

Kickoff Workshop Pre-requisite Foundational Material

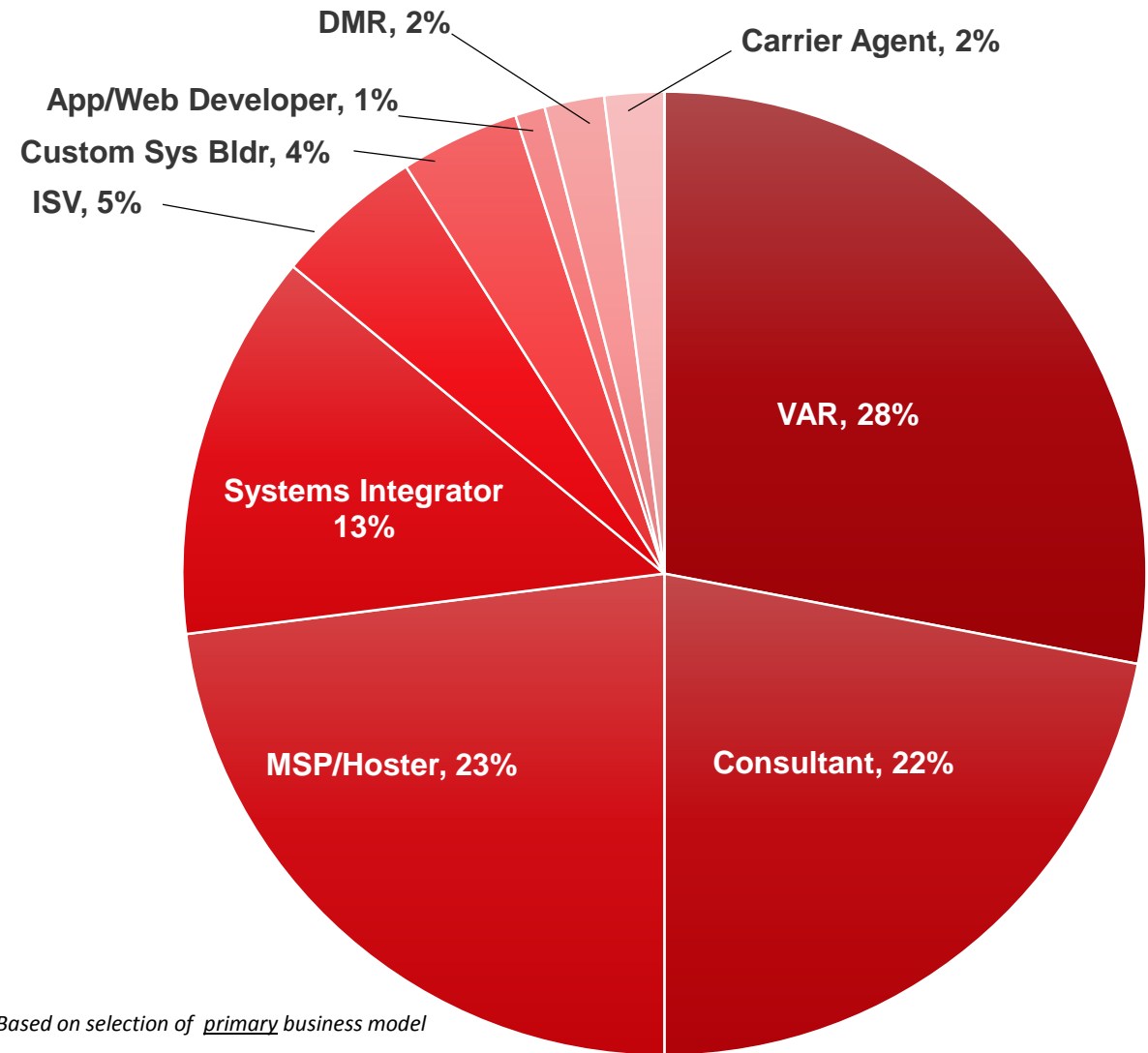
Partner Business Model Definitions &
Partner Financial Basics

