

Channel**Masters**<sup>®</sup>

## Kickoff Workshop Prerequisite Module 1 of 2

Partner Business Model Definitions, Cloud & Managed Services,  
Financial Basics & Digital Transformation/IoT

# The Perspective of a Former Channel Chief

## Rauline Ochs



THE **CHANNEL** CO.®

**CRN**®

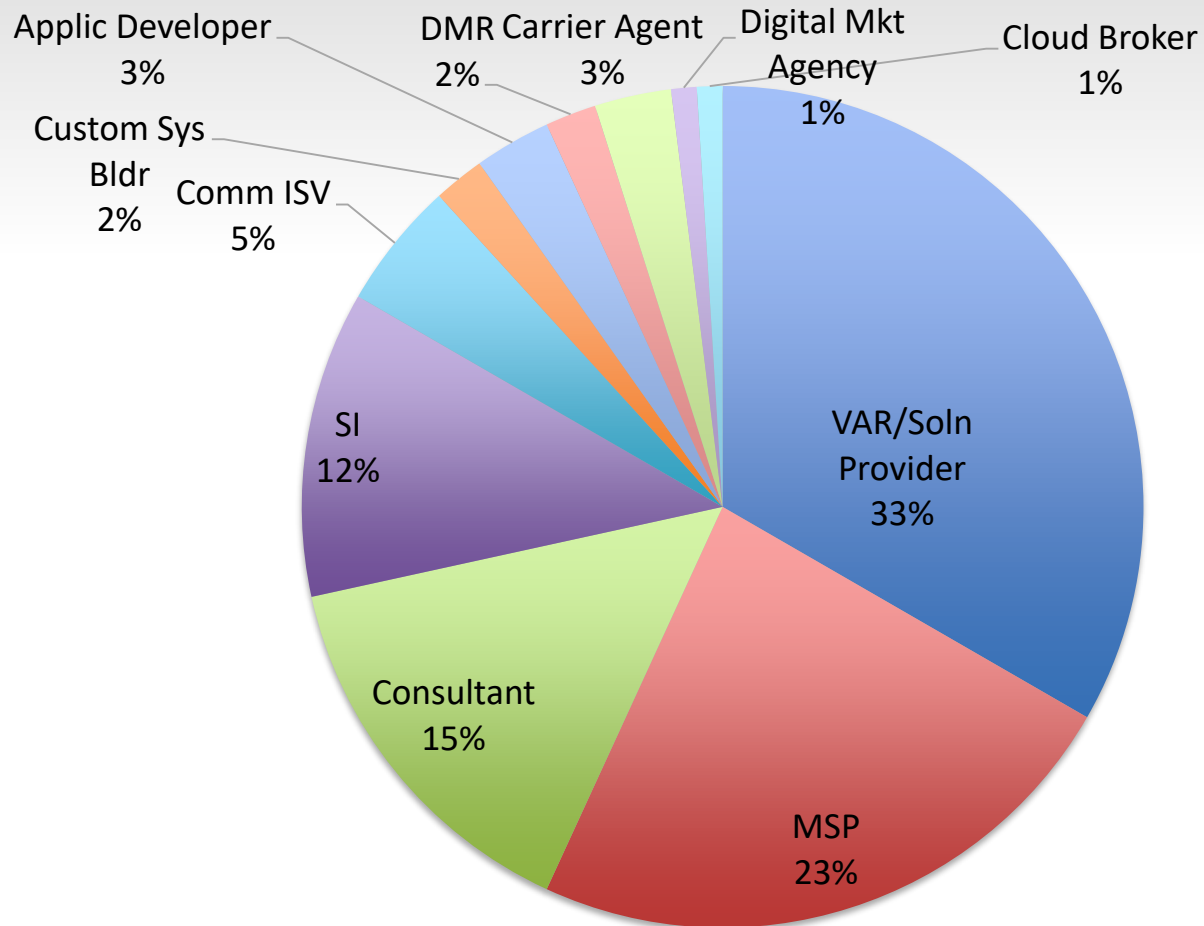
**XChange**®

**IPED**® Consulting

**PartnerDemand**® Services



# The North