

2016 – A Look Back: Events of Significance in the Channel

Continuing Education for IPED Channel Masters

Channel**Masters**[®]

THE **CHANNEL** CO.[™]

IPED[®] Consulting

Two Perspectives

**“You can’t connect the dots
looking forward;
you can only connect
them looking backward.”**

Steve Jobs

**DON'T LOOK
BACK
YOU'RE NOT GOING
THAT WAY**

IPED Facilitators



Beth Vanni
Sr. Consultant
and Research Manager



Mark Williams
Sr. Consultant



Rauline Ochs
Sr. Consultant

Three Trends



Industry Consolidation

Solution Providers and vendors combining to expand portfolios, differentiate and grab more mindshare



Managed Services & XaaS

The rate of partner adoption of these services-based models and the impact on partner profitability and continued investment



Tale of Two Convergences

The state of telephony/IT convergence and its impact on emerging technology adoption, including Internet of Things

Three Trends



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Industry Consolidation



Solution Providers



- Avg. of 15,000 partners go out of business, get sold or merge annually
- Solution Provider 500:
 - 8% got acquired or went out of business since 2011; then grew >10% in 2016 over prior year
 - 32% did an acquisition in 2015;
- 1/3 of solution providers say they want help with peer collaboration

Vendors



- Top 10 F500 Tech companies grew >100% (\$359b to \$727b) over last 10 years
- Number of acquisitions done in last three years by leading tech companies = 188

Acquisitions (since 2014)

- Apple - 27
- Cisco - 24
- Dell / EMC - 20+
- HP - 9
- IBM - 29
- Intel - 13
- Microsoft - 36
- Oracle - 20
- Panasonic - 2
- Samsung - 8

Becoming a Strategic Vendor

	DEFINITION	# OF VENDOR LINES	% OF 2015 REVENUES
STRATEGIC	Generates significant revenue; highly involved at the sales, marketing and technical levels	3	49%
TACTICAL	Generates significant revenue, but product alternatives exist; not strategically invested in these lines	4	27%
OPPORTUNISTIC	Infrequent and small purchases, reactive based on our customers' demands	5	24%

Source: IPED 2016 Channel Census

Solution Providers Acquiring Consulting and MSP Skills



Solution Providers Acquiring Consulting and MSP Skills



PRESIDIO

- #21 on SP 500 List; privately held
- \$2.7 billion annual revenues; 2400 employees, 85 offices
- Strong focus on enterprise and Federal gov't. customers



- Private consulting firm; <50 employees
- Exclusive focus - private & hybrid cloud
- Consulting, design, implementation services
- Becomes dedicated Presidio Cloud consulting division
- **Purchased for \$30m by Presidio**

- ✓ **Consulting skills & staff**
- ✓ **Cloud expertise**
- ✓ **Left as dedicated division**
- ✓ **Paid premium for <50 person boutique firm**

Solution Providers Acquiring Consulting and MSP Skills

- ✓ **Large VAR / Integrator**
- ✓ **Series of three acquisitions in 3 years**
- ✓ **Focus on recurring revenues and healthcare vertical**
- ✓ **Went from services <10% to more than 30% from recurring revenue services alone**



- #174 on SP 500 List; privately held
- \$130m annual revenues
- Now 1/3 of revenue from managed services
- Healthcare and financial services focus



- 28-year old firm
- 90% of revenue is MSP
- Complete outsourced cloud services; focus on VOIP & security



Healthcare MSP catering to SMB

Solution Providers Acquiring Consulting and MSP Skills

- ✓ **Large Corporate Reseller**
- ✓ **Acquired for technical skills and broad customer footprint**
- ✓ **\$760m in annual revenues, but paid \$258m for Datalink**



- F500 public company; 5700 employees
- \$5.4 billion annual revenues
- **5% services mix**
- **Equity price of ~ \$250m**
- Strengthens data center practice



- Public company, 600 employees
- #45 on SP 500 List
- \$760m annual revenues
- **<10% Prof. Svs.**
- Large Cisco Gold partner

Vendors and Solution Providers Are Looking For



Vendor Insights

VENDOR ALIGNMENT

- ✓ Can you leverage existing leading HW & SW platform vendor **certifications**?
- ✓ Can your sales, technical tools and training better support **integration** with other leading HW & SW platforms?
- ✓ Can your value proposition be more **complete and compelling**?



