Kickoff Workshop Pre-requisite Foundational Material

Partner Business Model Definitions & Partner Financial Basics

IPED® Consulting

THECHANNELCO™

ChannelMasters®

The Perspective of a Former Channel Chief

Rauline Ochs

IPED CHANNEL INSIGHT

CRN IPED

The Art Of Cloud Brokering

By Rauline Ochs

IPED RECENTLY COMPLETED a 2012 study assessing customer and partner opinion regarding the need for cloud brokers to consolidate services for the customer when cloud services deliver customer IT capabilities. Gartner positions and defines the cloud services into their businesses, but where recurrin did not yet account for the majority of company r

In the 2012 study, IPED took a closer look at c in particular, Champion Solutions Group, located Since 1979, Champion has transformed its busines

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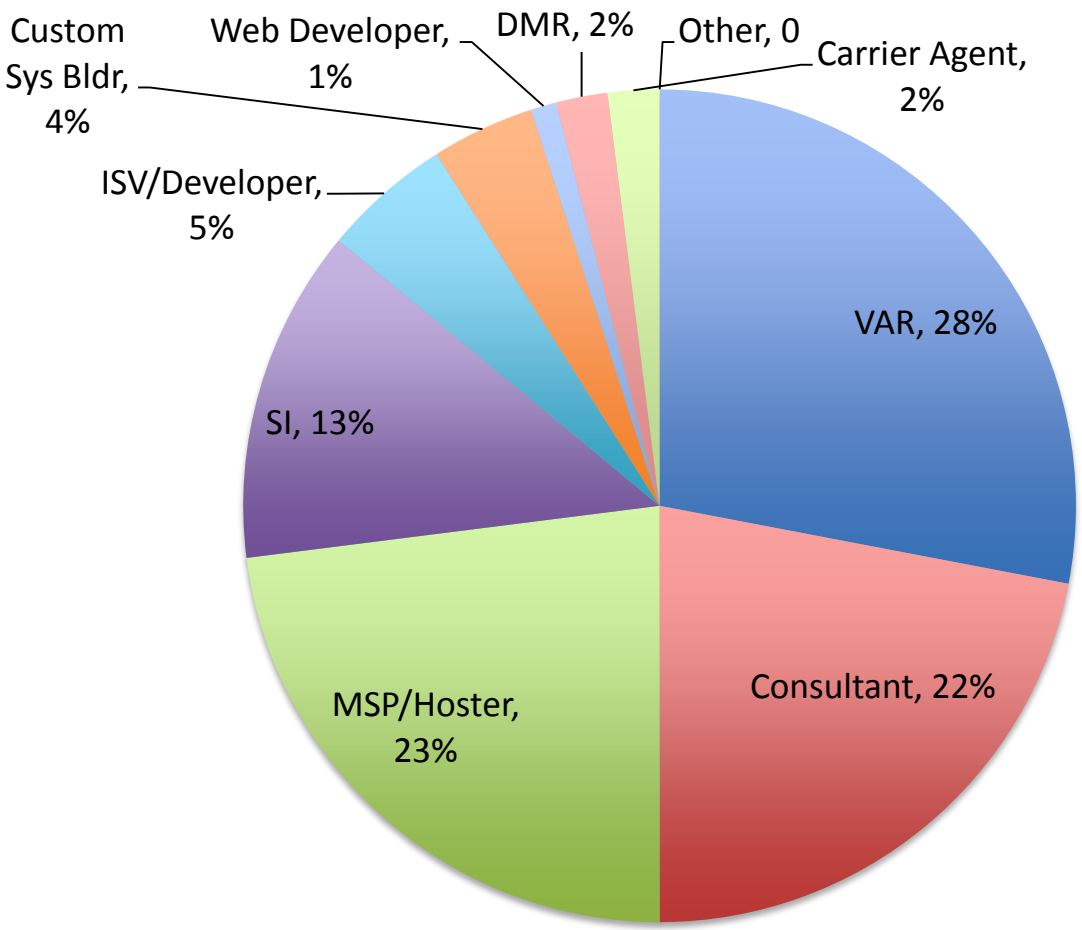
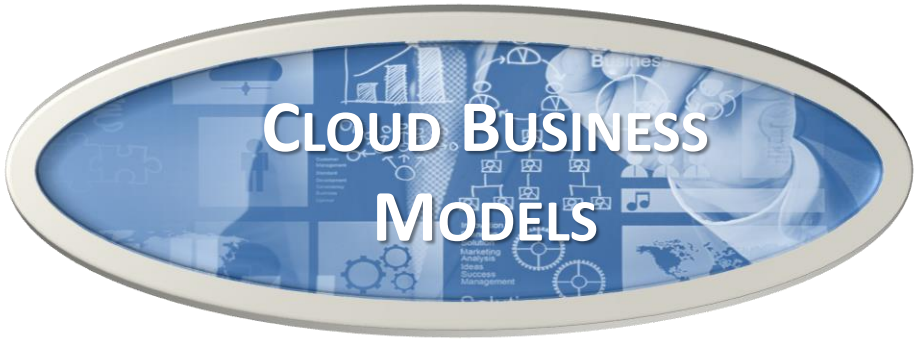
The North American Solution Provider Universe



Based on selection of primary business model

Q: Which of the following best describes your current primary business model?

