

WHITE PAPER

Siemens Solution Partner Program: Enabling Partners for PLM Growth

Sponsored by: Siemens PLM Software

Paul Edwards
December 2007

IDC OPINION

The Siemens Solution Partner Program has undergone positive changes that reflect the vendor's strategy to maximize support of a broad range of partners in driving share of its Siemens PLM Software solution into enterprise and small and medium-sized business (SMB) markets.

This increased focus on partners aligns with Siemens PLM Software's overall business strategy, which includes driving SMB share of its Velocity Series of digital product design, analysis, and data management software and gaining a stronger position in the enterprise with a "business transformation" strategy, the anchor of which is Teamcenter, its life-cycle management solution.

Key to the Siemens Solution Partner Program are requirements and benefits matched to its relationships for resale, service, and application development activity. To support this, Siemens provides partners with assets to enable the increased performance of sales, marketing, and technical acumen. Siemens provides a shared infrastructure to support its Solution Partners (Channel, Software and Technology, and Consulting and System Integrator [C&SI] Partners) under its Solution Partner Program banner while continuing to manage separate subprograms for each partner group.

Key findings of this IDC White Paper include the following:

- ☒ To support the resale and services business of its Channel Partners, which account for 35% of the vendor's indirect revenue, Siemens PLM Software provides a road map for growth based on its Silver, Gold, and Platinum program levels. This represents an evolution of the Channel Partner from an entry-level relationship to one that is more integrated with Siemens and mutually beneficial.
- ☒ Software and Technology Partners are an important component in Siemens' strategy to expand its market share and extend the value of its PLM solutions through third-party applications. Siemens is evolving its offerings to support the full partner life cycle with a focus on sales and marketing assistance as well as providing technical support.
- ☒ Siemens PLM Software's Consulting and System Integrator Partners benefit from a tiered program similar to that offered to its Channel Partners. The difference is in the requirements and benefits, which, for C&SI Partners, largely focus on supporting industry and business expertise in enabling "PLM transformations" in the enterprise.

METHODOLOGY

This IDC White Paper incorporates information gathered from Siemens PLM Software partner executives, six Siemens partners (two each of Channel, Software and Technology, and Consulting and System Integrator Partners), and IDC's in-depth knowledge of software partnering and program structure and development.

IN THIS WHITE PAPER

This IDC White Paper provides information specific to the Siemens Solution Partner Program, including its requirements and benefits. It also describes the impact of membership in the program from the perspectives of Channel, Software and Technology, and Consulting and System Integrator Partners.

SITUATION OVERVIEW

Driving Partner Economies

Vendor partner programs on their own can't fulfill the overall requirements for a partner in driving a sustained sales or marketing position. The program exists as one element within a broader economic system that partners should evaluate in a vendor. The system also includes market characteristics (e.g., business/technology trends, partner and market perceptions of a vendor, and market demand for the vendor's products) and market affinity (e.g., alignment between the vendor and partner at a technology and account level).

As a key pillar in a partner's relationship with a vendor, however, the program should be evaluated closely to ensure that its value proposition aligns with requirements across the partner life cycle. Partner programs should reflect the changing nature of the businesses they serve in order to provide value that aligns with the needs of a disparate partner community. Key drivers that impact these programs include the evolution of partner business activities (e.g., resale, influence, service, development) and business models (e.g., value-added resellers, system integrators, independent software vendors) and a market that is focused on IT solutions that address customer business issues.

Well-structured and well-managed programs can provide partners (and vendors) with the agility to expand market reach and take advantage of opportunities more quickly. It allows for the enablement of partners across sales and development cycles that are required to address the complex way solutions are bought and sold.

PLM Market Factors

PLM Market View

Product life-cycle management (PLM) is an enterprise software application solution concept that brings together a number of activities required to develop, model, track, manage, and control products and to manufacture, sell, maintain, and, finally, retire these products. There is no doubt that the concept of PLM is now broadly understood, and its merits are increasingly valued.

The overall PLM market in 2006 generated end-user spend of \$9.5 billion, with an increase of 8.4% over 2005. IDC witnessed continued growth in the PLM applications market throughout 2007. One reason is the economic demand for changing business processes, but there are also software vendor-related reasons, including new or upgraded applications, larger and more widely distributing software vendors with PLM-specific offerings, and products with greater vertical-industry focus. PLM is also entering the SMB market as software providers work hard to strengthen their partner relationships to offer deeper consulting and support expertise.