The Perspective of a Former Channel Chief

Rauline Ochs



The North American Solution Provider Universe



TRADITIONAL BUSINESS MODELS

CLOUD BUSINESS MODELS

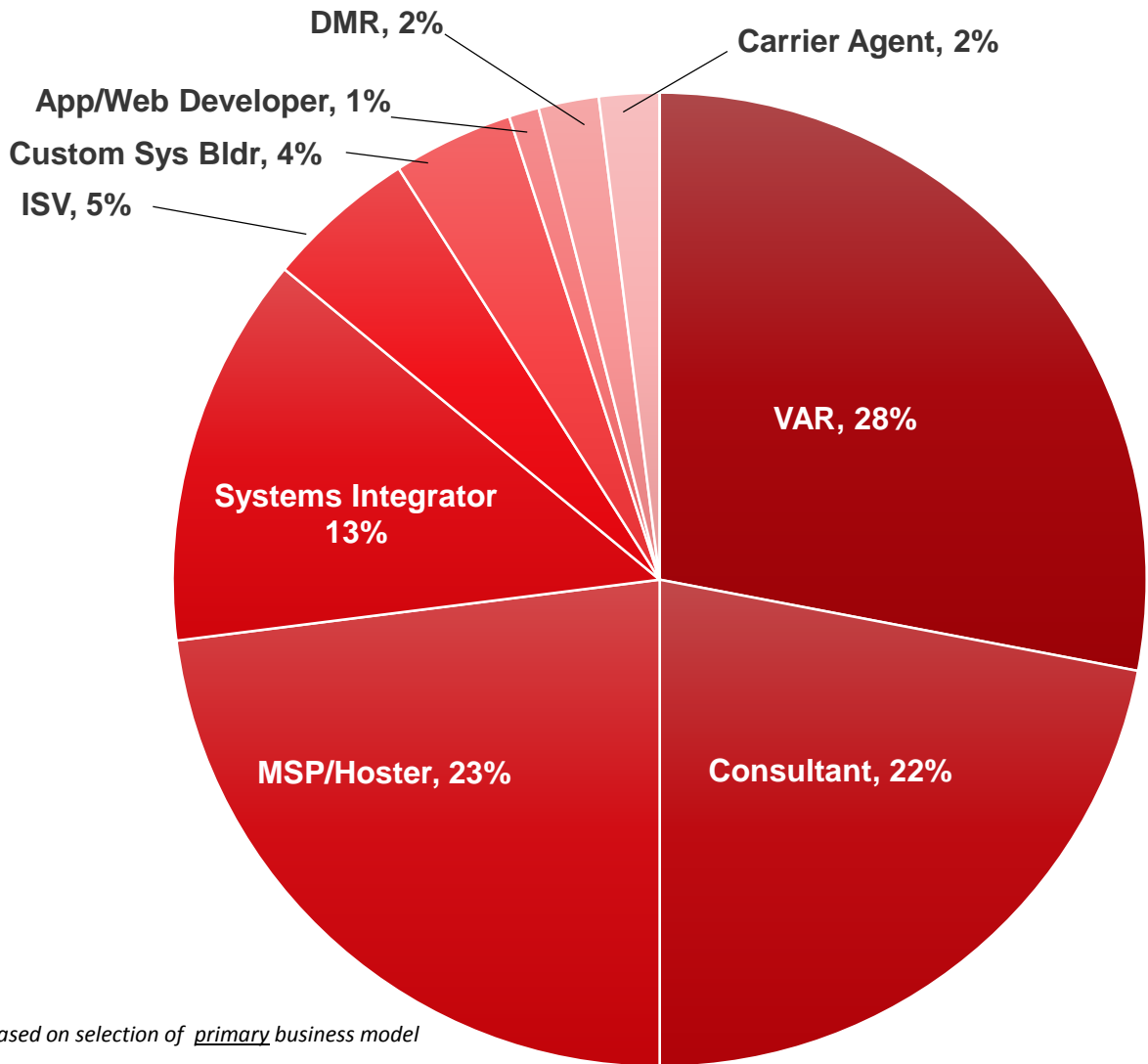
PARTNER PROFITABILITY

Based on selection of primary business model

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

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TRADITIONAL BUSINESS MODELS

- » 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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IPED 2016 Channel Census

Solution Provider Business Models: Definitions (IPED Research 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.

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

At least 50% of your company's revenue comes predominantly from designing, building and delivering your own brand of hardware infrastructure such as "white box" or custom systems.

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.

App Developer (previously Web Dev)

Your **company's revenue comes predominantly** from development of applications, DevOps, traditional or even mobile applications. The applications tend to be custom in nature on behalf of a customer and are not typically commercially available to the masses. The exception may be the desire to make your solution repeatable and available via a solution marketplace.

Solution Provider Business Models: Definitions

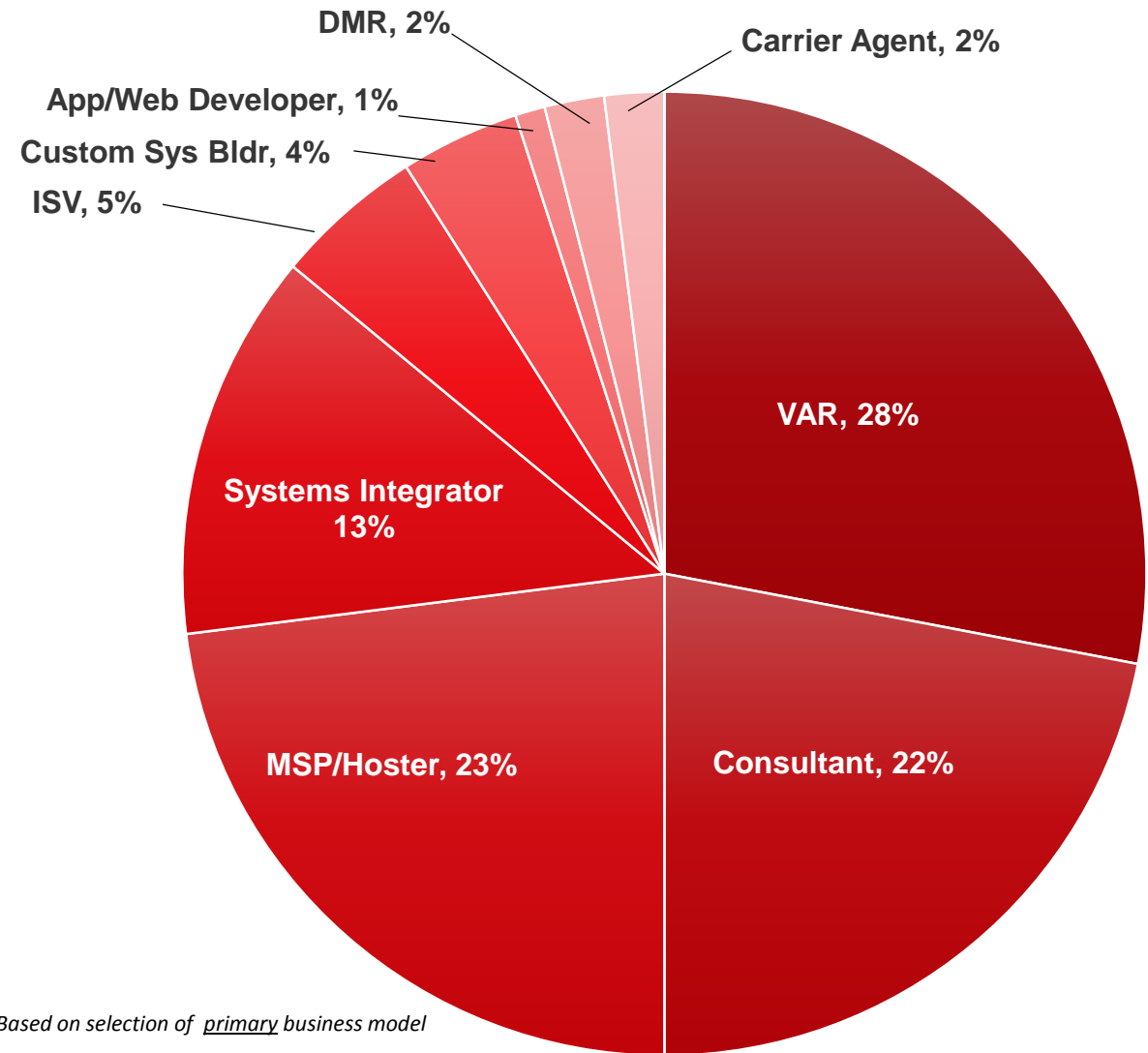
Service Provider Agent

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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Based on selection of primary business model

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CLOUD BUSINESS MODELS

“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

Cloud brokers sell to end customers, aggregators and marketplaces typically make solutions available to the channel. Watch for the entry of new solution aggregators with IoT.