American Solution Provider Universe



Based on selection of primary business model

**IPED 2018 Census**

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

**PARTNER BUSINESS MODELS**

**CLOUD & MANAGED SERVICES**

**PARTNER PROFITABILITY**

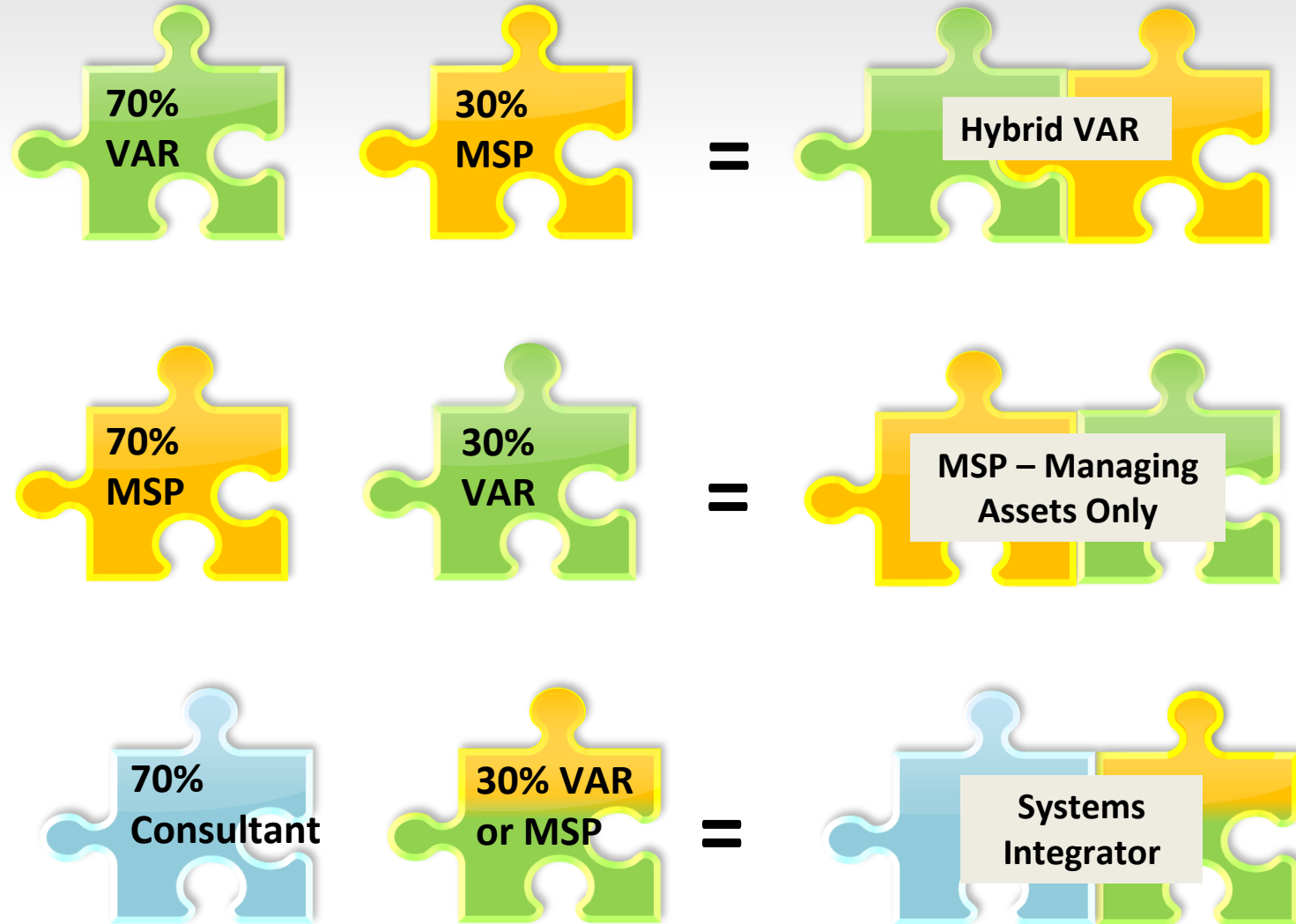
**DIGITAL TRANSFORMATION/IOT**

# Primary Business Models Matter, but there are no/few “Pure Play” Partners Anymore

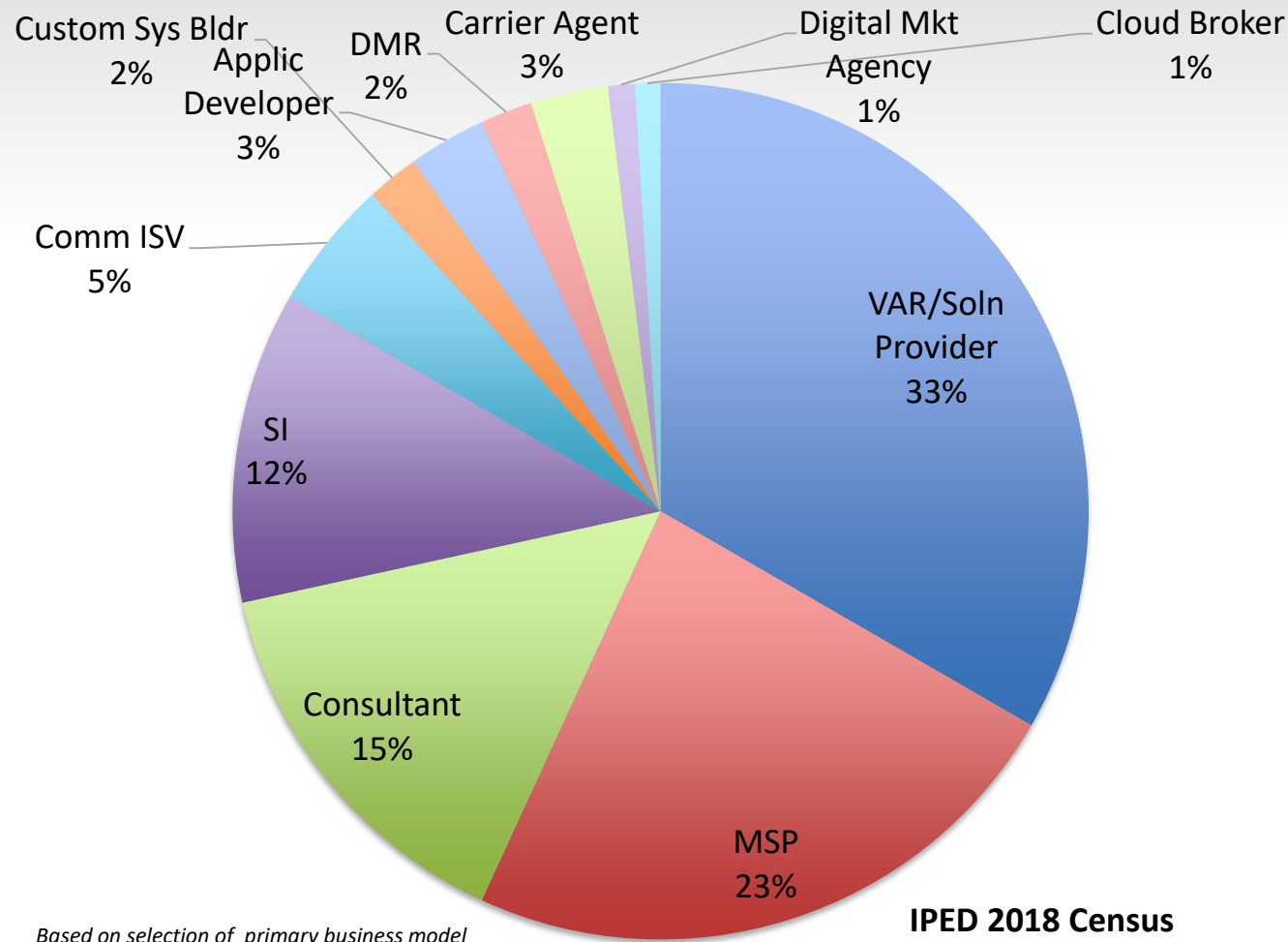
## How to Use These Models:

- Dissect your ideal Partner Profile
- Typically multiple roles are played
- VAR, MSP and Consultant models represent the three pure roles
- Factor in the correct percentage of the secondary business model to achieve a representative ideal partner profile
- Then benchmark partner needs to your program. See IPED Profitability Study for more info.