SOLUTION PROVIDER SUPPORT

- ✓ Do your field teams understand your risk **“vintage”** partners?
- ✓ Do they understand the **key growth drivers** of your strategic partners?
- ✓ Do you have a clear strategy around **P2P collaboration**?



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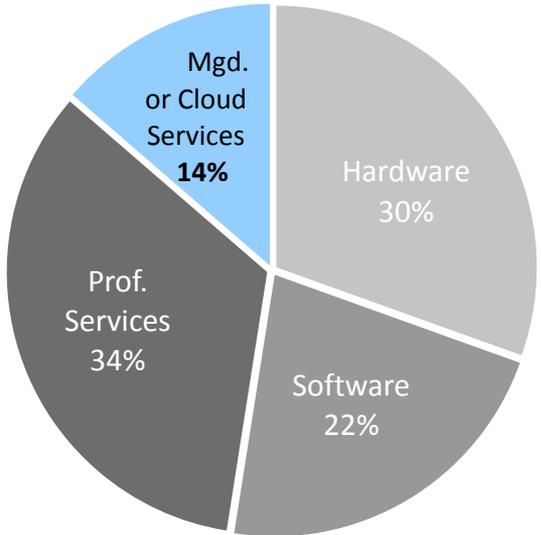
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The Mix of Revenue has Clearly Changed...