CLOUD AGGREGATOR/MARKETPLACE

PRIMARY ROLE:

AGGREGATES PUBLIC CLOUD SERVICES WITH TRAINING OR IP TO DELIVER A HORIZONTAL OR VERTICAL SOLUTION FOR RESELLERS & AGENTS TO TAKE TO MARKET. (E.G. BDR, SMALL BIZ OFFICE BUNDLED WITH TELEPHONY)

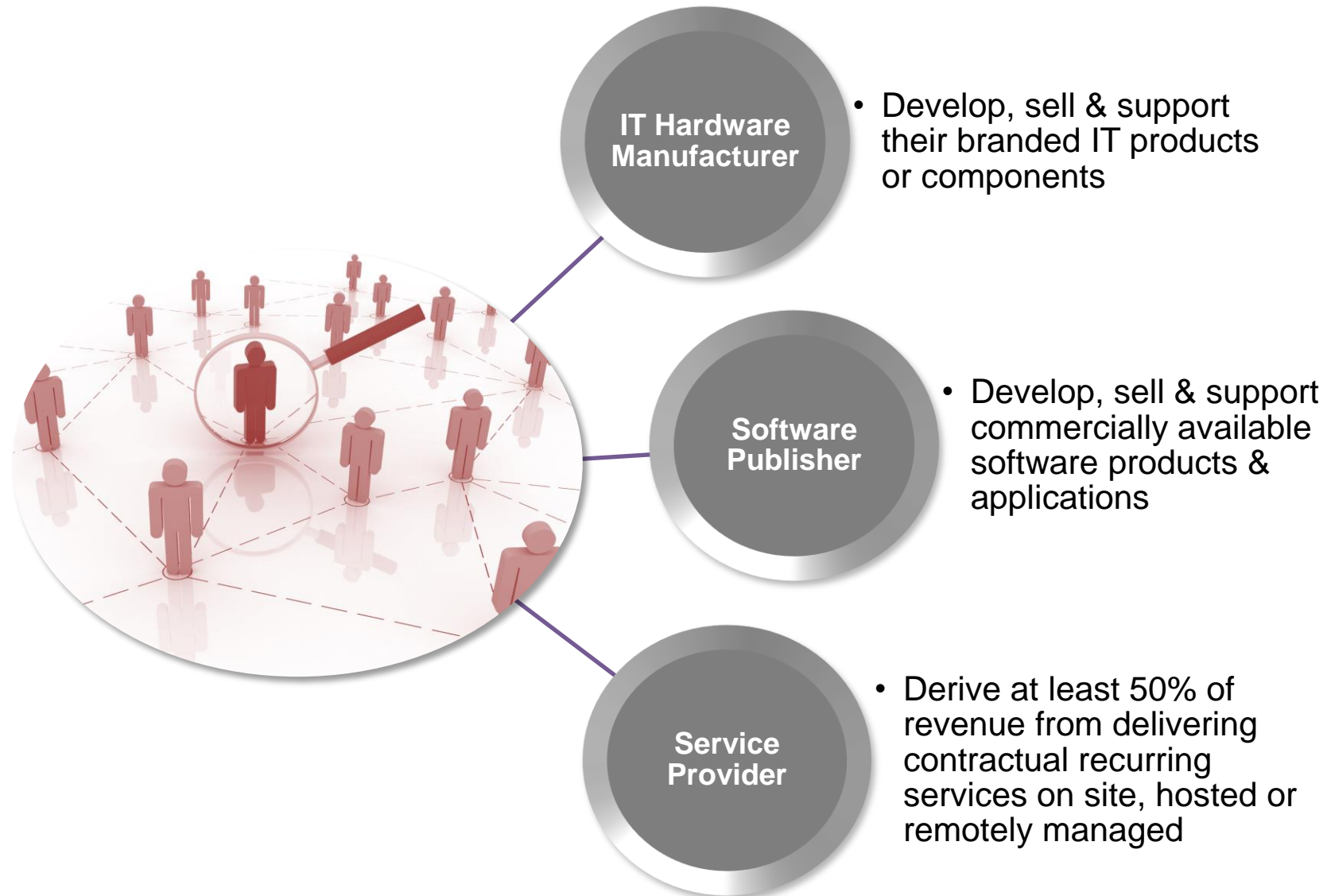
CLOUD BROKER

PRIMARY ROLE:

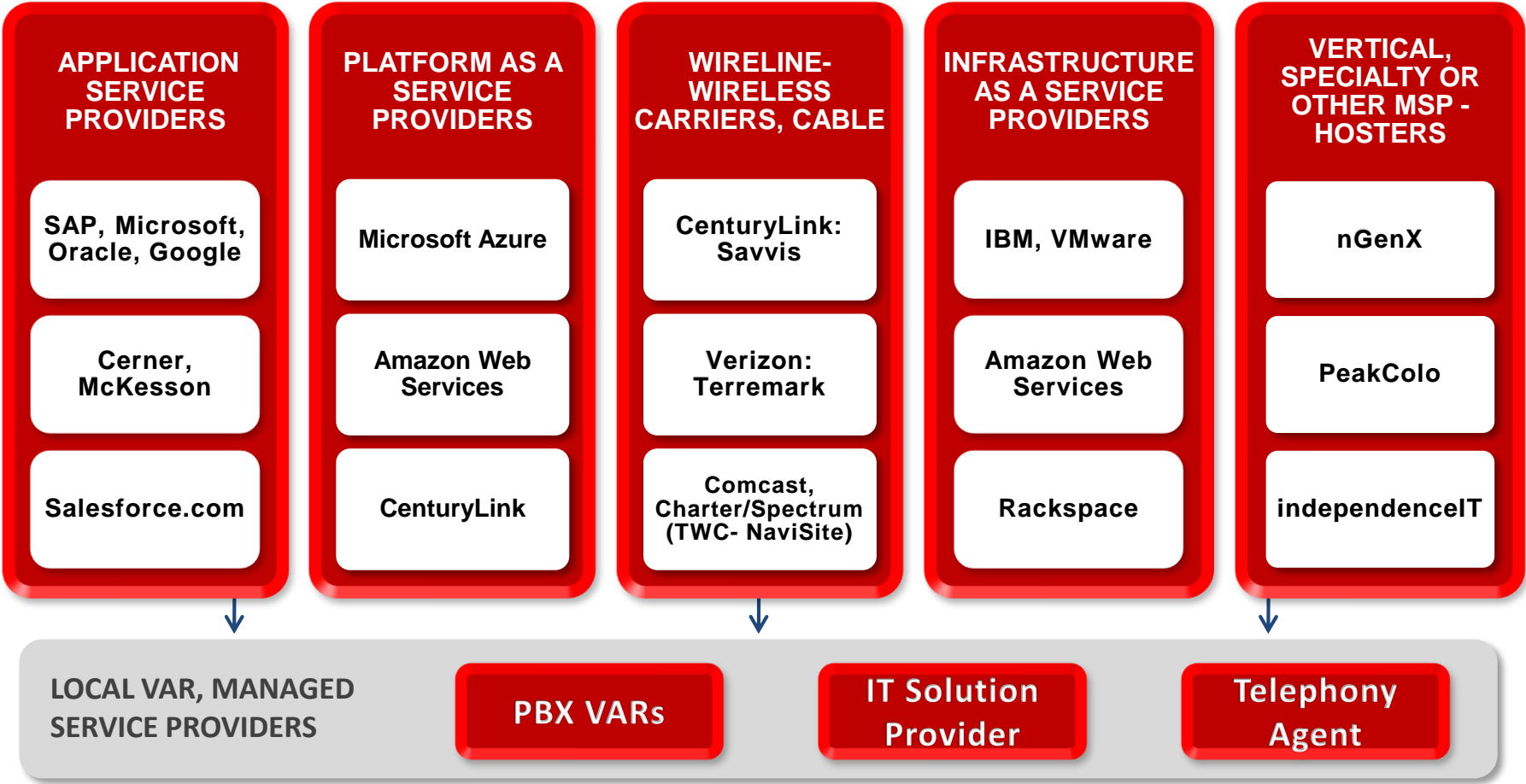
Provision, manage & audit compliance of several public cloud services with or without add on managed, development or professional services.