IPED 2016 Census



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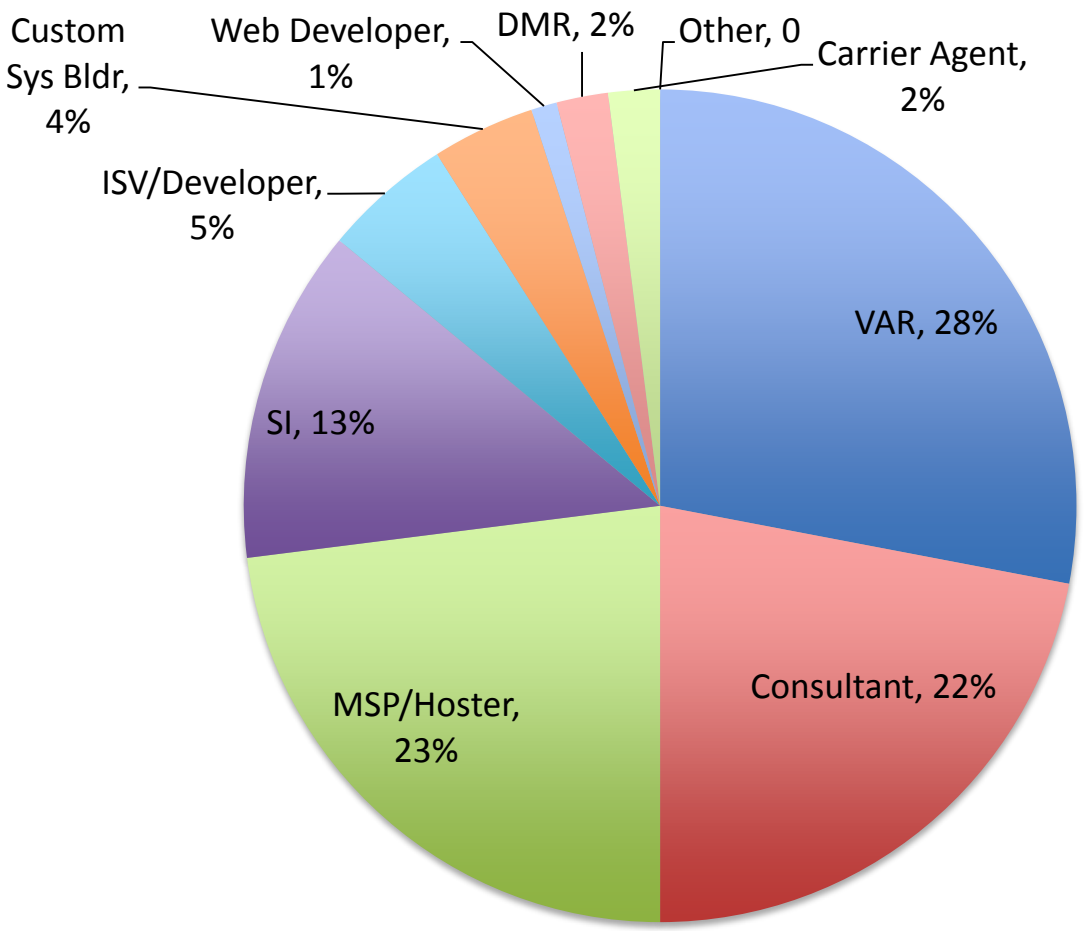

Based on selection of primary business model

IPED 2016 Census

Q: Which of the following best describes your current primary business model?

- Roughly estimated to be a population of 160,000
- "VAR/reseller" model on slow and steady decline as primary business models to MSP/Hoster and Systems Integrator (SI)
- MSP segment includes any managed service, e.g. desktop, mobility, UC, servers/storage, print, etc.
- Carrier Agent business model is small, specialized around wired, wireless and internet, this has doubled in 3 years reflecting the telephony channel integration

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Solution Provider Business Models: Definitions

Solution Provider/VAR	Your company delivers a broad footprint of technologies and solutions to several different verticals with no specific end-user focus. Your company's revenue (>50%) comes predominantly from integrating and selling hardware, software and services. You normally take title to product.
Consultant	Your company's revenue (>90%) comes predominantly from design- and planning-based consulting with a mixture of IT and business consulting. You do not normally take title to product. Your value comes from your ability to integrate and support technologies as well as determining product and brands.
ISV	Your company's revenue (>85%) comes predominantly from the development of proprietary software solutions or applications. You have expertise in standard market platforms (Windows, UNIX, Linux, and Mac operating systems) and large business software solutions.

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Solution Provider Business Models: Definitions

Direct Market Reseller (DMR)	Your primary business is to sell hardware and software products to end-users via telemarketing. Less than 10% of your revenue is derived from services outside of the operating system attached to products (i.e., renewal and break/fix).
Systems Integrator	Your company traditionally realizes approximately 70% of revenue from consulting and design services. You have significant expertise in a technology segment or vertical market. You are different from an IT consultant in that you also take title to products.
Custom Systems Builder	Your company's revenue (>85%) comes predominantly from designing, building and delivering your own brand of hardware infrastructure such as "white box" or custom systems.

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Solution Provider Business Models: Definitions

Managed Services Provider	Your company's revenue (>50%) comes predominantly from delivering IT recurring services provided on a contractual basis to maintain your end-users' computers, networks or software. They can be delivered either on-site at the end-user's data center, remotely by you in your data center, or a data center to which you have negotiated access. Note: includes desktop, application, security, VOIP, print or other capabilities
Hosting Services Provider	Your company's revenue (typically >85%) comes predominantly from shared, dedicated, or virtual private server hosting (a hybrid of the first two) of services to end-users. Hosting services can be provided for managed servers, dedicated servers, virtualization, clouds, co-location, mobile applications, email hosting, application hosting or domain hosting services. Note: less likely to include application or BYOD capabilities
Web Developer	Your company's revenue comes predominantly from development of Web sites, handle all programming aspects of creating a Web site, including HTML programming, creating graphics, links, and other related tasks of building Web sites.

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Solution Provider Business Models: Definitions

Cloud Solution Providers *See breakout of 7 cloud models*	At least 50% of your company revenue comes from the design and implementation of cloud applications and/ or infrastructure services and their integration to legacy IT systems. There are six sub-segments of business models that relate to the architecture, sale and implementation of cloud services (see Cloud Business Models)
Service Provider Agent	Your company's revenue comes predominantly from providing carrier-based high-speed data access, digital cable, high speed online and digital phone services to end-users.
Distributor	You resell products and services to various types of solution providers (resellers, VAR, Integrators, etc.) and provide associated recruitment, training and demand generation assistance services on behalf of the vendors' product lines you support.