- Illustrative -



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Based on selection of primary business model

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

## PARTNER 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



# 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 customer focus. **Your company's revenue (>50%)** comes predominantly from integrating and selling hardware, software and services, including cloud services. You generally take title to resell product.

## **Consultant**

Your **company revenues (>90%+)** come predominantly from business process and strategy services combined with IT strategy and design consulting. You rarely take title to IT products. Your value comes from your ability to determine business strategy and link that to IT designs. You often recommend IT technologies and brands but may not perform any IT integration or implementation services. Your company may have been born-in-the-cloud indicated by a relationship with Salesforce.com, Google, etc. and without a previous consulting business addressing on-premise IT solutions.

## **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)

The **majority (80%+) of your revenues** come from reselling hardware, software and associated support contracts to end customers primarily through call centers and online marketing. **Less than 20% of your revenue** is derived from professional or managed services.

## Systems Integrator

Your company traditionally realizes **70%+ of revenue** from pre- and post-sales consulting, integration and implementation services. You have significant expertise in a technology segment and/or a vertical market, your integration skills are either information technology (IT), telephony (voice, data, internet) or operational technologies (OT) based. You are different from an IT consultant in that you **also take title to product to resell or provide managed services**. Enhanced this wording to include OT capabilities.

## Custom Systems Builder

**At least 50% of your revenue** comes from designing, building and delivering your own brand of hardware infrastructure such as "white box" or custom systems often optimized for specialty uses like gaming, healthcare, etc.



# 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.

## Application Developer

Your **company's revenue comes predominantly (>50%)** from development of applications for an end user in a *custom development, non-commercially available basis*. The applications may leverage DevOps skills, and may be written for Windows, Linux, iOS, Android, an IoT platform or any other on-premise, cloud, mobile or edge platform.

# Solution Provider Business Models: Definitions

## Cloud Broker

The **majority of your company's revenue's (>50%)** comes from the administration of public cloud services on behalf of a customer. Your role may include provisioning licenses, user additions, deletions, changes, access as well as security designations, license compliance management and reporting via a central portal access, ongoing billing and central help desk support. It may also include private-labeling of these applications or services. You may also act as a sales agent, receiving commissions for selling cloud services, or as a full reseller, providing contract and billing services.

## Service Provider Agent

Your **company's revenue comes predominantly (>50%)** from recommending carrier-based high-speed data access, digital cable, high speed online and digital phone services to end-users.