Siemens PLM Software Market View

Siemens PLM Software had a PLM growth rate of 5.5% between 2005 and 2006, raising its PLM revenue (excluding manufacturing) from \$796 million in 2005 to \$840 million in 2006. These figures include licenses and maintenance for its PLM product line, excluding \$80 million in 2006 and \$67 million in 2005 from the digital manufacturing part of its business. Siemens' PLM market share in 2006 amounted to 8.8%, which ranks it third in the PLM market.

Approximately 22% of Siemens PLM Software's revenue can be attributed to partner resale (this excludes partner influence of Siemens PLM Software products that are then sold directly by the vendor, but which result in partner services revenue). The size of the pie available to partners through Siemens PLM Software can be expected to grow based on three key factors:

1. The growth of the overall PLM market
2. The growth of Siemens PLM Software's share of that market
3. An increased focus on the SMB market for PLM solutions

In the enterprise applications market, against which Siemens PLM Software is positioning its PLM solution, average per-deal services to software revenue ratios are 1.6 to 1. Provided PLM solutions can support similar ratios, this will represent a clear market opportunity for partners.

On January 30, 2007, German manufacturing giant Siemens announced its intention to acquire UGS Software for \$3.5 billion. UGS has been integrated into Siemens' Automation and Drives (A&D) Group as Siemens PLM Software, with headquarters remaining in Plano, Texas. A&D has 70,600 employees worldwide and achieved sales revenue of 13 billion euros in FY06.

Siemens Solution Partner Program Primer

The Siemens Solution Partner Program has undergone positive changes that reflect the vendor's strategy to maximize support of a broad range of partners in driving share of its PLM solution into enterprise and SMB markets.

This increased focus on partners aligns with Siemens PLM Software's overall business strategy, which includes driving SMB share of its Velocity Series of digital product design, analysis, and data management software and gaining a stronger position in the enterprise with a "transformational business" strategy, the anchor of which is Teamcenter, its life-cycle management solution.

Key to the Siemens Solution Partner Program are requirements and benefits matched to its relationships for resale, service, and application development activity. To support this, Siemens provides partners with assets to enable the increased performance of sales, marketing, and technical acumen. Siemens provides a shared infrastructure to support its Channel, Software and Technology, and Consulting and System Integrator Partners under its Solution Partner Program banner while continuing to manage separate subprograms for each partner group.

In Support of Channel Partners

A Road Map for Growth

To support the resale and services business of its Channel Partners, which account for 35% of the vendor's revenue, Siemens PLM Software provides a road map for growth based on program levels. This represents an evolution of the Channel Partner from an entry-level relationship to one that is more integrated with Siemens and mutually beneficial.

Siemens PLM Software currently has 410 Channel Partners distributed through its levels, each one supported in a one-to-many framework by a group of regional partner account managers. In the United States, partner managers in each of eight territories support 90 partners. "We encourage a tight relationship between the manager and partner — [the manager's] job is to be the ombudsman and advocate within Siemens," said Kerry Grimes, Vice President of Mid Market and Global Channel Sales.

Siemens has launched a "points-based" system to measure criteria beyond resale to more appropriately identify and compensate the valued Channel Partners with which it wants to work. Channel Partners increase their relationship with Siemens through additional requirements that include product focus, customer satisfaction, business process compliance (e.g., lead acceptance and maintenance, sales forecasting, and opportunity registrations), training, and marketing activity.

Fostering Enablement

Siemens has invested \$1.5 million in its Channel Partner support, specifically in improving partner productivity. The vendor assists partners in enabling their marketing engines through services and tools for target customer development and the creation of marketing collateral and campaigns. In addition, Siemens telemarketing resources are available for lead qualification and follow-up, and partners benefit from the coordination and cooperative efforts between the Siemens partner account manager and field force.

"Historically we've provided more technical than marketing value, but we've focused on improving that, increasing leads to partners by 30% over last year," said Grimes, adding that Channel Partners can offset marketing costs using market development funds (MDF) provided by the vendor at 2–3% of licensing revenue.

Partners that have benefited from this focus include Spatial Integrated Systems (SIS) Inc. and Saratech Inc. SIS, a Siemens PLM Software Platinum Channel Partner based in Rockville, Maryland, has engaged in over 100 PLM projects with Velocity and Teamcenter solutions. Greg Walker, Director of Sales and Marketing, believes Siemens has come a long way since SIS became a partner in 2001 and is better able to support its sales strategy through a number of key program attributes. "They've really made a leap in their level of channel enablement and empowerment, which makes us a stronger partner," he said.