2014 REVENUE MIX

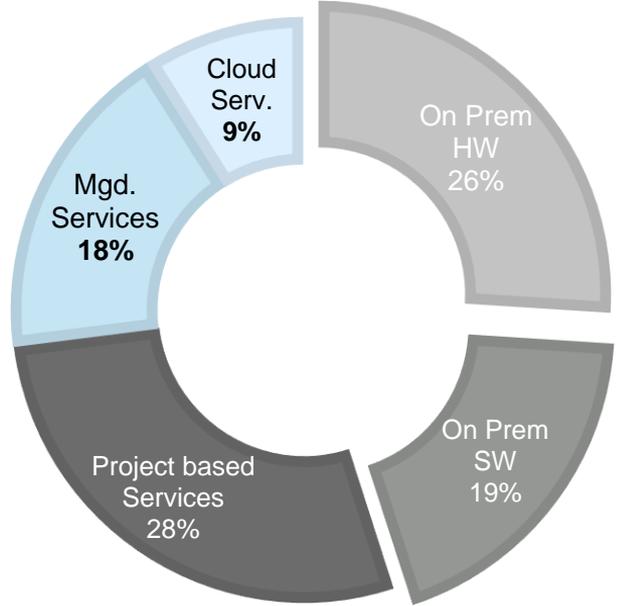
IPED CHANNEL CENSUS



14%

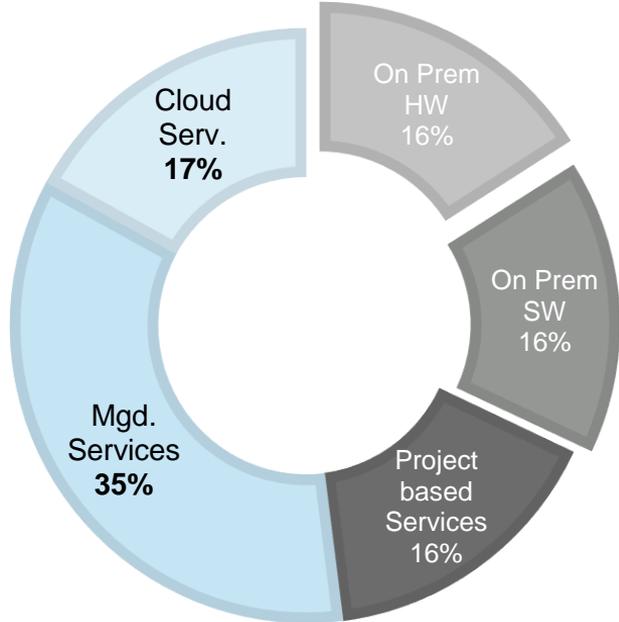
2015 REVENUE MIX

ALL



27%

STRATEGIC SERVICE PROVIDERS

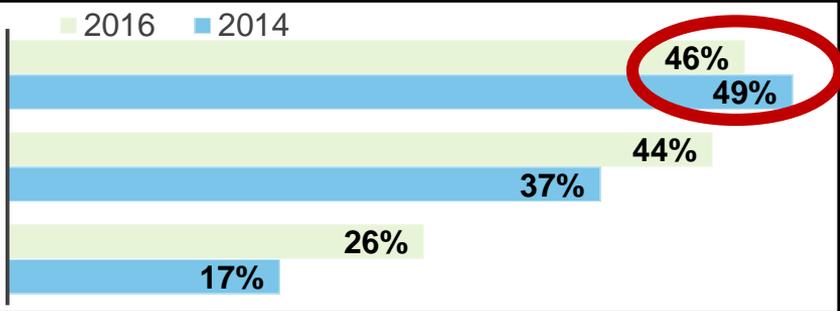


52%

Recurring Revenue via Managed Services and XaaS Driving Partner Profitability and Investment

Plans For Profitability Growth

- Increase the overall percentage of our recurring revenue services
- Get better utilization out of our existing technical and services staff
- Charge differently or more for our solutions and services



According to Kaseya, Best in Class Partners achieve **75% GM** on Managed Services



Top 50 Largest Services IT Organizations
(who report products & services separately, publicly)

The only part of their services portfolio that's growing is **managed services – growing at 30% rates**

Valuation of services oriented solution provider significantly higher



- Services as % of revenue grew 33%;
- GP=37%
- Sold for approx. \$2B
- (2X Revenue)



- Professional Services = 9% of revenue;
- GP = 18%
- Sold for \$258M
- (0.3X Revenue)

Vendors Aligned with MS and XaaS Direction Becoming More Strategic

2016 Help Grow Recurring Revenue Services

Based on most rankings as #1

Rank	All	Strategic Service Provider
1	 Microsoft	 Microsoft
2	 CISCO	vmware®
3	 Hewlett Packard Enterprise vmware® (tied)	 CISCO
4	DELL EMC	 Hewlett Packard Enterprise
5	 amazon web services™	 amazon web services™

\$13B Annualized Revenue
59% YoY Growth¹

\$11B Annualized Revenue
60% YoY Growth²



Q: Please select the **top five (5)** IT Technology Suppliers that you expect to have the largest impact on the growth of your company's managed or recurring revenue services during 2016? (choose top 5)

1: Microsoft Q1 '17 earnings announcement ; Commercial cloud (Azure, O365, Online Dynamics)

2: Business insider – Based on Q3 Amazon Earnings reports

Vendor Insights

- ✓ The **business value proposition** is becoming very different
- Programs must continue to evolve to address the **operational need of solution providers**
- **Business transformation** continues to be a big issue for solution providers
- Vendors need to have a **GTM** that recognizes AWS' market presence