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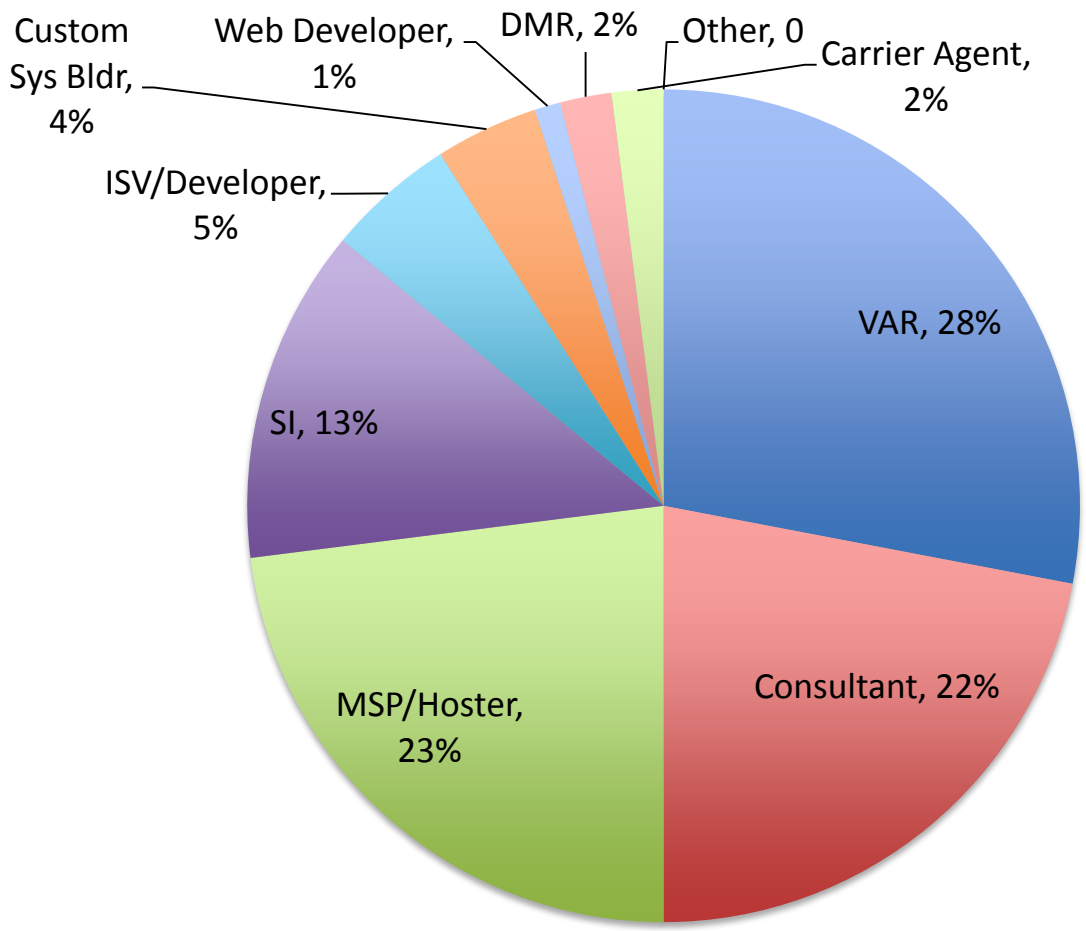
The N. American Solution Provider Universe



Based on selection of primary business model

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IPED 2016 Census

"Our Managed Services offering builds trust with our clients. Since we're looking at their IT operations every day and solving problems together they're a lot more inclined to listen to us when we bring a new technology to invest in."

President and COO,
$40m MSP and Microsoft/Cisco VAR

"Building recurring revenue streams is the most important issue for us in terms of our future investment in ANY technology area."

President and COO,
$220m SI, VAR and Cloud Integrator

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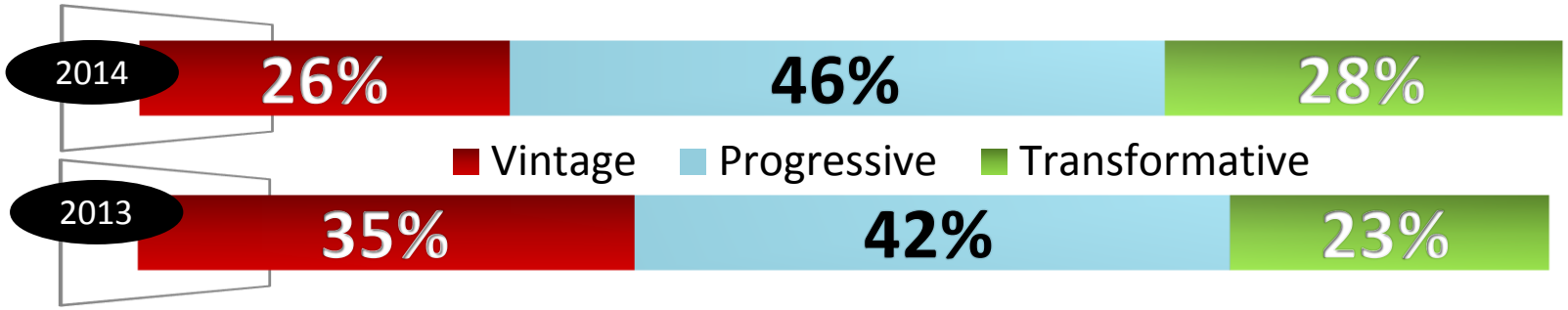
Rise of MSP Business Model & Cloud Reseller/Agent Drive Growth in Transformative Model



Vintage

- ✓ relationship with IT contacts
- ✓ resale of on-premise
- ✓ ***very limited* recurring revenue**
- ✓ project based
- ✓ mostly SMB end-users
- ✓ high volume, lower prices
- ✓ "lifestyle" business

Progressive

- ✓ relationships with both LOB and IT
- ✓ actively expanding # of end-users
- ✓ *some* recurring revenues
- ✓ adopted cloud services/MSP practice
- ✓ pre-packaged services
- ✓ relationships with service providers
- ✓ sell or develop applications or extensions

Transformative

- ✓ relationships with LOB and IT
- ✓ specialize in key vertical markets
- ✓ ***significant % of overall revenues* come from recurring revenue**
- ✓ offers a variety of cloud services or applications
- ✓ understand and addresses business process
- ✓ active in P2P collaboration
- ✓ does some custom software development