What has been important for SIS is Siemens' provisioning of tools and funding, which allows partners such as SIS to take control of their own lead generation activity. This allows SIS to customize the marketing message and tie Siemens' products around SIS services while being consistent with the overall message. "They show their commitment to us by providing access to quarterly marketing funds, which are more than adequate, and marketing campaign tools that help us grow our business," said Walker.

SIS makes use of Siemens' marketing tools to create a newsletter for prospects and clients that is managed and tracked by a third party. Print on Demand, Siemens' marketing template resource, is also used by the partner for lead generation initiatives. All this activity is fully funded by Siemens. "This all comes back to enablement and providing the tools to manage that — it helps support a consistent message in the market for Siemens that we can then relate back to our value and expertise," said Walker.

Saratech Inc., a Siemens PLM Software Gold Channel Partner based in Laguna Niguel, California, focuses exclusively on selling the vendor's PLM products into the SMB market. Since becoming a Siemens partner in May 2006, Saratech has closed 80 deals with average revenue of \$20,000. "There's a real fit between what we want to achieve and what Siemens is offering as benefits in their program around technical and marketing support," said Andy Deo, Vice President of Marketing.

Saratech has also gained value from enabling its marketing capabilities through Siemens tools and MDF. The partner has been very active in running seminars and Webcasts that drive 60% of its leads, and interaction with the Siemens call center and regional sales organizations drives the other 40%. "All of this is funded 100% by Siemens — it's a tremendous value," said Deo.

Streamlining the Sales Process

In an effort to reduce conflict for partners in the field, Siemens PLM Software has created "hard deck" guidelines for its customer segmentation and engagement. Channel Partner-only territory is defined as customers with under \$100 million in revenue, but partners are encouraged to work within the \$100–750 million customer segment through an opportunity registration process. Siemens sells direct into named accounts with more than \$750 million in revenue. "We don't tell partners where they have to play, but we keep our direct reps out of accounts with certain revenue levels, and we provide a process for partners that mandates our reps work with them," said Grimes.

Utilizing the opportunity registration process allows partners to establish ownership of a deal, or a joint relationship with Siemens or another partner. In situations where Siemens is in an account where a partner has registered an opportunity, the partner either is provided with a referral fee or is invited into a co-sell relationship. The opportunity registration process was launched online earlier this year through Siemens' CRM system (salesforce.com). "Each partner has an account to access this system through the portal — they can receive and track their leads and conduct deal registrations," said Grimes.

This is also viewed as a positive change that further enables SIS and Saratech because Siemens has reduced conflict in the field among partners and with Siemens PLM Software's sales force. This prevents partners from putting resources and effort behind winning accounts that could end up going direct or to another partner and creates a more streamlined sales planning process. "It's hard enough competing with the product competitors, and that is where we want our energy to be. We certainly don't want to compete with Siemens and other channel partners — we see this as a waste of resources and energy," said SIS' Walker.

In fact, Saratech has been motivated to work more with Siemens' reps because of the mutual relationship driven by this strategy, which includes a channel-neutral compensation model. "There's no conflict because of this, so we try to work with Siemens on all deals. We don't want to avoid that; we welcome their involvement," said Deo.

As a young company, Saratech has experienced the difficulty of acquiring new customers and has leaned on Siemens to help create a market presence. "It's not easy gaining traction in the market from a sales engagement perspective, but Siemens has coached our sales team, provided training, and conducted joint account calls that have helped drive our pipeline," said Deo.

Filling the Skills Gap

To increase and maintain all types of partner skills, especially in the area of sales and technical acumen, Siemens has been building a varied curriculum. Partners are encouraged to access training and materials through Siemens' online Partner University and in a weeklong classroom-based course on the vendor's sales methodology that is also provided to its direct reps. Eventually, Siemens will roll out product certifications tied to training currently being developed.

"We don't currently ask partners to be certified, but we'll make this a requirement in 2008," said Grimes, adding that all Channel Partners go through a business planning process in which they commit to employing Siemens-focused sales and technical resources.

A key internal challenge for SIS is to increase its revenue per sale by working on larger opportunities, but it first needs to ensure its employees have the skills required to meet this objective. Four sales employees and 12 technical employees who are focused on the Siemens PLM Software solution sets are in the process of taking pre- and post-sales training courses. This is being accomplished through full utilization of Partner University and the classroom-based sales methodology training, which includes live client calls.