IT Ecosystem Includes Three Vendor Types, Soon to Expand with IoT Vendors



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



Gartner
2016 IaaS
Magic Quadrant



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 Likes Tweet 670 Shares 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?

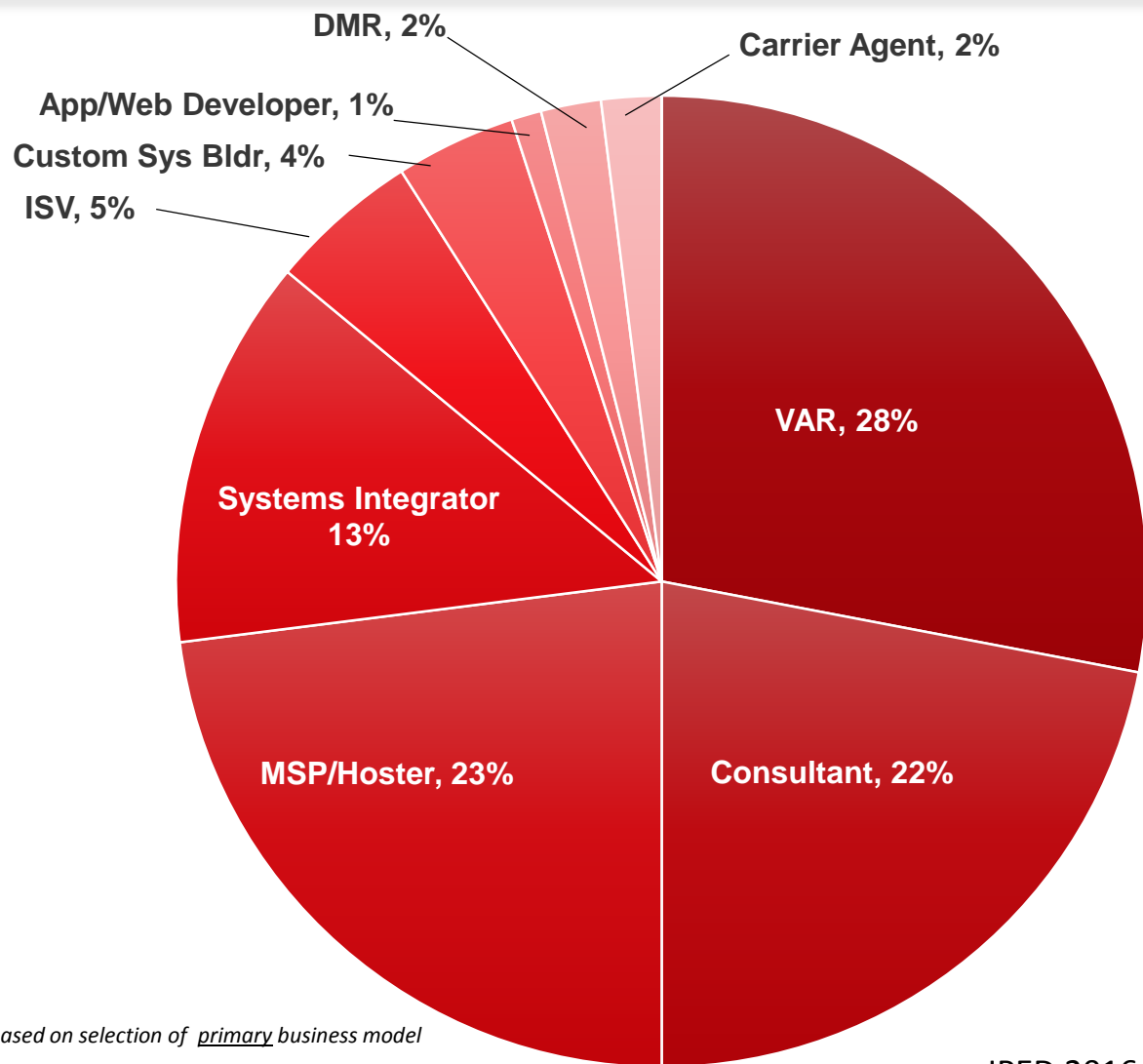
BY YEVGENIY SVERDLIK ON JANUARY 11, 2016 ADD YOUR COMMENTS

47 Likes Tweet 812 Shares 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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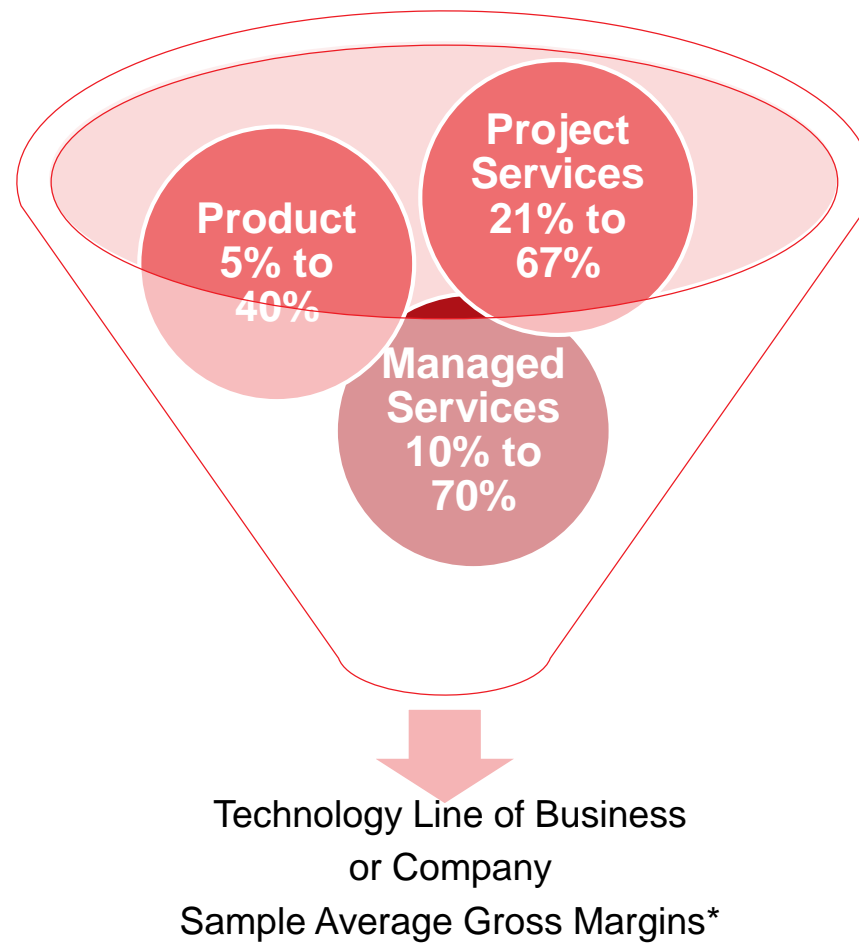