Q. How would you characterize your company's business culture today?

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Cloud Agent and Reseller Programs Now Mainstay; Consultant Role Draws on Professional Services Focus and Private Cloud Pilots

Now **69%** of solution providers clearly identify themselves with one or more **CLOUD SOLUTION PROVIDER** business models

32% CLOUD **58%**
AGENT/RESELLER

PRIMARY ROLE:
Influence customers to adopt cloud solutions and **sell** (only) third-party cloud offerings

Cumulus Global
TEKLINKS
AGOSTO

30% CLOUD **33%**
CONSULTANT

PRIMARY ROLE:
Design & architecture of cloud solutions for business outcomes

Cloud Sherpas
APPIRIO
bluewolf
NEWSIGNATURE

22% CLOUD **19%**
SERVICE PROVIDER

PRIMARY ROLE:
Build & manage infrastructure for providing hybrid & public cloud environments

iland
amazon webservices
rackspace
NETREPID technology SIDE by SIDE

*Q: Which **cloud business model(s)** does your organization expect to utilize in 2014? (choose top 2)*

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Cloud Builder Role Evolving from Legacy SI and VAR Roles; Expect to See Broker Role Increase to Manage Multiple Services

15% Cloud Application Provider **23%**

Primary role:
Build SaaS applications for public, private or hybrid cloud solutions

Concur · iTexico · WTI Systems · {X} 10th Magnitude

14% Cloud Builder **27%**

Primary role:
Integrate & deploy technology to build private or hybrid cloud data centers

LOGICALIS · PRESIDIO · GreenPages Technology Solutions (Consulting. Engineering. Integration.) · FORSYTHE

9% Cloud Broker **12%**

Primary role:
Aggregate various cloud solutions with integrated management services

Cloud Sherpas · DIRECT CLOUD · APEX Digital Solutions

In 2013, the Cloud Broker role was deemed "**critical" by 27%** of end-users; **52% were undecided** and only 21% said it was "not important."

Source: IPED State of the Market research

Cloud Solution Providers: Business Models

Cloud Aggregator/Marketplace

Primary role:
Aggregates cloud services and delivers training and management services to business partners

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IT Ecosystem Now Includes Three Vendor Types

IT Hardware Manufacturer

- Develop, sell & support their branded IT products or components

Software Publisher

- Develop, sell & support commercially available software products & applications

Service Provider

- Derive at least 50% of revenue from delivering contractual recurring services on site, hosted or remotely managed

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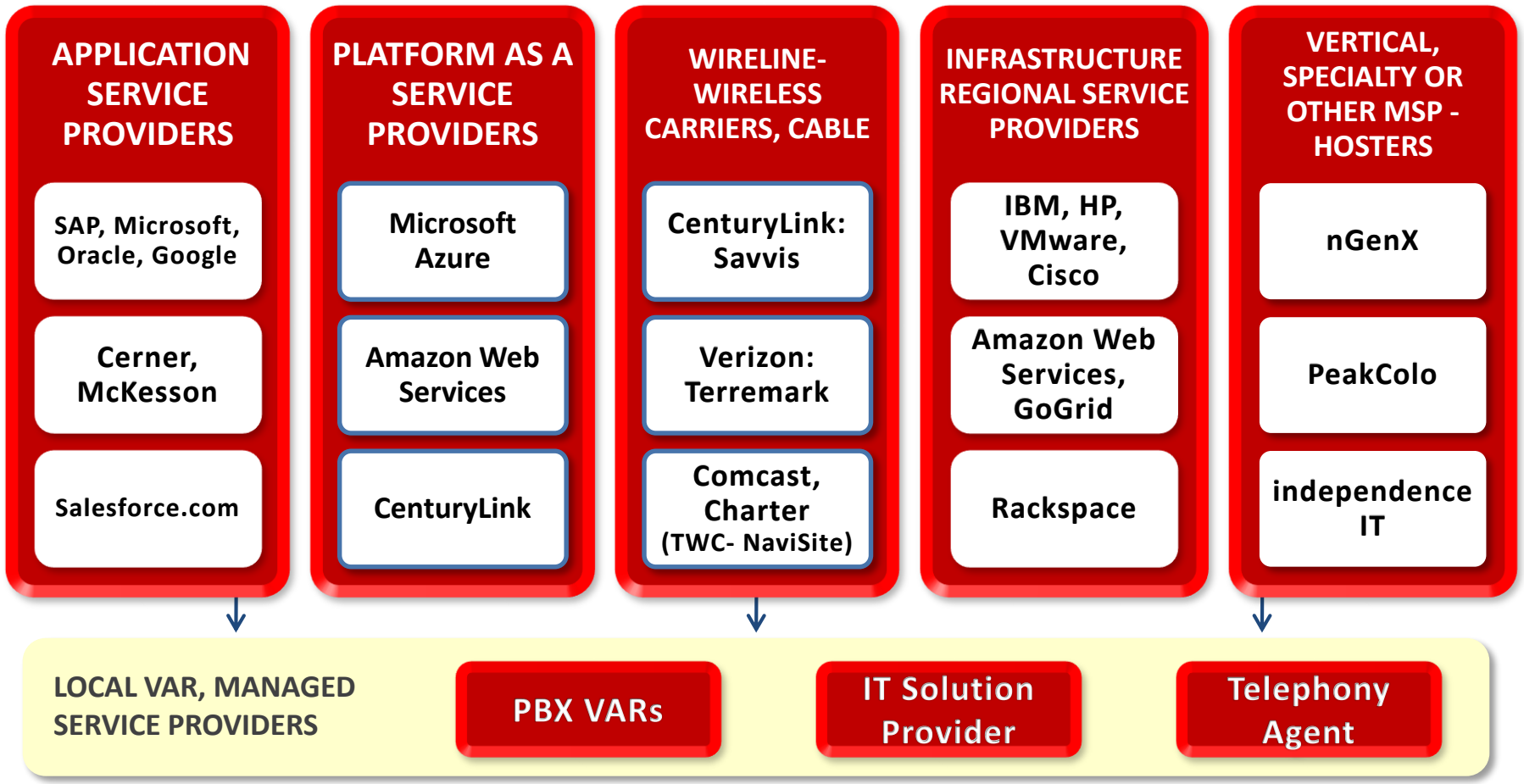
Service Providers Are New IT Vendors. All Are Recruiting Your Partners!!