"Siemens is focusing on training that makes us more successful in the field — the online materials are extremely valuable in enabling our pre-sales and technical functions," said Walker, adding that SIS attendee feedback from the sales course is that "it's the best thing going; it really gets the reps' confidence up."

Full Solution Value

According to Siemens, the typical Channel Partner is involved in deals with a 2:1 services to licensing revenue ratio. Key services provided with a Siemens PLM Software solution include implementations (installing and customizing), training (end-user training on how to use product), and business consulting (identifying business issues and recommending a solution). "The key value we bring to partners is our open technology and the opportunity it provides for value-added services," said Grimes.

With a focus on Teamcenter, and other Velocity products such as NX CAM Express, SIS has opened up profitable opportunities that would have normally been out of reach. According to Walker, in pitching Siemens CAD products against competitors' products, SIS would lose as many sales as it would win because it would often be hard to get to the table to compete. With Teamcenter, however, it takes a different tack focused on business operations that allows the partner to address CAD requirements at a later date, after it has established credibility in the account.

"We're more profitable because we're selling new products into new accounts that we wouldn't have reached before — any engineering or CAD shop now becomes a potential customer — and Siemens has enabled that through its product line," said Walker.

Choosing products with market and brand cache is also an important partner success factor, and Walker is convinced that Siemens brings a high credibility factor. "Reputation goes a long way, and this one carries a lot of weight," he said, adding that "Siemens PLM Software is the market leader in data management with Teamcenter, and that's the message that gets us in the door."

Saratech's Deo views its focus on PLM as an important factor in its continued success, even if it takes time to articulate the value proposition to customers. Once in an account, however, the Channel Partner views PLM as a powerful solution with key customer benefits. "Everybody needs PLM — they know they need to streamline processes — but not everybody understands what PLM is," he said. "With PLM, we help clients work better, which reduces production times, people and data management time, and time to market, which all reduce costs."

In Support of Software and Technology Partners

Finding the Right Fit

Software and Technology Partners are an important component in Siemens PLM Software's strategy to expand its market share and extend the value of its solutions through third-party applications. Siemens is evolving its support to encompass the full partner life cycle with a focus on sales and marketing assistance as well as providing technical support.

Siemens Software and Technology Partners are assigned by the vendor to one of four relationship types based on partner objectives and level of integration and commitment. This is not a tiered program approach, but rather a category definition, although each comes with its own benefits and requirements. The four Software and Technology Partner categories are as follows, in order of highest to lowest level of partner commitment and integration:

- ☒ **Strategic Partners** provide primary technical platforms for the Siemens PLM Software product line and participate in integrated alliance activities that span multiple geographies and solution areas. Strategic Software and Technology Partners benefit from joint sales and marketing activity based on a shared business plan. Each has a dedicated account manager and participates in the development of case studies that evangelize the power of the relationship to the Siemens and partner field teams. The technical aspect of these relationships is focused on road map sharing to ensure product alignment and testing and tuning to optimize performance. Siemens PLM Software has three Strategic Software and Technology Partners: Oracle, Microsoft, and IBM.
- ☒ **Foundation Partners** develop products using Siemens APIs that extend the value of Siemens PLM Software applications. There are 90 Foundation Partners worldwide.
- ☒ **Open Partners** develop products or services using a Siemens PLM Component. Any Siemens partner is eligible to become an Open Partner by purchasing a PLM Component. These partners primarily receive some level of technical and marketing support. There are 150 Open Partners worldwide.
- ☒ **Interface Partners** develop file-level interfaces (e.g., for file transfers) and utilities compatible with Siemens PLM Software solutions. Any Siemens partner is eligible to become an Interface Partner by purchasing an end-user license. These partners primarily receive some level of technical and marketing support. There are 200 Interface Partners worldwide.

The mix of benefits provided to Software and Technology Partners includes technical, marketing, and sales support, as highlighted in Table 1.