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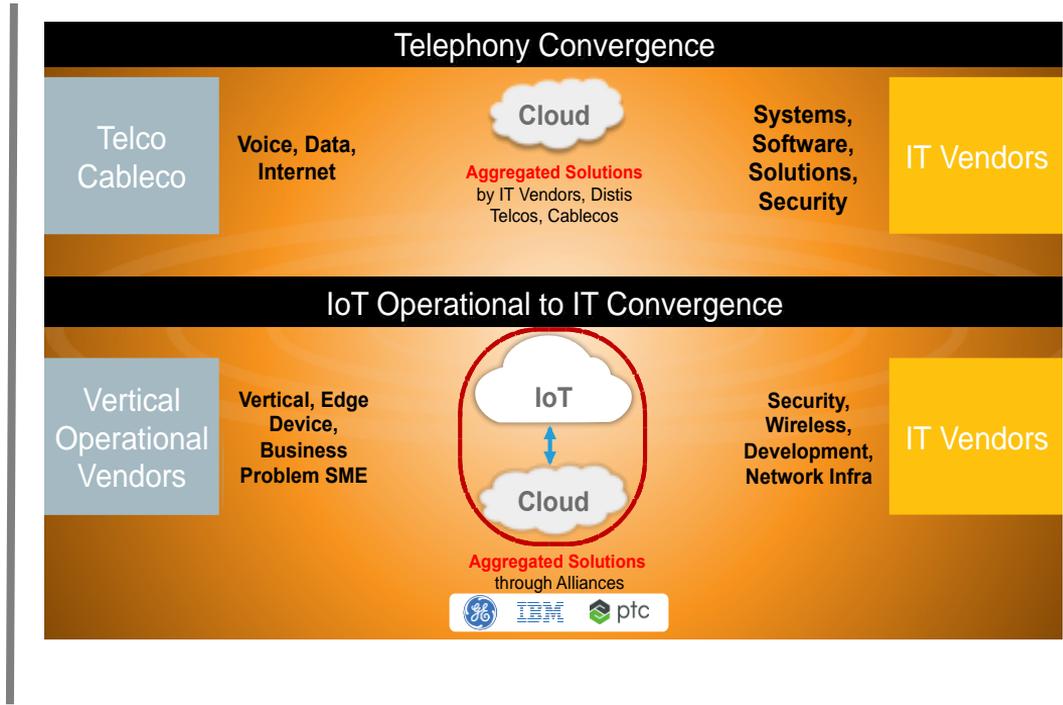
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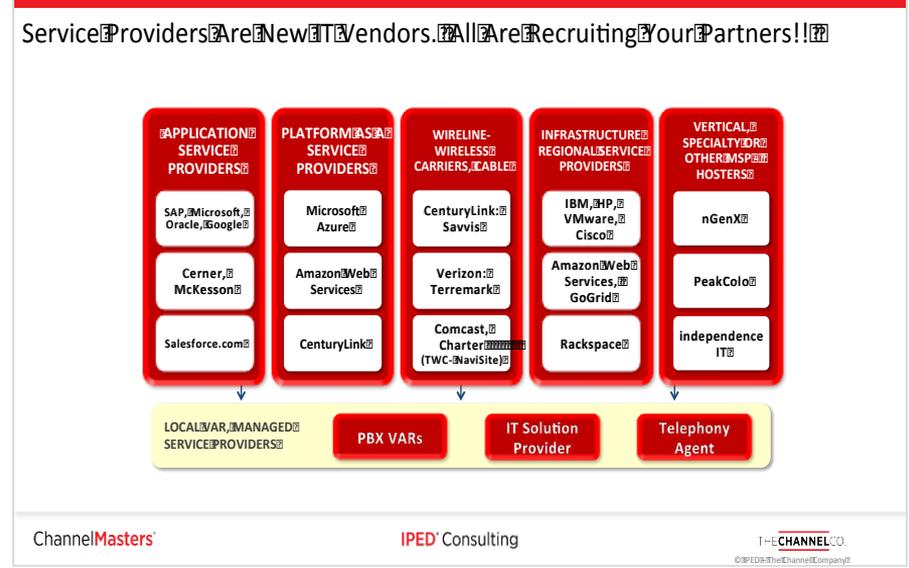
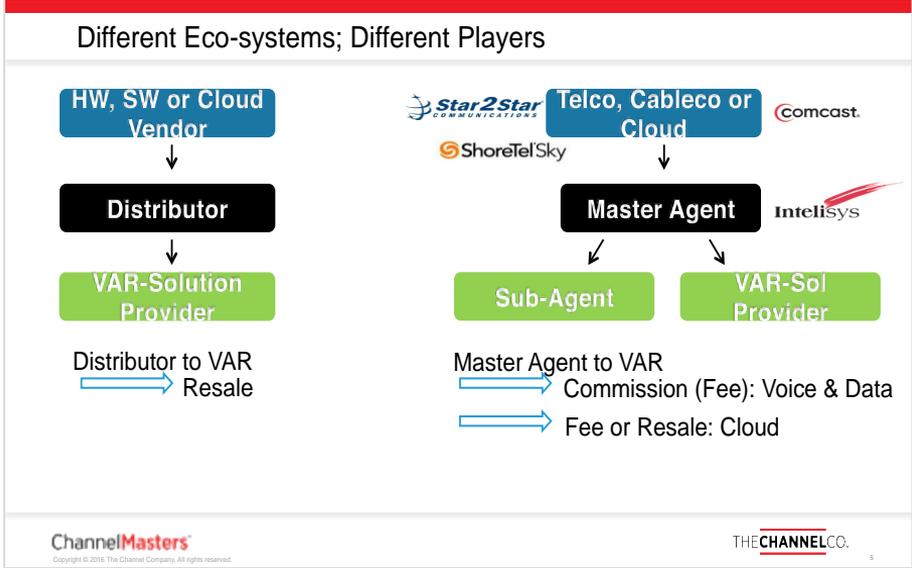
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Think Back 10 Years Ago...and Now Again with IoT