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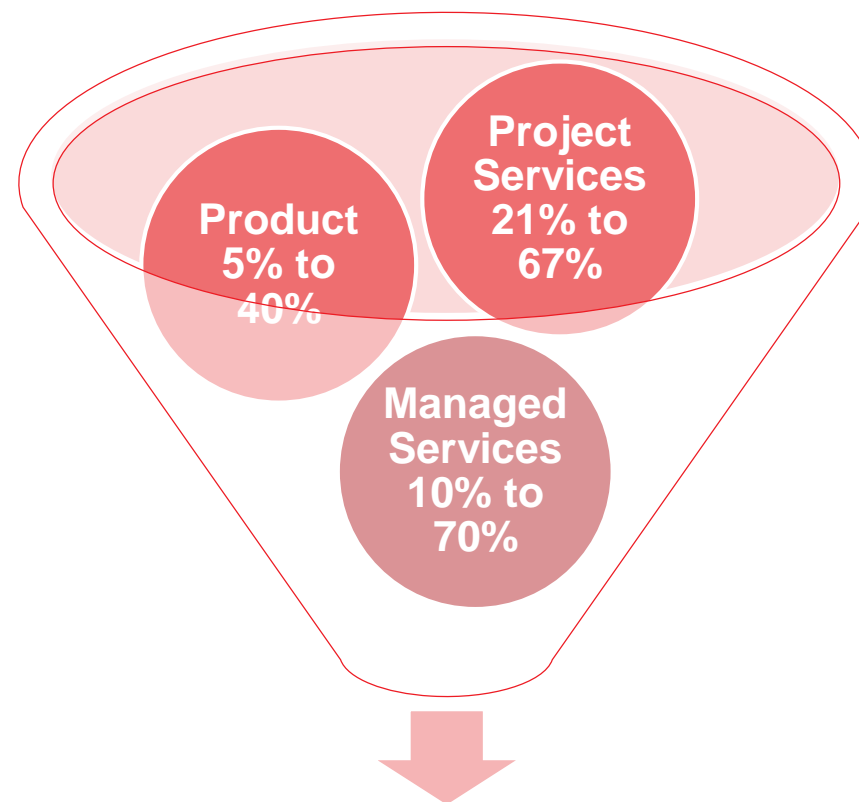
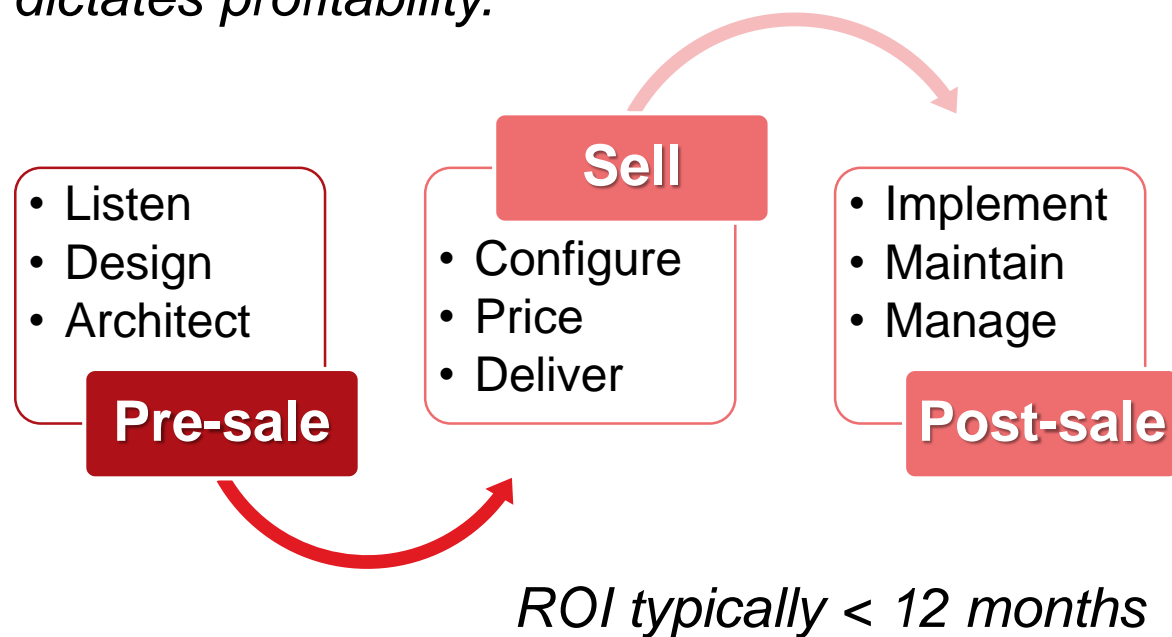
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PARTNER PROFITABILITY