TABLE 1

Siemens PLM Software: Software and Technology Partner Benefits

	Product and Development	Training and Services	Sales	Marketing
Strategic	<ul style="list-style-type: none"> • API licenses • Access to product planning road maps 	<ul style="list-style-type: none"> • Fee-based implementation • Pre-sales support • Development support • Access to API training • Access to component training 	<ul style="list-style-type: none"> • Product sales reporting • Joint sales efforts • Bonded access to customer lists 	<ul style="list-style-type: none"> • Jointly developed demo parts/scripts • Jointly developed marketing program • Partner and joint press releases
Foundation	<ul style="list-style-type: none"> • API licenses • Access to product planning road maps 	<ul style="list-style-type: none"> • Fee-based implementation • Pre-sales support • Development support • Access to API training • Access to component training 	<ul style="list-style-type: none"> • Product sales reporting • Joint sales efforts • Bonded access to customer lists 	<ul style="list-style-type: none"> • Jointly developed demo parts/scripts • Jointly developed marketing program • Partner and joint press releases
Open	<ul style="list-style-type: none"> • Input to enhancement request lists and standard end-user ER reporting and escalation 	<ul style="list-style-type: none"> • Access to component training 	<ul style="list-style-type: none"> • Product sales reporting • Joint sales efforts • Bonded access to customer lists 	<ul style="list-style-type: none"> • Inclusion in quarterly partner update press release • Participation in existing marketing programs • Support for partner press releases • Collateral support • Info page on Siemens PLM Software public and internal Web sites • Internal announcement • Use of Siemens partner and product branding
Interface	<ul style="list-style-type: none"> • Priority shipment of all software releases • Demonstration licenses 	<ul style="list-style-type: none"> • Access to standard product training • Post-sales support 	<ul style="list-style-type: none"> • Lead generation (Web site referrals) 	<ul style="list-style-type: none"> • Inclusion in quarterly partner update press release • Participation in existing marketing programs • Support for partner press releases • Collateral support • Info page on Siemens PLM Software public and internal Web sites • Internal announcement • Use of Siemens partner and product branding

Source: Siemens PLM Software, 2007

Foundation for Success

Foundation Partners benefit from the highest level of relationship with Siemens PLM Software outside of its three Strategic Partners. These relationship drivers focus predominantly on the partner's marketing and sales activity, which includes access to the Siemens marketing campaigns and sales force. "They get visibility into our pipeline and are associated with deals that we track," said Chris Kelley, Vice President, Partner and Platform Marketing, Global Marketing.

Foundation Partners also pay royalties to Siemens on the sale of solutions that include a product developed using the Siemens PLM Software APIs. In some cases, Siemens resells the partner's software through either its direct sales group or its channel partners. Royalty fees are based on a sliding scale of 5% to 40%, depending on the number of APIs used and the Siemens/Partner support responsibilities.

Marketing Value

This year, Siemens PLM Software is running 15 global and regional marketing campaigns that include seminars and direct mail activity and that involve 40 Foundation Partners. Each partner is invited to participate in the design and execution of the campaign and to engage with Siemens sales. "Partners can get a lot of leverage in these campaigns from having the right solution, and because they don't have to spend a lot of their own money, it minimizes risk," said Kelley.

Other marketing benefits include a listing in the Siemens solutions directory and the opportunity to participate in events, demos, and case studies. From a technical perspective, Foundation Partners receive a fully supported Siemens product and have access to formal future road map briefings via Webcasts.

Even at the simplest level, Foundation Partner BCT Technology has benefited from the Siemens Solution Partner Program offerings. President Klaus Erdrich cited an example of gaining access to sales materials such as presentations, white papers, and sales guides that weren't readily available before. "We used to have to ask for these materials, which meant we weren't always enabled on the Siemens products," he said.

Another Foundation Partner, ANSYS Inc., finds value in being able to run marketing campaigns targeted to the Siemens user base through media such as online journals and ezines. ANSYS also believes it's important for Siemens to support this type of activity even when partners with competing products request such marketing campaigns.

"The Siemens PLM software footprint is huge, and it's a requirement of our business to support that client base. Siemens indeed helps facilitate these marketing campaigns," said Shane Moeykens, Strategic Partnership Manager at ANSYS. "Siemens should be complimented for having an open partner program that includes companies whose products and services overlap somewhat. Siemens recognizes, as we do, that the needs of our joint clients are a priority."

Engaging the Sales Process

Both BCT and ANSYS have experienced the breadth of benefits from membership in the Siemens Solution Partner Program. BCT, which is based in Willstätt, Germany, develops engineering tools and data management software for the manufacturing industry. Headquartered in Canonsburg, Pennsylvania, ANSYS develops engineering simulation and analysis software.

