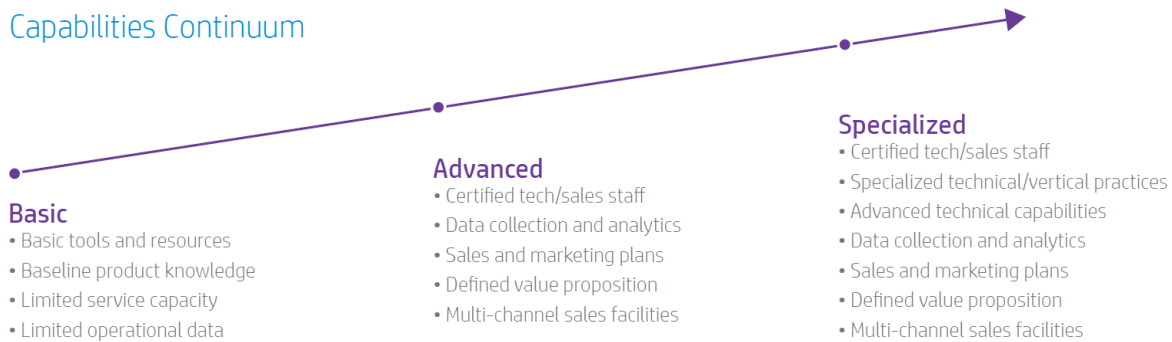
Customers have been gravitating, and will continue to gravitate, toward service- and consumption-based engagement models. The reason is simple: Services are more agile, and customers need to be nimble in times like these, marked by massive transformation. HP and partners must be adept at selling and maintaining “as-a-service” options as part of their core portfolio, and HP Amplify will enable them.

Value-Added Services

At every touchpoint, partners have to look for ways to differentiate themselves and HP from competitors by augmenting solutions and devices with more value. Having in-depth and specialized knowledge and skills around customers’ industry verticals makes partners more valuable. Enhancing their value requires more than just mastering the technology related to a vertical segment though. It also means understanding operational needs, regulatory compliance, security issues, and performance expectations. With HP Amplify, partners will deliver more value to customers and, in turn, function as long-term trusted advisors.



Advancing capabilities fall on a continuum representing a partner's maturation. HP and its partners can operate on basic levels with minimum sales and operational capabilities, but their value will be low at every point of the go-to-market chain. Partners that improve capabilities, however, will become more competitive, more relevant to customers, and—ultimately—more profitable.



With HP Amplify, HP and its partners will find the balance of skills, sales platforms, service delivery technology, and data analytics that will create success today while also laying the groundwork for future innovation.

Insightful Collaboration: Data-Driven Innovation

Data is often referred to as the fuel of digital business. With data analytics, HP and its partners have a view into customers' buying trends, purchasing behaviors, considerations about technology, and future operational needs. But data and data analytics can't do anything for a business unless they're put into action.

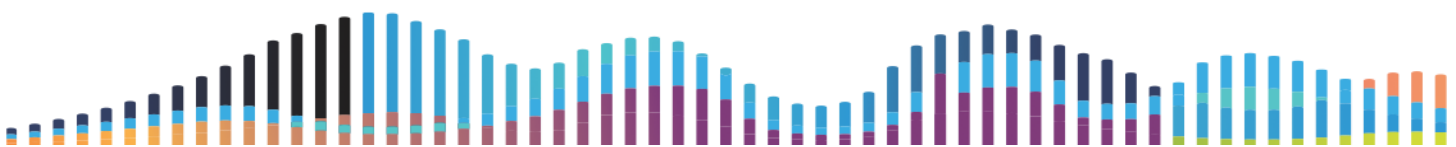
While HP and its partners can generate volumes of data about product performance, sales, and customer engagement, true analytics require the processing and correlation of data to produce global insights with actionable opportunities. True analytics result in greater profitability and customer satisfaction.

HP and its partners need to know their businesses better than they do today. By sharing basic operating data such as sales pipeline activity, sell-through data, services utilization, inventory levels, online mix, and marketing activities, they can create a rich repository of best practices that lead to end-to-end operational efficiencies.

Collaboration will allow HP and its partners to establish baseline data and individual company data to identify product and services need, spending habits and limitations, total cost of ownership estimates, and future buying potential on an account-by-account basis. This will lead to more efficient and productive sales – that is, to higher revenue and greater profitability.

But the benefits of data analytics and collaboration don't stop there.

In managed services, managed print services, and device-as-a-service models, analytics enable HP and its partners to be proactive, identifying customer equipment in need of maintenance or replacement before a problem occurs. Using telemetry and service analytics, they can identify new sales opportunities while keeping existing customers satisfied.



Every business wants a competitive advantage. By aggregating data, HP and its partners will be closer to customers, making it easier to guide their technology investments.

“Data sharing is the fuel of collaboration. By combining our data resources, HP and partners will better understand, engage, and service our mutual customers to produce industry-leading outcomes.”