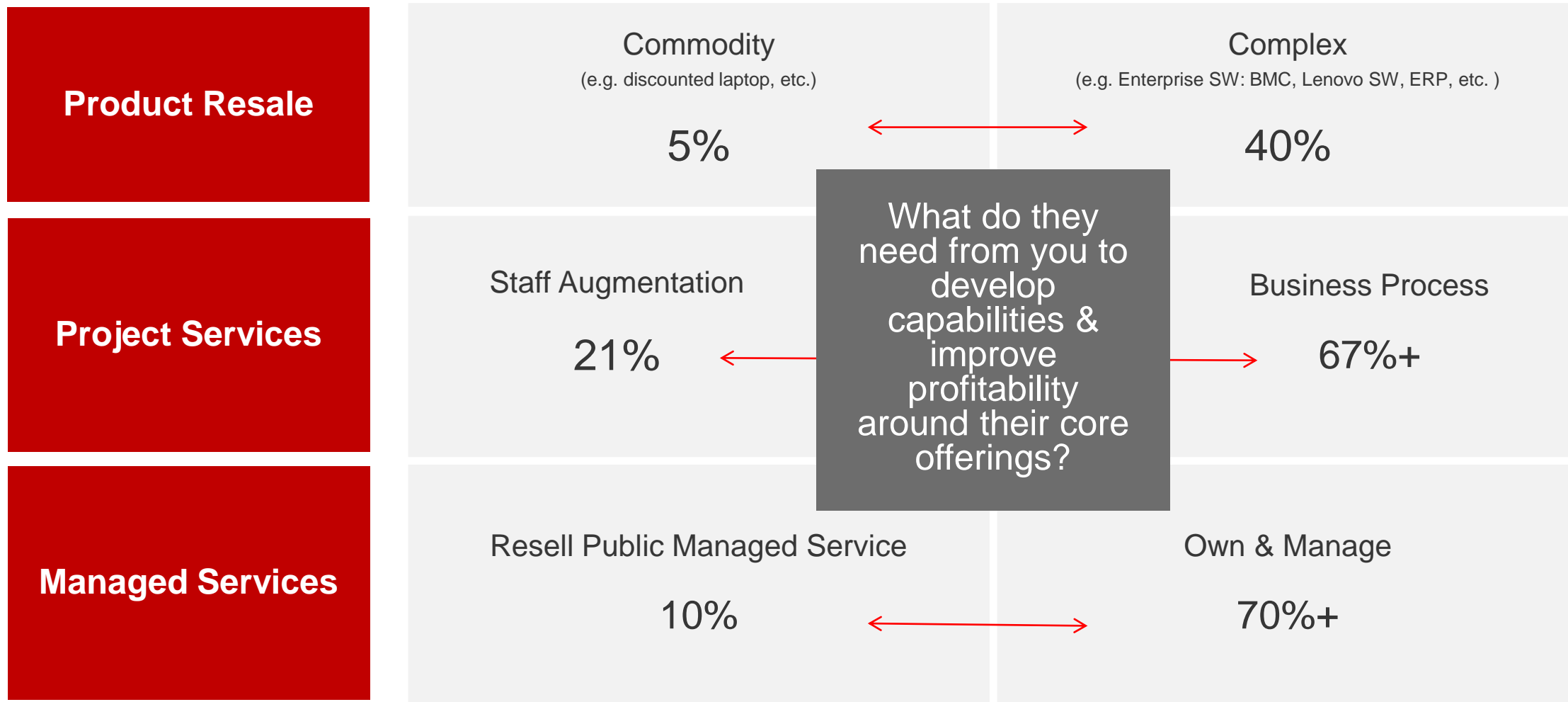
Do You Remember What They Do to Make Money?

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



Technology Line of Business
or Company
Sample Average Gross Margins*

Do You Remember What They Do to Make Money?



Basic Partner Business Model Structure



WHO THEY SELL TO ...

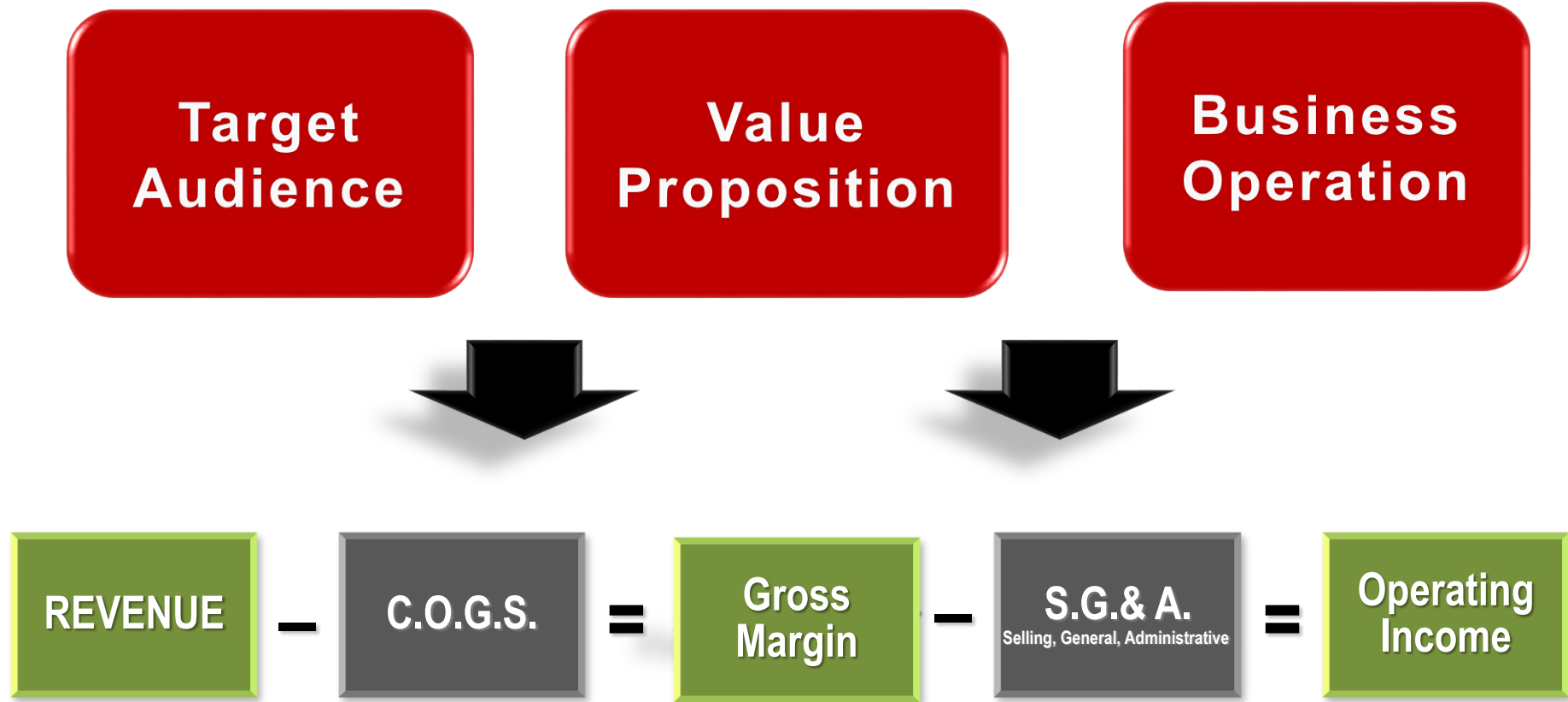


WHAT THEY SELL ...



HOW THEY DELIVER ...