BCT, with products developed for Teamcenter, Solid Edge, and NX listed on the Siemens global price book, has derived value from this arrangement and the Siemens sales relationship in accessing markets the Software and Technology Partner would otherwise not have been able to enter. "We never had a chance in markets like aerospace, defense, and healthcare until Siemens stepped in. It wouldn't have been possible for us to make direct sales contact with these large companies," said Erdrich, adding that the company has won in excess of 20 deals worth a total of \$675,000 through this sales model.

BCT also leveraged its Siemens sales relationship to make an impact in the German machinery market. In this arrangement, a special bundle combining Siemens PLM Software and BCT products resulted in the sale of 2,000 licenses, 95% of which were sold through Siemens. For this reason, and because of the breadth of the Siemens technology, BCT says it has committed fully to the Siemens relationship.

To help support its own pipeline, ANSYS leverages Siemens' sales enablement offerings such as participation in the Siemens end-user conference in which the simulation company interacts with joint and prospective clients. The results of these efforts are tangible. "This is good value for us to participate with an exhibit booth. It's quite common for a sale or two to come out of this. But, more importantly, we get the opportunity to nurture existing clients and keep them informed about our products," said Moeykens.

Technology Imperative

In addition to benefiting from a close sales relationship with Siemens, BCT views the Siemens technology as a main driver in the partnership and its success. A key imperative is the breadth of the product line, which allows the Software and Technology Partner to meet a wide spectrum of client requirements while helping increase BCT's value and revenue.

"We completely rely on Siemens technology because no competitor is able to fulfill an overall strategy from design to physical manufacturing," said BCT's Erdrich. "We increased our revenue by 14% last year, and if the Siemens relationship and products were not good, we wouldn't have been able to do this."

The majority of flagship products from ANSYS are integrated with Siemens NX and Solid Edge because as much as a quarter of this Software and Technology Partner's client base uses these CAD/PLM platforms. As a result, it's crucial for ANSYS to have access to appropriate technical resources, which comes from Siemens Solution Partner Program membership and a close working relationship with its partner account manager.

"Program participation and access to our account manager facilitate the integration and interoperability processes of our products with Siemens technology, which is critical. If we didn't have this, up to a quarter of our business could be in jeopardy," said Moeykens, adding that the company directly benefits from Siemens' market growth in that ANSYS offers well-integrated analysis software to Siemens customers.

From a technical perspective, Moeykens considers the Siemens API development toolkit and support invaluable, but the partner's account manager has played the biggest role in expediting the required technical results. "We can get into complex scenarios that prevent us from achieving certain goals. But with one call to our partner manager, we can have senior Siemens developers meeting with us within days," he said, adding that ANSYS has experienced a number of such interactions that have saved months in development man-hours.

In Support of Consulting and System Integrator Partners

Transforming the Enterprise

Siemens PLM Software's Consulting and System Integrator (C&SI) Partners benefit from a tiered program similar to that offered to its Channel Partners. The difference is in the requirements and benefits, which, for C&SI Partners, largely focus on blending industry, business, and technical expertise in joint client engagements to enable "PLM transformations" in the enterprise.

Siemens' C&SI Partner strategy was developed to support consulting and IT services firms that can persuade chief executives to invest in PLM transformations and position Siemens PLM as a technology that addresses their enterprise business process challenges. Siemens has limited expertise in this key area and is relying on its partners to address it. "As PLM has matured and become more of an enterprise application, the sales model has also changed — speaking to the executive level routinely about transforming their business through PLM is a scarce talent in our sales force," said Jim Roche, Vice President of C&SI Alliances.

Roche views the PLM opportunity for consulting and IT services firms as being similar to practices they may already have focused on ERP and CRM, also considered businesswide transformation technologies. In addition, C&SI Partners can benefit from a co-sell relationship with Siemens that the vendor says generates more net-new revenue for both parties, with a guaranteed minimum 80% of the per-deal services pie going to the participating partner.

"Our C&SI Partners can generate \$10 million to \$200 million-plus in Siemens-based PLM services today, but that could grow to \$500 million to \$1 billion with the strategic potential of this line of business," said Roche. "The value of this relationship is based on a joint solution co-selling model rather than on delivery enablement. It's a false premise to assume the vendor is going to sell and the partner is going to deliver the solution — that approach has little value-add [and] far less revenue potential and creates conflict between the partner and our services organization."

Integrated Sales and Technology

From a business perspective, consulting firm PRTM has experienced positive results over its two-year relationship with Siemens. A privately held management consultant firm with 650 employees focused on operations improvement consulting in the enterprise, PRTM has benefited from its close working relationship with Siemens sales. "We collaborate with a global sales force of over 500 account executives — it's horsepower that helps us build our PLM practice," said PRTM Vice President Chris Wheeler, adding that working with Siemens has led to several new opportunities to help clients achieve transformational results.