IPED's First Look at Telephony-IT Convergence was in 2009



Different Eco-system; Different Players

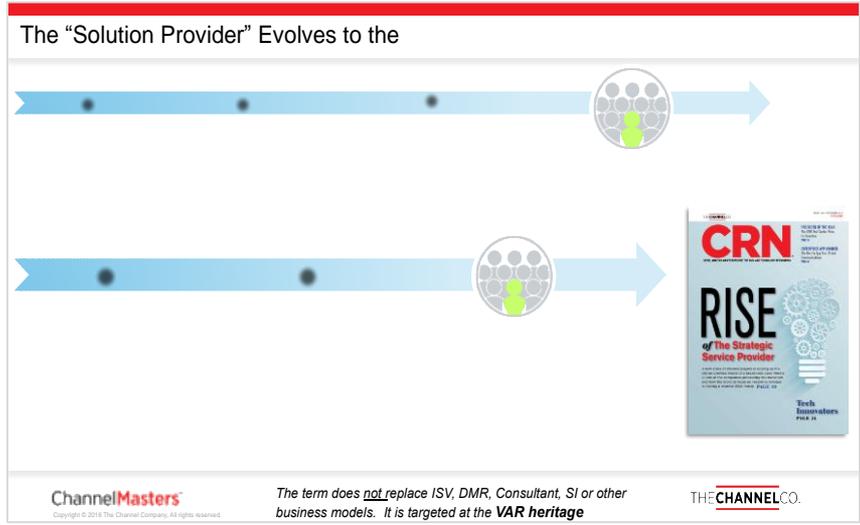
Operational		IoT Alliances to Develop Solutions	IT	
Channel Partners	Prospective Vendors		Vendors	Channel Partners
HCL, Genpact, etc.	GE (Digital)	<p style="color: red; font-size: 2em; font-weight: bold;">Aggregated Solutions by Vertical</p> <p style="color: red; font-size: 1.5em; font-weight: bold; border: 2px solid red; padding: 5px; display: inline-block; transform: rotate(-2deg);">EXAMPLE</p>	Cisco	Denton Business Solutions, Acadia Technology Group, etc.
Collaborative Automation Technology Partner Program	Schneider Electric (circuit breakers, switches, etc.)		Vodafone	Synnex, Onecom, etc.
GrayBar Electric, Norton Electric Wholesale, etc.	Phillips (PoE) (also Eaton, Cree) (Lighting Systems)		PTC	AV Engineering, Concurrent Engineering Ltd., etc.
Altura Assoc., etc.	KMC Controls (Building Auto Systems)		Dell	Actionpoint, Asavie, etc.
Advanced Measurements (Oil and Gas), Hydraulics (Calgary, Alberta), etc.	National Instrument (Sensors, Systems, Analytics)		AT&T	Scansource/Intelisys, Sandler Partners, etc.

“We don’t equip trucks or wire refers.
 We team to get the Edge sensor work done.”

Think Back 10 Years Ago...and Now Again with IoT



The Partner Transformation Journey Now Includes Business Problem Resolution...an On-ramp to IoT



Insights from a Tale of Two Convergences

- ✓ The **business valuation proposition** is becoming very different
- ✓ If you've been in the industry:
 - **>10 years**, you've seen this movie before (IT collided with Telephony = Cloud)
 - **<10 years**, look to understand the profile of your cloud early adopters
 - ** *Some of the cloud transformation patterns will repeat (e.g. early to cloud... early to IoT, lots of Partners Partnering with Partners to build end to end solutions, etc.)*
- ✓ The **eco-system is changing again**:
 - Cloud brought us new eco-system players
 - Born in the Cloud partners who did not resell, e.g. SFDC, Amazon, Google
 - New service provider vendors who introduce Monthly Recurring Revenue business models
 - IoT will bring us new solutions, outside the data center (IT collides with Vertical Ops = IoT)
 - With new operational vendors (e.g. GE)
 - And new operational partners (“We team to get the Edge Sensor work done.”)
- ✓ **Use what you learned** last time to get in front of this transformation!

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Thank You



For More Information Contact:

John Machado

Vice President

C 617.784.9771

jmachado@thechannelco.com

The Channel Company

thechannelco.com