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Changes in the Telephony Infrastructure as a Service Space

CenturyLink Purchases Saavis and Renames as CenturyLink Technology Services

CENTURYLINK, COLOCATION, DATA CENTER STRATEGIES, FEATURED

Why CenturyLink Doesn't Want to Own Data Centers

BY YEVGENIY SVERDLIK ON NOVEMBER 5, 2015 — 1 COMMENT

63 Like | Tweet | 670 Share | 12 G+1

Story updated with comments by CenturyLink spokesperson

CenturyLink's colocation business, the business whose seeds were sown primarily four years ago with the $2.5 billion acquisition of Savvis, is not doing well. Colo revenue is not growing, and the telecommunications giant is looking for ways to avoid investing more capital in the segment.

Following Verizon's 2011 Purchase of IaaS Provider Terremark

COLOCATION, DEALS, FEATURED, VERIZON

Who May Buy Verizon's Data Centers?

BY YEVGENIY SVERDLIK ON JANUARY 11, 2016 — ADD YOUR COMMENTS

47 Like | Tweet | 812 Share | 15 G+1

While officially Verizon remains quiet about the alleged auction for its massive data center portfolio, the report that it is looking to offload some $2.5 billion worth of data centers isn't far-fetched.

Source: Data Center Knowledge Magazine

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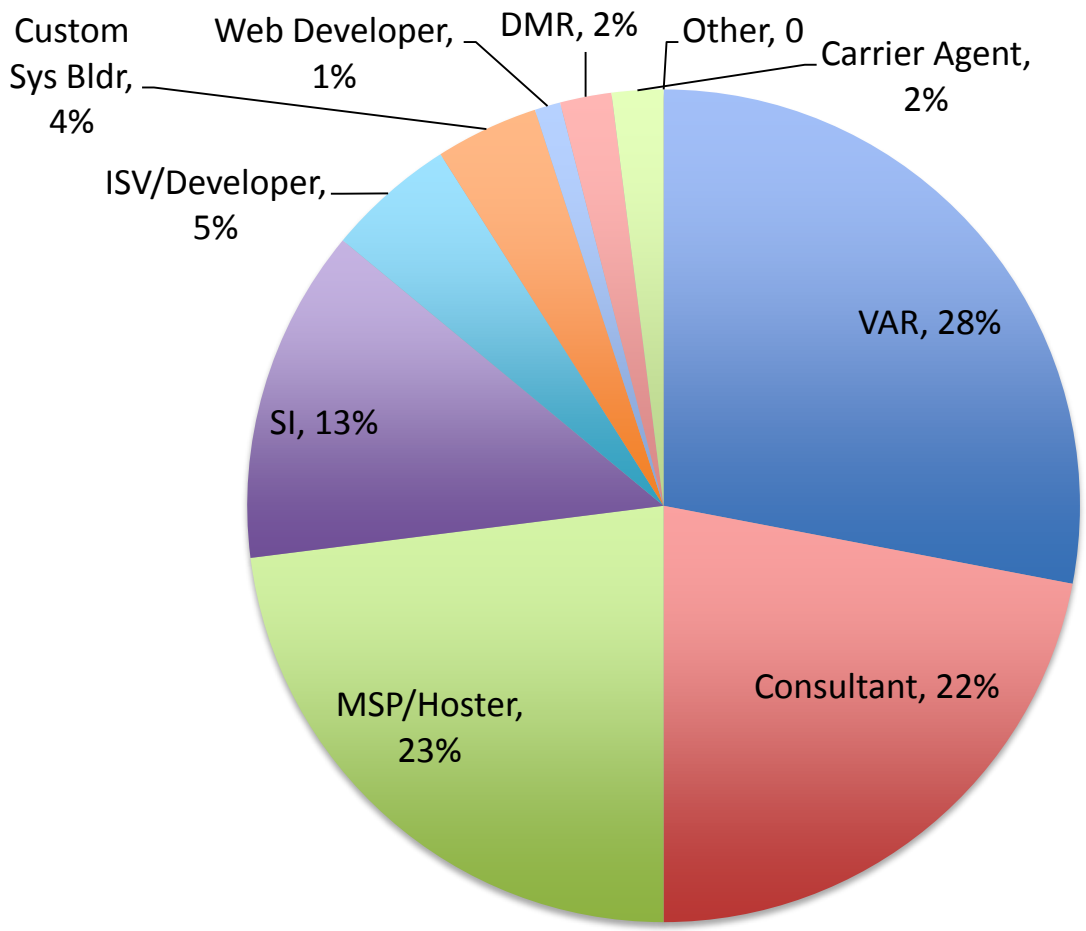
The N. American Solution Provider Universe



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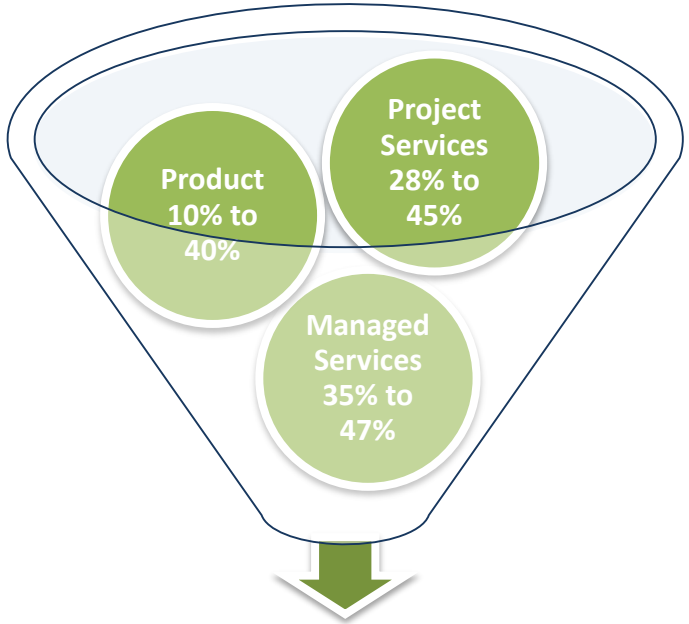

Technology Line of Business or Company

*Sample Average Gross Margins**

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What Partners Primarily Care About

To effectively develop material for partners, we must be able to position our solutions from the partner's point of view.