Another area where Siemens relies on its C&SI Partners is penetration of markets outside the vendor's core industries of aerospace, automotive, high tech, and machinery. Industries such as retail, consumer packaged goods, energy, pharmaceuticals, and the federal government are key target areas in which Siemens has won lighthouse accounts and is now looking to its partners to drive significant penetration and revenue. "Our strategy is to work with partners that have a presence and reputation in these industries, but might not currently sell PLM, and get them to understand its value proposition," said Roche.

Siemens defines enterprise deals as greater than \$1 million in license revenue. Since launching the C&SI program in 2005 with five initial partners (Accenture, Capgemini, CSC, EDS, and HP), the vendor has experienced increasing growth. "We used to sell one or two of these deals a quarter — now it's as many as 20, which is indicative of a growing level of enterprise executive mindshare that has occurred in part through our alliance partnerships," said Roche.

Siemens' approach has helped global technology services firm EDS extend into new markets and expand customer footprints. EDS, based in Plano, Texas, has a key focus on enterprise customers in eight industry markets, including manufacturing and government and defense, and has revenue in excess of \$21 billion. An expansion into the consumer packaged goods industry by the system integrator was enhanced by Siemens' presence and collaborative working relationship in identifying net-new opportunities. In addition, Siemens provides EDS with access to additional budgets outside of traditional IT departments.

"Most IT dollars come from the IT budget, but we have been able to access engineering budgets for additional revenue sources," said Joan Davies, Vice President, Aerospace and Defense at EDS. "There's money on the table in engineering that is available if you can improve that environment and its processes — and Siemens has credible technology and capabilities that allow us to penetrate this other revenue flow."

EDS' strong presence in manufacturing includes the aerospace industry, which is going through a restructuring of supply chains brought on by the need for cost reductions and greater speed to market. "This drives more collaboration across companies, which drives the need for what's core to Siemens — creating a better quality product that goes to market faster through reuse of designs," said Davies.

This is a reference to Siemens' PLM technology, which is based on an open architecture, allowing companies to manage end-to-end data management while working with any CAD software. "Siemens has done a good job of capturing larger market share by recognizing that not everyone is going to use their CAD software for development," said Davies.

Through its focus on PLM, EDS has grown its footprint along with the vendor, particularly in Aerospace and Defense with a focus on business processes and underlying infrastructure. "Working this together is exciting because there's real productivity and time to market you can bring to these clients," said Davies, adding that Siemens' products have excellent functionality and the vendor makes it easy to work with them.

Similarly, PRTM works as an advocate for "transformational change" within its clients and supports Siemens technology to enable this process. "Siemens has a broad product development solution offering that is often the package our clients select," said Wheeler, adding that Siemens is the technology provider in many of its PLM implementations in the high-tech space.

Aside from the technology, PRTM partners with Siemens because of a strong synergy in their working relationship and complementary services that eliminates competition between the two companies. "There's no conflict in our relationship. PRTM has solution architects and business process designers, and yet PRTM does not configure the software — Siemens Services does that," said Wheeler.

Requirements and Benefits

The goal of Roche and the C&SI program is to expose services companies at the highest executive level to its view of the market and, more importantly, the revenue potential for partners that engage with Siemens to develop an enterprise transformation practice.

The Siemens C&SI program is segmented into three "tracks": Global, Specialized, and Transactional. Descriptions of each track are as follows:

- ☒ **Global Partners** participate in a five-year business plan focused on defining joint sales, marketing, and go-to-market solution strategies in industry segments. Global relationships span multiple continents and industries. Participants have sufficient influence and resources to drive enterprise PLM investment decisions and to lead PLM transformation programs. This track includes joint investment and teaming.
- ☒ **Specialized Partners** participate at a regional or an industry level where they have the potential to influence a PLM solution decision and may have a defined business plan, including select target accounts and a committed sales team to address them. This group may engage in joint solutions and industry campaigns and will have an ongoing working relationship with the Siemens field. Teaming will occur frequently and may include joint investment.
- ☒ **Transactional Partners** include large and small IT service firms that have signed a reciprocal service agreement defining prime and subcontractor relationships. This allows for the forming of project teams when needed. These partners have influence and resources sufficient to occasionally drive enterprise PLM investment decisions and lead PLM transformation programs. Teaming between Siemens PLM Software and the partner will occur occasionally, but there is no joint investment.