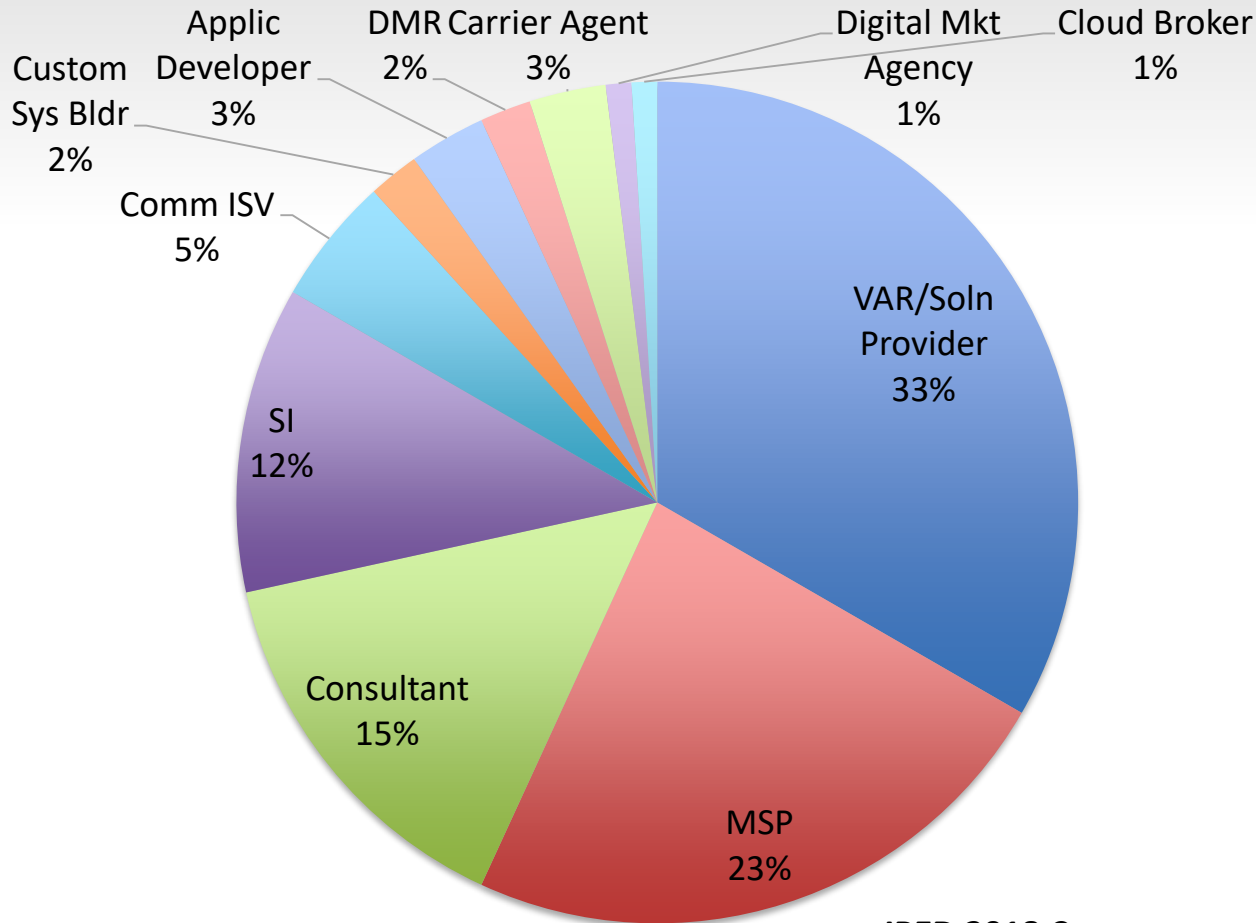
## IT Distributor

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.

## OT Distributor

You represent **operational technology (OT) products** from suppliers such as Siemens, Bosh, GE Digital, Schneider Electric and Honeywell. You either sell directly to end-users and/or to OT systems integrators. You provide pricing, configuration and training to OT system integrators and soon also to IT integrators looking to participate in IoT. Your vendor relationship may (or may not) be based on a defined geographic area with some level of exclusivity.