- Mary Beth Walker, Head of Worldwide Go to Market Strategy, HP

Ultimately, the goal of data analytics is the creation of a common point of reference that powers the sales support, marketing resources, supply-chain optimization, customer-service enablement, and other resources that result in better experiences and outcomes for HP, partners, and customers.



Diversified Performance: Profitability and Resiliency

Performance is meaningless without a measure against expectations, anticipated outcomes, and predefined goals. Or as the oft-quoted business maxim goes, “You can’t manage what you don’t measure.” According to The 2112 Group, HP partners with business plans typically outperform those without plans by two to five times. By establishing goals, methodologies, and processes, businesses can quantitatively mark their progress, profitability, and financial health.

Many resellers, managed service providers, and system integrators in the channel don’t do this. According to The 2112 Group,⁸ 47 percent of partners don’t have a business plan. Another 56 percent don’t have sales plans or revenue goals. And 73 percent don’t have marketing plans or budgets. When it comes to their performance, these partners are flying blind.

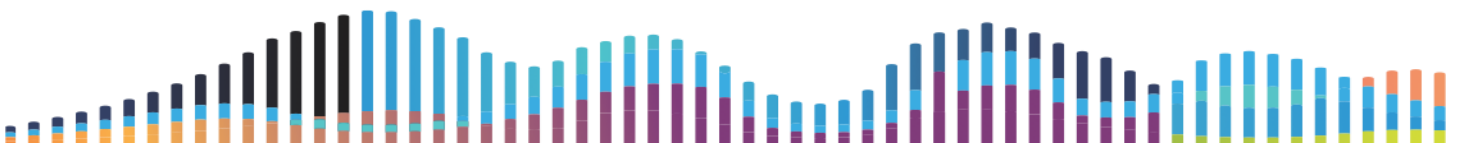
Applying revenue and sales goals, along with governance and review processes, is essential. But this alone isn’t enough in the digitally transformed market.

Customers have a say too. Customer experience – often measured through customer satisfaction and referred to as CSAT – is growing as a measure of business performance and value. In the future, HP envisions assessing the value of and awarding benefits to partners based on customer satisfaction. Businesses that can deliver better outcomes to customers have increased account retention and repeat sales. Conversely, companies with poor performance lose customers. According to the Microsoft Global State of Customer Service Report,⁹ 62 percent of businesses report losing customers due to unsatisfactory service and experience.

With HP Amplify, HP and its partners must rethink performance. Revenue is an important metric; after all, the channel is a sales medium. Revenue productivity isn’t going away, but HP and its partners need to consider other tangible performance elements that reflect true value and experience, measured at different phases of operations and customer engagement. Gross revenue and profitability are the overarching performance metrics, but pre-sales processes, transaction or account performance, and post-sales engagement efficacy are also important.

⁸ Various reports, The 2112 Group.

⁹ “Global State of Customer Service,” Microsoft, 2019,



Rethinking End-to-End Engagement Measurements

Overall

Gross Revenue

Pre-Sales

- Funnel
- Deal registration volume
- Sales conversion rates
- Pre-sales support utilization
- Attached sales rate

Transaction Point

- Average sales value
- Average revenue per account
- Day sales outstanding (DSO)

Post-Sales

- Time to delivery
- Support utilization
- Service-level agreement compliance
- Account retention
- Account expansion
- Customer satisfaction

With HP Amplify, performance is multidimensional. By measuring performance beyond the one-time transaction or the revenue collected through services, HP and its partners will gain insights into the quality of their sales, the value of their customer relationships, and the propensity of buyers to continue sourcing technology through their respective HP channels.

Customer-Centricity, Streamlined by Design

Studies show that the easier a company is to work with, the more likely customers are to buy its products and services regardless of other attributes, such as quality and price. This means that instead of sacrificing quality or price, we can exceed customers' expectations by making it easier to do business with them.

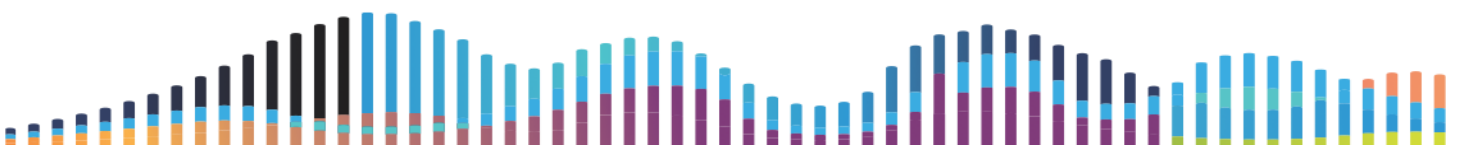
Ease of doing business and superior customer experience are absolute necessities. Failure to satisfy customers' experience expectations has measurable consequences. According to PwC,¹⁰ one-third of customers will abandon a brand they love after just one negative experience. Customers aren't intolerant of or overly reactionary to bad experiences. A string of bad experiences, though, do add up in the negative column. PwC found that 92 percent of customers will leave a brand after three negative interactions.