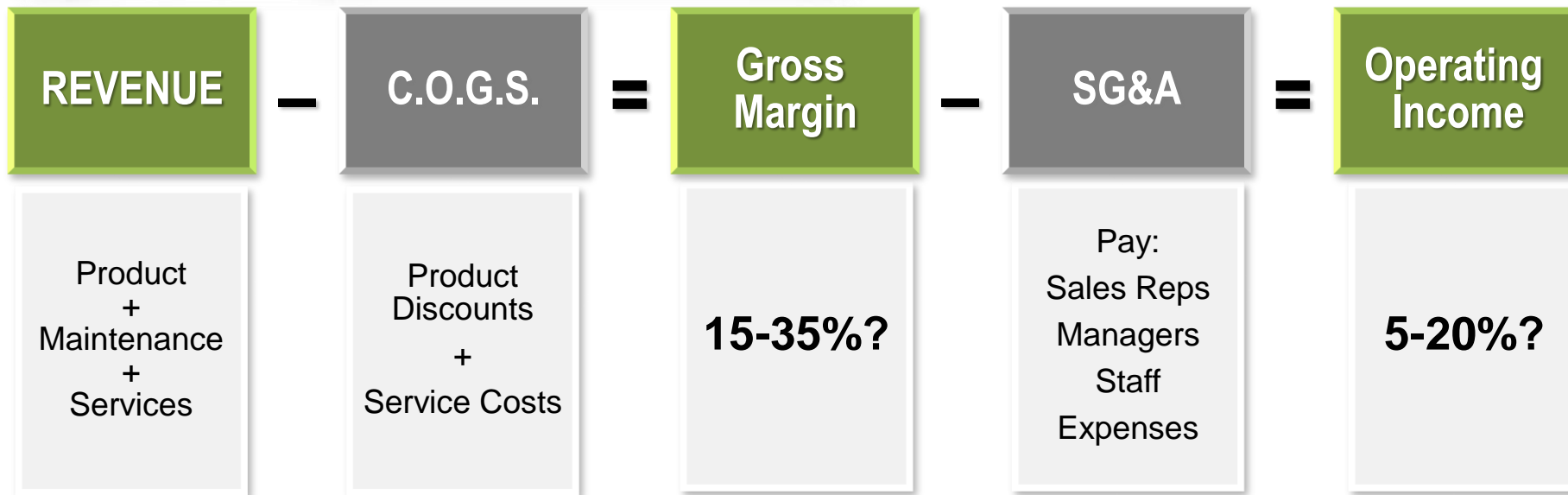
Basic Partner Business Model Structure



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

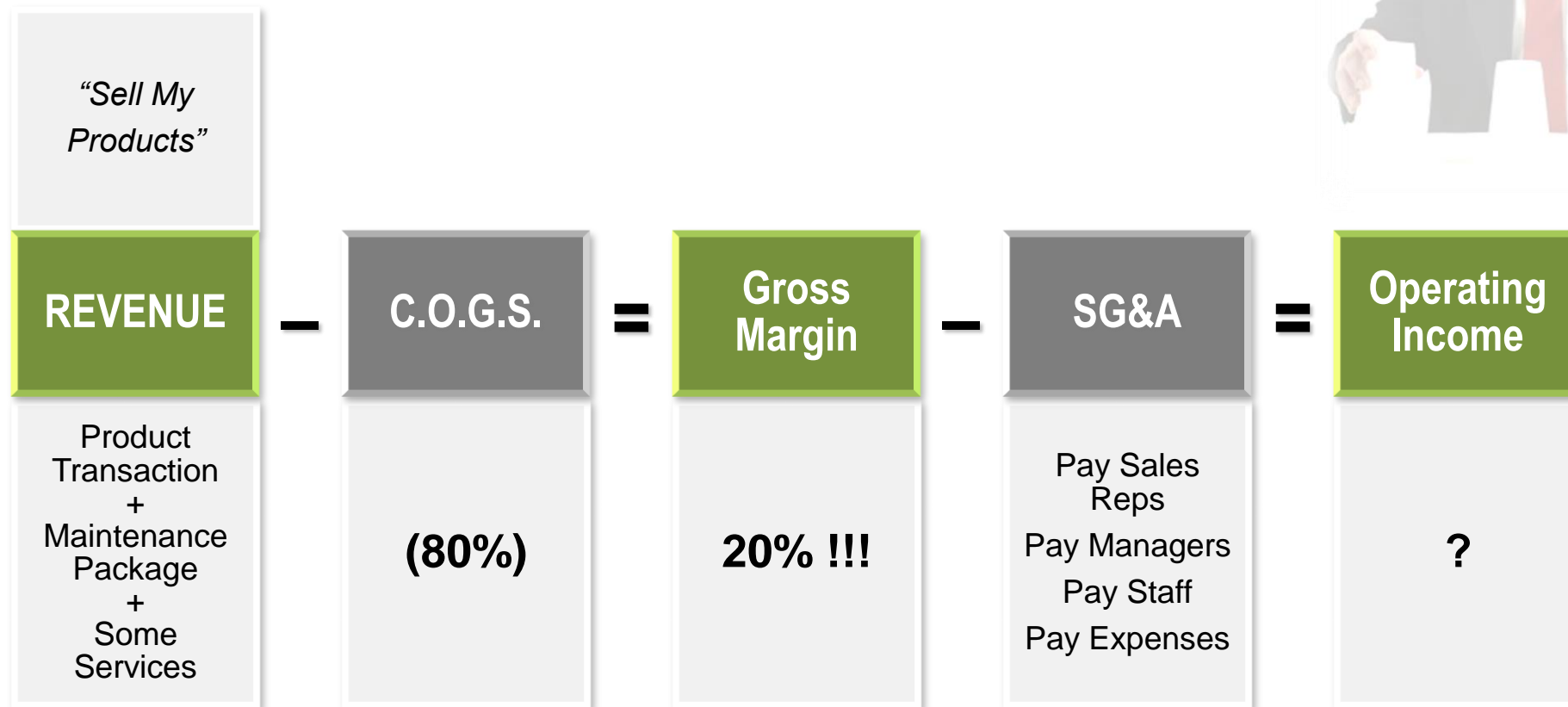


**PARTNERS THINK IN GROSS MARGIN % AND \$...
THEY TYPICALLY PAY SALES REPS ON GROSS MARGIN GOALS...
MANAGEMENT THEN CONTROLS SG&A...**