Solution Providers

- Drive services revenue
- Solutions/Quality
- Margin

Service Providers

- Operational efficiency
- Revenue attach from customers
- Reduce operational expenses

OEMs

- Build vs. buy
- Time to market
- Customer growth

Distributors

- Operational efficiency
- Vendor ROI (margin, rebate, etc.)
- Addressable Market opportunity

We must look at the world through "Partner" glasses

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What They Do to Make Money

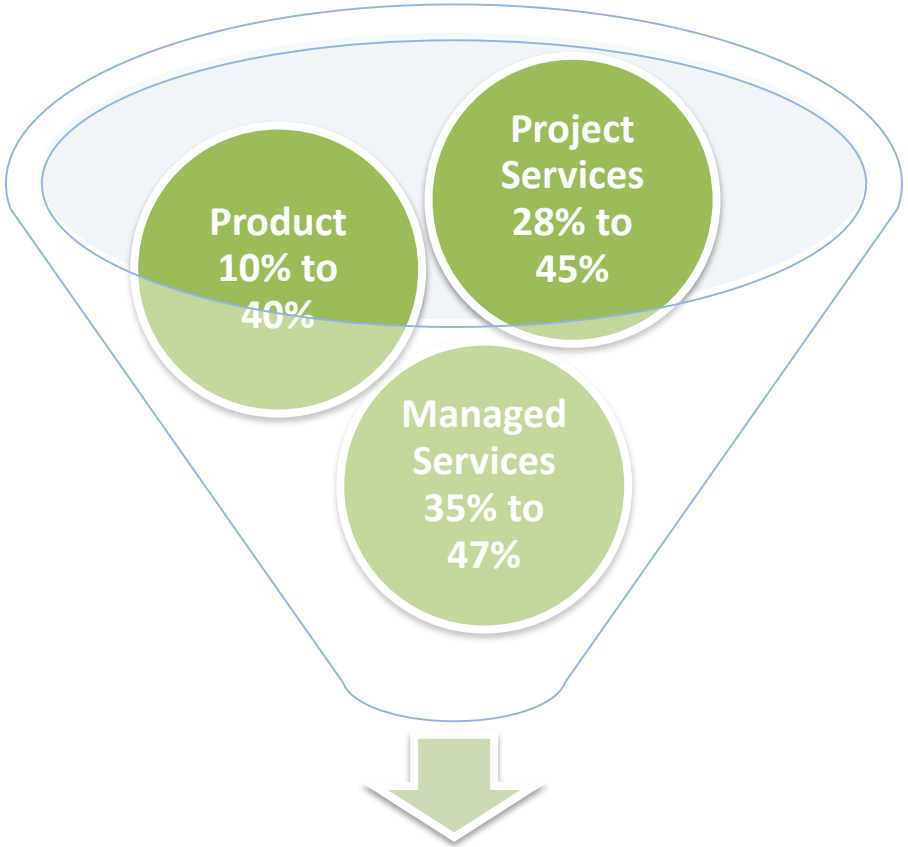
The mix of what they do at the corresponding gross margin dictates profitability.

Pre-sale
- Listen
- Design
- Architect

Sell
- Configure
- Price
- Deliver

Post-sale
- Implement
- Maintain
- Manage

ROI typically < 12 months



Technology Line of Business
or Company
Sample Average Gross Margins*

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Basic Partner Business Model Structure

Target Audience

WHO THEY SELL TO …

Value Proposition

WHAT THEY SELL …

Business Operation

HOW THEY DELIVER …

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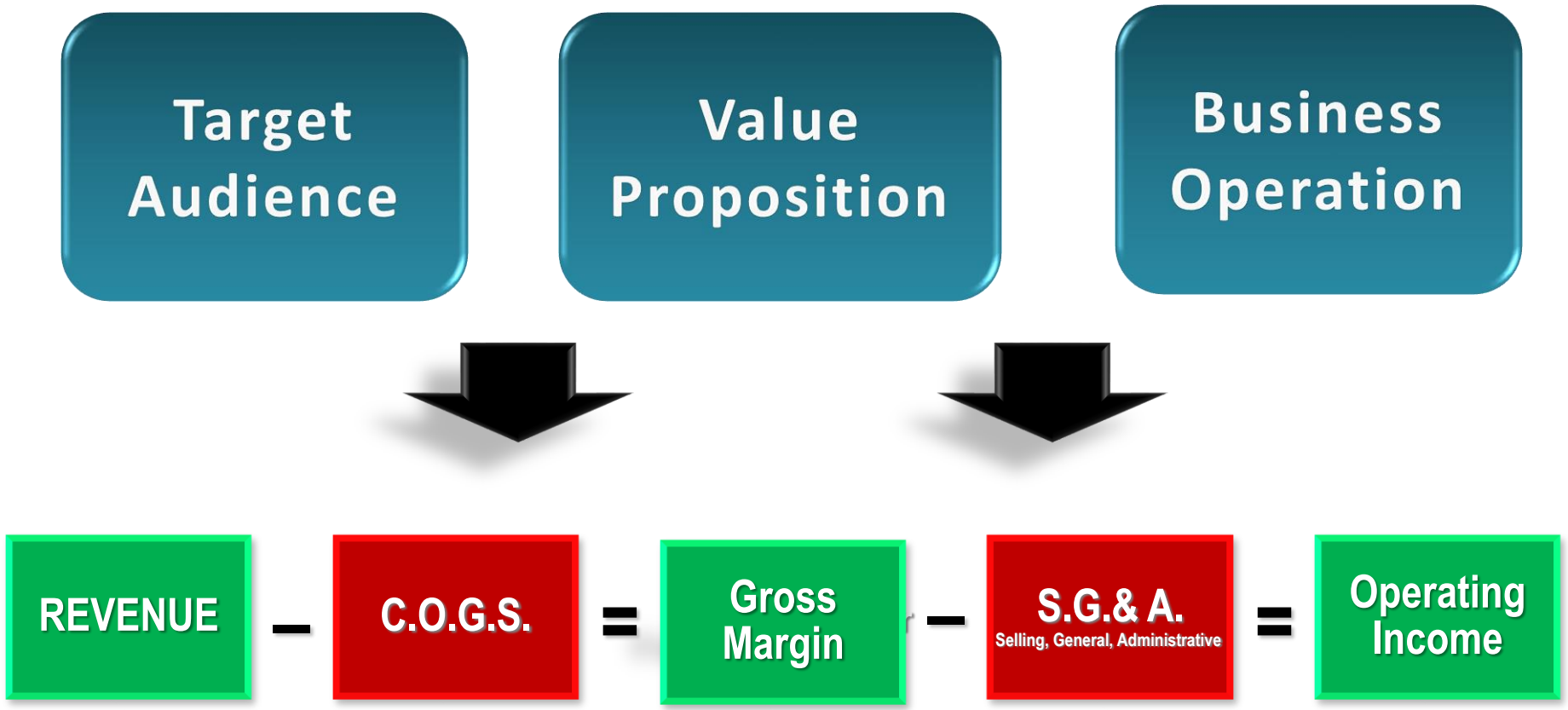
Basic Partner Business Model Structure