The customer experience is inextricably linked to the partner experience. If it's difficult for partners to do business with HP, it'll be difficult for partners to do business with the customer. The net result: unhappy customers. HP Amplify makes it easier for partners to know their standing relative to the program, to plan investments to align with program requirements, and to engage with HP sales and customers more effectively.

The need for clarity and transparency is paramount. Complicated channel programs tax channel partners with direct and indirect compliance costs. If partners must obtain certifications that don't align to their business model or customers, they can spend thousands of dollars getting staff trained and credentialed. Every hour a partner's staff is out of the field training is a lost opportunity to sell or provide support to end customers.

Rather than relying on convoluted hierarchies and augmented specializations, HP Amplify is taking a binary approach: Partners qualify for inclusion in the program – and for the associated resources and benefits – or they don't. HP Amplify awards status to partners based on three defined pillars.

¹⁰ "Experience is everything: Here's how to get it right," PwC, 2018,



HP Amplify Partner Measures

Capabilities

The ability of the partner to execute against the program objectives and customer needs. This is reflected by technical skills noted by certifications and specialties, as well as by operational attributes for supporting different sales models (transactional, e-commerce, omnichannel).

Collaboration

Level of sharing sales and customer data, sharing intelligence with HP, and planning for market success.

Performance

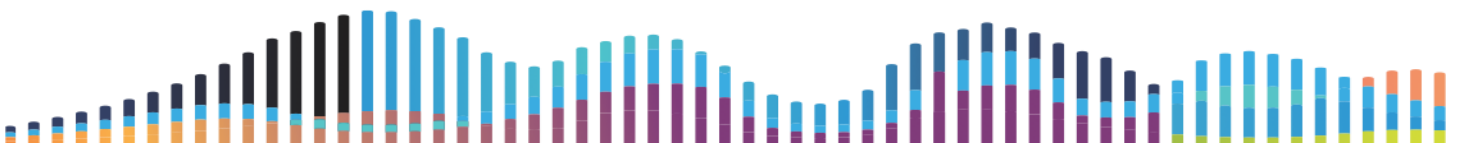
Revenue generated by the partner annually by product and portfolio mix.

Taking simplification a step further, HP Amplify flattens the channel structure to two tracks – Power and Synergy – and partners will gain status based on their level of investment and engagement. The more capabilities around data sharing, routes to market, services, and specializations the partner employs, the more access and benefits the partner will receive.

HP Amplify gives partners a means to build their relationships with HP and customers. Partners not making investments in the pillars aren't excluded. As they are today, those partners can participate either in a revenue focused track or source products through distribution.

HP is focusing its resources on partners that make a strategic choice to align with HP's vision. The result will be a better user experience and business outcomes for the customers, greater value and clarity for partners, and higher returns for HP. According to The 2112 Group, technology vendors that customers deem easier to do business with enjoy three times the share of business when compared to those considered difficult or overly complicated.¹¹ The simplicity of HP Amplify will create a winning outcome for both HP and its partners.

¹¹ 2019 Ease of Doing Business Report, The 2112 Group, February 2019,



Leading Today by Anticipating What Customers Will Need Next

Today, HP has millions of customers and tens of thousands of partners around the world. Continuing on the current path won't have immediate consequences. But to paraphrase a sentiment familiar to all business leaders, decline and irrelevancy happen slowly, then all at once.

As HP and partners are already seeing, market forces and evolving purchasing preferences are undercutting legacy business models and value propositions. At the same time, new models and innovative technologies are opening up opportunities for competitors and start-ups. Consider the following:

- By 2025, B2B marketplaces will transact twice the sales of B2C counterparts.
- Businesses are increasingly embracing service-led and managed services rather than static transactional product purchases.
- Customers are placing a greater value on technology vendors and partners that can anticipate their needs and provide holistic solutions.
- Technology is making disruption from known and unknown sources possible.

HP and its partners can't afford to remain idle amid a sea of radical and persistent transformation. Maintaining relevancy requires investment in new models and capabilities. For HP, it means fulfilling customer expectations through partners and providing those partners with the training, resources, support, and benefits needed to collaborate. Investment in new capabilities and resources will keep partners relevant to HP and relevant to customers.

“One thing is very, very clear, which is that when you provide value that goes beyond the one-off purchase of a piece of hardware, the level of trust and the collaboration that you develop with a customer has a return value that will continue to deliver and grow—benefiting the partner and the customer immensely.”

- Luciana Broggi, Global Head of Channel Strategy, HP

HP Amplify is a vision for a more progressive program – one that's positioned to anticipate market needs and changing customer expectations. By taking this leap, HP and its partners will be more essential to our customers than ever before.