A key program process utilized by PRTM is target selection and pipeline management for joint engagements. This is conducted with the Siemens alliance manager who also helps the partner connect with the right Siemens account representatives. In addition, driving marketing enablement through joint intellectual property creation, such as white papers, co-sponsored benchmarking studies, and implementation approaches, helps align customer value propositions and improve the overall solution offering. "The relationship with Siemens is based on years of working together, building trust in the marketplace. You can't underestimate the value of trust in making partnerships work," said Wheeler.

EDS also finds value in joint planning sessions where both parties work through named accounts and look for the next level of teaming opportunity. More important, however, are Siemens' actions. "If they say they're going to work with you on accounts, they will. This is important because we're very formal about how we put our alliance relationships in place, and our combined executives have serious discussions about where we're going. It's not debated; it's considered critical," said Davies.

FUTURE OUTLOOK

Partners will continue to be a critical component of Siemens PLM Software's technical and go-to-market strategies, and providing appropriate offerings across the product and sales life cycles will be key to the company's success. To be competitive, Siemens will be required to continue building effective offerings to support partner recruitment and retention. This will include a focused effort in areas most important to all partner business models (i.e., value-added resellers, system integrators, and independent software vendors). Greater focus on and investment in refining its Partner Program will likely increase Siemens PLM Software's market and partner success in the coming years.

CHALLENGES/OPPORTUNITIES

Siemens PLM Software should continue to make improvements to its Solution Partner Program to maximize its partners' technical and business value, which could lead to increased loyalty and higher-yield relationships. In particular, Siemens' investments and resources should focus on addressing the need for a fully integrated Solution Partner Program rather than continuing to maintain "silo" programs in support of its Channel, Software and Technology, and Consulting and System Integrator Partners.

Siemens should work toward developing a modular, systematic, and systemic relationship structure that allows partners to select their place within a single program based on requirements and benefits that align with their business requirements. Partners are viewed in this approach as businesses that conduct multiple activities across customer decision cycles within one or more markets and industries. The benefits of this approach for Siemens would include the following:

- ☒ Siemens would be able to recognize and reward partners for their complete contribution to the customer relationship, including solutions and/or market expertise and influence and/or resale activity. Currently Siemens addresses partner requirements in silo programs based on business type or activity, with access to rewards based on performance in each category. This approach is successful only in encouraging a specific activity of a partner rather than supporting the entire value that the partner might bring to the client relationship.

- ☒ Partners would be able to select their place within the program based on their own business requirements and goals. Many partner business models are in flux, evolving as survival and the market demand. Situating a partner in a partner-type program can be disruptive to a positive relationship when elements of that program cease to address new requirements that arise from an evolving partner business model.
- ☒ There would be an equal focus on partner breadth and depth. Partners that rank low in silo programs could gain greater exposure to Siemens in a unified program through commitment and performance in areas that have stronger alignment with their capabilities, such as vertical market expertise and/or practice capabilities, among others. The resultant identification of these partners by Siemens can allow for closer nurturing and greater direct or indirect revenue activity.

Another challenge for Siemens PLM Software and its partners will be how this business aligns with the overall Siemens corporation. Because Siemens AG has not historically focused on the software and PLM markets, it may take time before it's clear how dedicated it is to investing in and growing this business. Also, the ability of Siemens PLM Software to move quickly to meet changes in the market may also be compromised from being within a much larger organization with higher levels of bureaucratic procedure. An additional issue may reside in Siemens AG's strong focus on enterprise application integration services, which may prove a good extension into PLM integrations but could be problematic for PLM partners if it creates an increase in services conflict.

Partners assessing Siemens PLM Software as a potential opportunity should review at least the following three important attributes offered by the vendor:

- ☒ **Market characteristics:** This includes business and technology trends, partner and market perceptions of the vendor, and market demand for its products.
- ☒ **Market affinity:** This includes alignment between the vendor and partner at a technology and account level.
- ☒ **Solution Partner Program:** Does the program's value proposition align with requirements across the partner life cycle? Well-structured and well-managed programs can provide partners with the agility to expand market reach and take advantage of opportunities more quickly. The program allows for the enablement of partners across sales and development cycles that are required to address the complex way in which solutions are bought and sold.

Copyright Notice

External Publication of IDC Information and Data — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2007 IDC. Reproduction without written permission is completely forbidden.