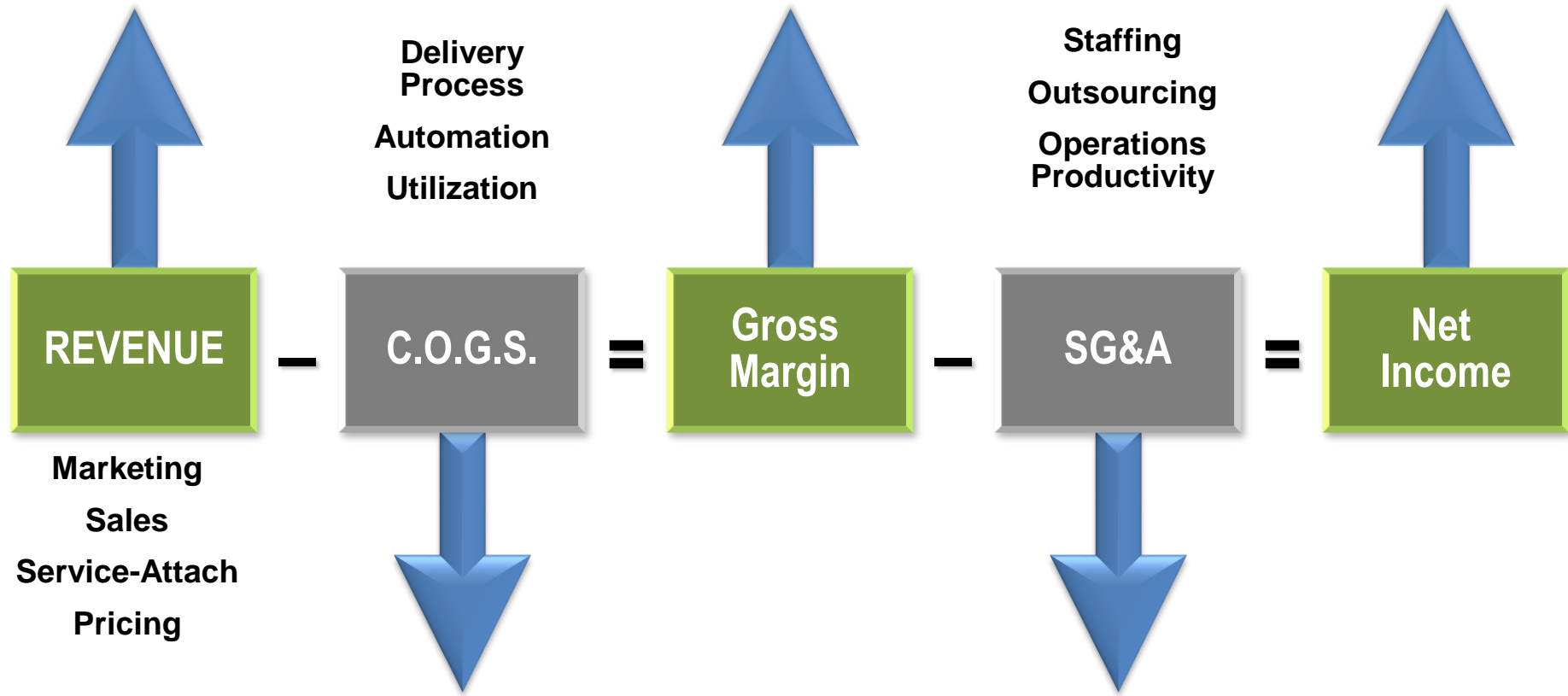
Mastering The Mechanics of PROFITABILITY

HOW DO CHANNEL REPS USUALLY ENGAGE PARTNERS?



Mastering The Levers of PROFITABILITY

HOW DO YOU USE YOUR PROGRAM BENEFITS TO CAUSE ROI?



Mastering The Mechanics of PROFITABILITY

IS THERE A BETTER WAY TO ENGAGE PARTNERS?



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	

Defining The Factors Of A Partner P&L

REVENUE

- ❖ 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

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 ...

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 ...

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 ...

Very Simple P&L View

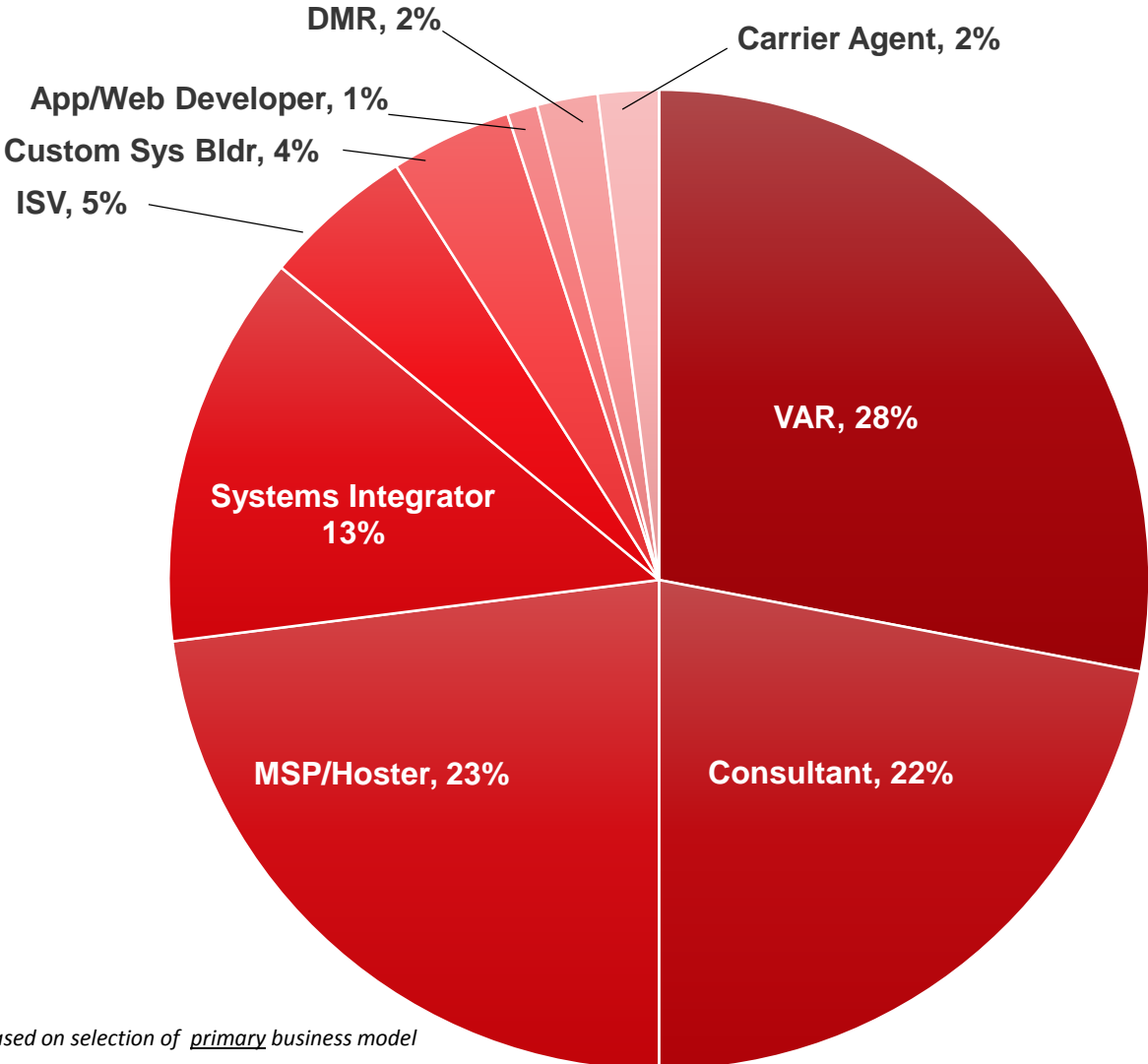


Sales Revenue	+
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Total Operating Expense	
Income (EBITA)	
Depreciation, Interest, Taxes	-
Net Profit	

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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We look forward to seeing you at the kickoff workshop!

Questions: Please contact

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