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A Business Owner or Department Leader in a Larger Business Thinks Profit & Loss

PARTNERS THINK IN GROSS MARGIN % AND $…

THEY TYPICALLY PAY SALES REPS ON GROSS MARGIN GOALS…

MANAGEMENT THEN CONTROLS SG&A…

REVENUE	–	C.O.G.S.	=	Gross Margin	–	SG&A	=	Operating Income
Product + Maintenance + Services		*Product Discounts + Service Costs*		**15-35%?**		*Pay: Sales Reps Managers Staff Expenses*		**5-20%?**

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Mastering The Mechanics of PROFITABILITY

How Do Channel Reps Usually Engage Partners?

"Sell My Products"

REVENUE	–	C.O.G.S.	=	Gross Margin	–	SG&A	=	Operating Income
Product Transaction + Maintenance Package + Some Services		(80%)		20% !!!		Pay Sales Reps Pay Managers Pay Staff Pay Expenses		?

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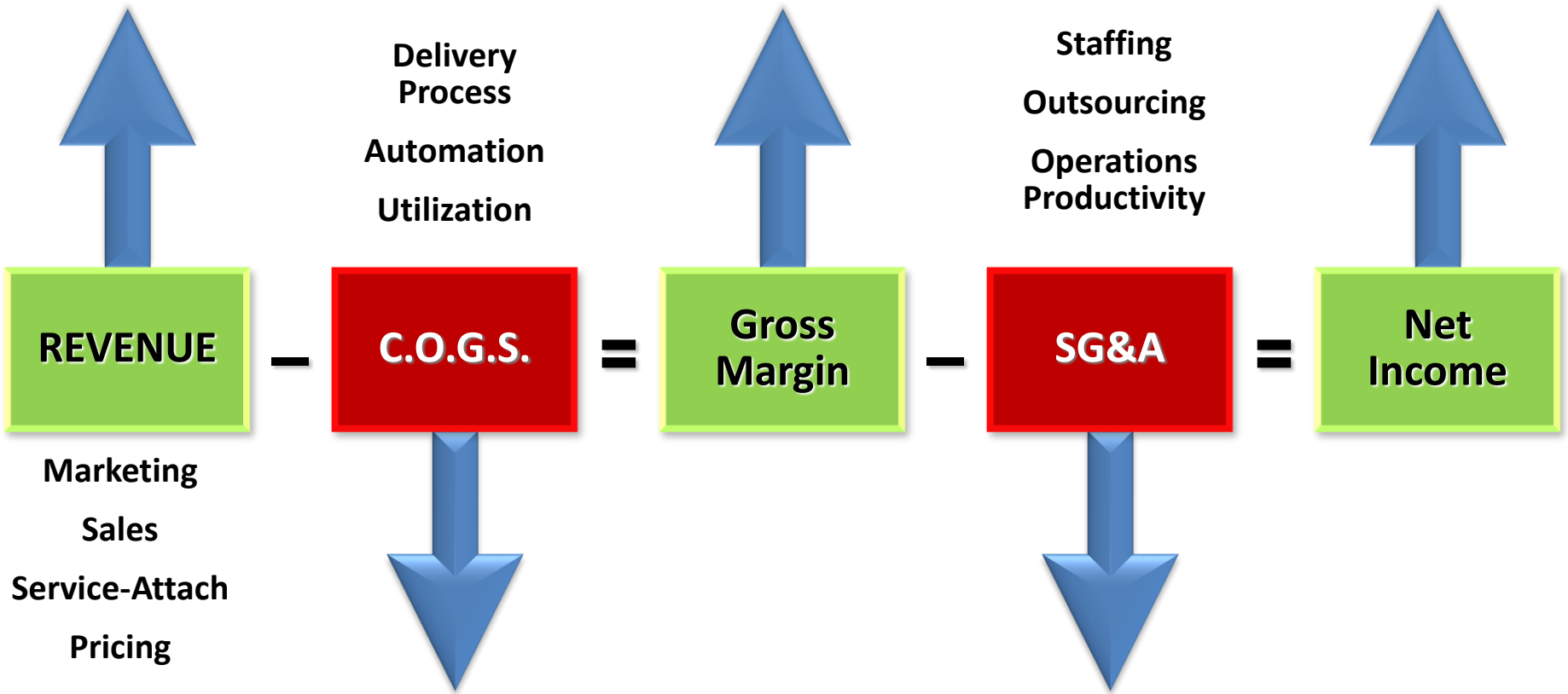
Mastering The Levers of PROFITABILITY

How Do You Use Your Program Benefits to CAUSE ROI?



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Mastering The Mechanics of PROFITABILITY

Is There A Better Way To Engage Partners?

"And How Can I Help You Achieve That?" … OR …
"Let Me Show You How I Can Help With That."

"What Are Your Growth Goals?"						
REVENUE	–	C.O.G.S.	=	Gross Margin	–	SG&A	=	Operating Income
"What Mix Of Products And Services Do You Want To Deliver?"		"How Do You Manage Your Delivery Expenses?"		"How's Business … and How Are You Managing Your Results?"		"How Do You Control Your Business Expenses?"		"After Everything, What Kind Of Profits Do You Want?"

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Profit and Loss (P&L) Income Statement

A Very Simple View

Sales Revenue	+
Cost of Goods	–
Gross Profit	
Operating Expenses	–
Sales and Marketing	–
General and Administrative	–
Total Operating Expense	
Income (EBITA)	
Depreciation, Interest, Taxes	–
Net Profit	

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Defining The Factors Of A Partner P&L

- **Hardware sales …**
- **Software sales …**
- **Technical Services sales …**
- **Professional Services sales …**
- **Managed Services sales …**
- **Consulting Services sales …**
- **Warranty / Maintenance add-ons …**
- **Programs / Incentives / Rebates / etc. …**

… TRANSACTION SIZE

… TRANSACTION QUANTITY

… TRANSACTION VELOCITY

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Defining The Factors Of A Partner P&L

C.O.G.S.

- **Hardware & Software Product costs …**
- **Delivery Personnel, Time & Materials costs ……**
- **Data Center or NOC costs (MSP) …**
- **IP Development costs …**
- **Technical Training / Skills Development costs …**

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Defining The Factors Of A Partner P&L

SG&A

- **Sales Salary & Commissions & Costs …**
- **Operational Tools …**
- **Marketing Costs …**
- **Business Operations (Rent, Utilities, IT) …**
- **R&D, Demo & Briefing Center expenses …**
- **Other Management …**

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Defining The Factors Of A Partner P&L

FINANCING

- **Interest Charges on Loans & Lines of Credit …**
- **Aging of Receivables …**
- **Bad Debt Charge-offs …**
- **Amortization of Assets (partial) …**
- **Opportunity Cost …**
- **Asset Intensity / Risk Factors …**

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Very Simple P&L View

Sales Revenue	+
Cost of Goods	-
Gross Profit	
Operating Expenses	-
Sales and Marketing	-
General and Administrative	-
Total Operating Expense	
Income (EBITA)	
Depreciation, Interest, Taxes	-
Net Profit	

Cost Drivers

- Purchasing power and credit costs
- Fixed costs:
  - Rent
  - Electricity
  - Telephone bill
  - Etc.
- Variable costs:
  - Salaries
  - Commission
- Professional services utilization rates

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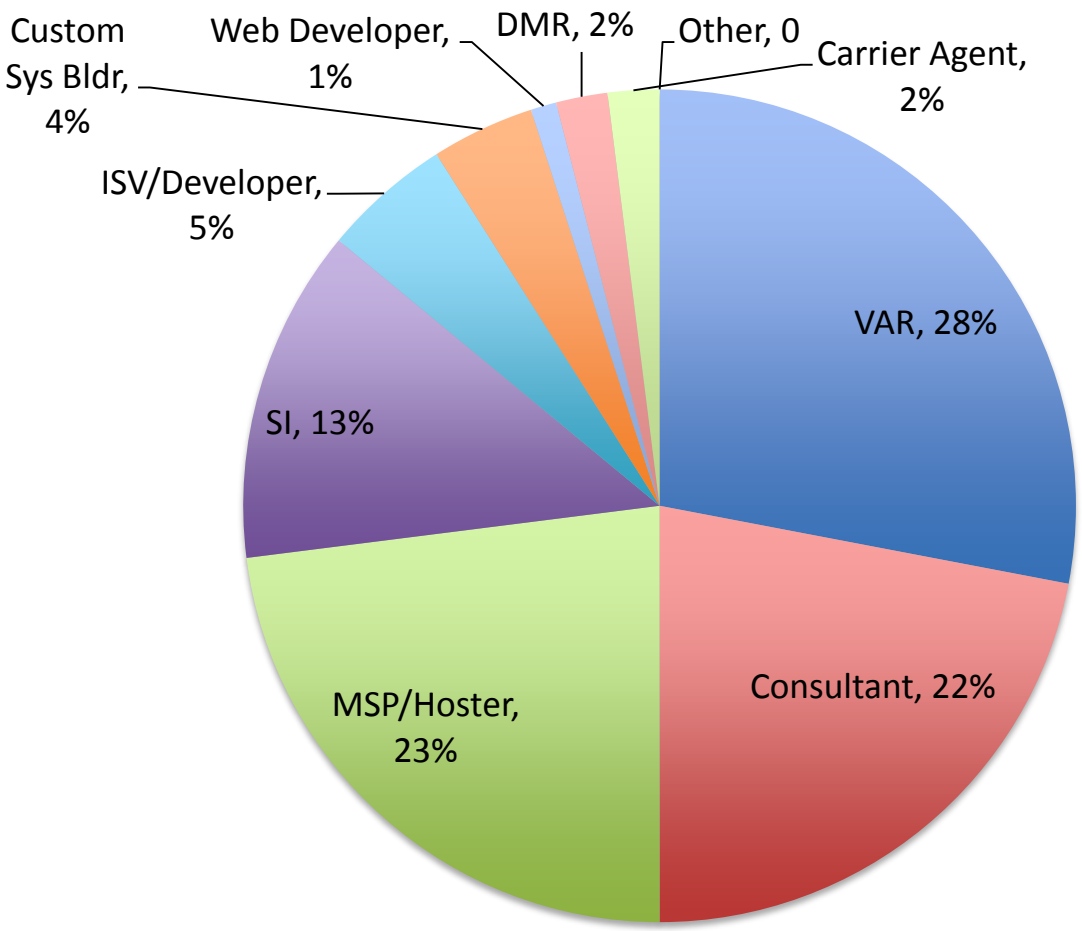

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IPED 2016 Census

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We look forward to seeing you at the kickoff workshop!

Questions: Please contact
John Machado
VP, **IPED** Consulting | Research | Education
C 617.784.9771
jmachado@thechannelco.com
The Channel Company
thechannelco.com

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