# The N. American Solution Provider Universe



Based on selection of primary business model

**IPED 2018 Census**

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

## Cloud & Managed Services

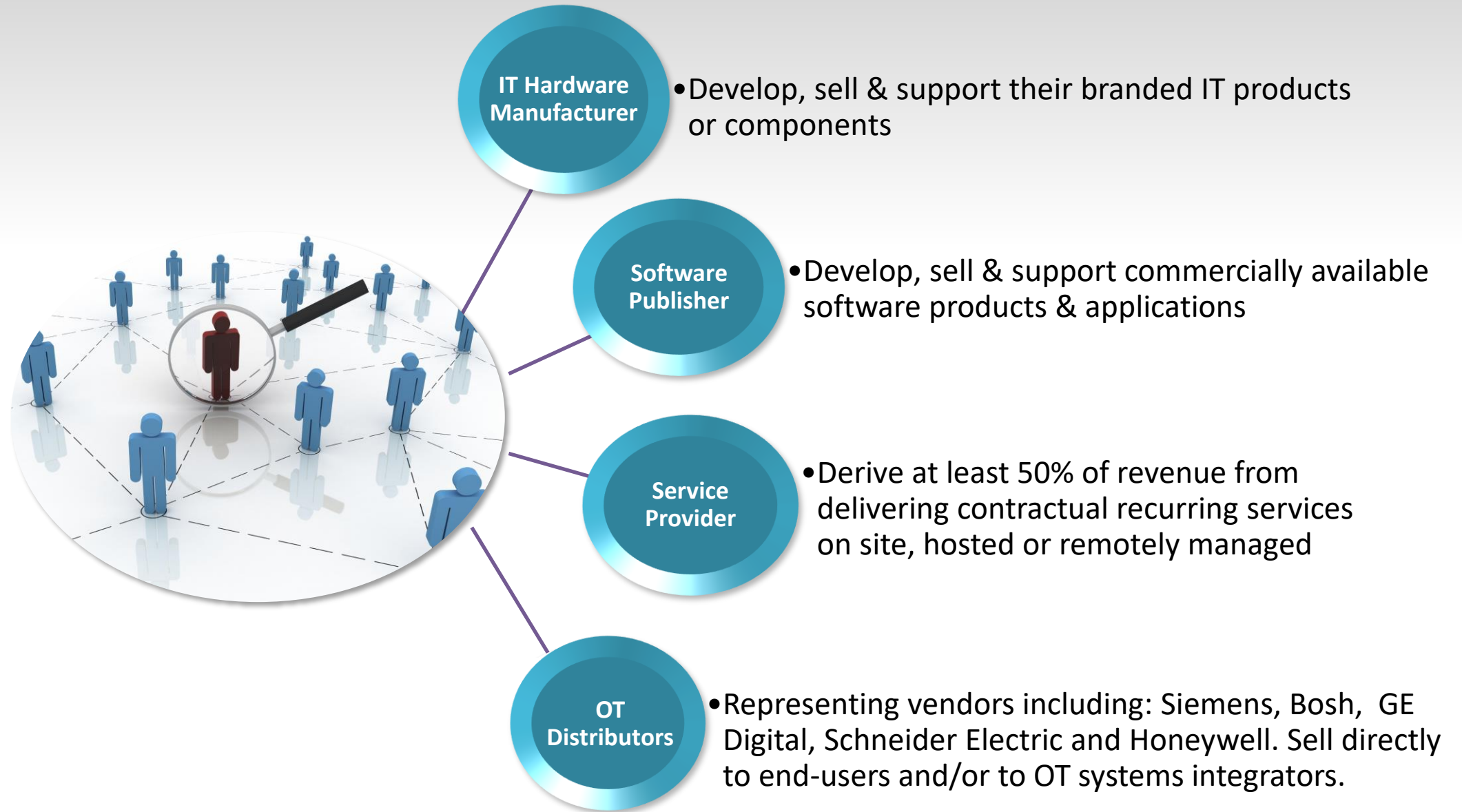
*“Our Managed Services offering builds trust with our clients. Since we’re looking at their IT operations every day and solving problems together they’re a lot more inclined to listen to us when we bring a new technology to invest in.”*

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

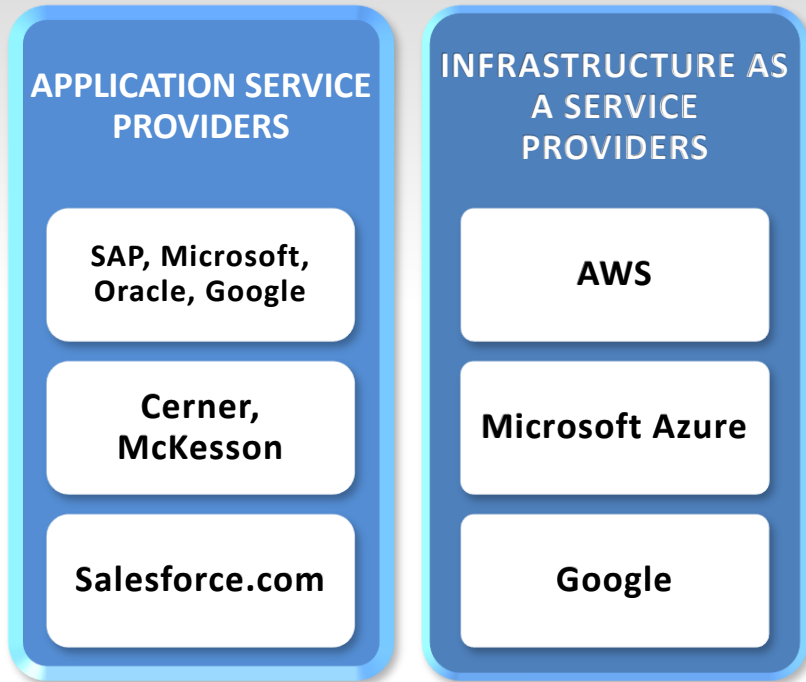
*“Building recurring revenue streams is the most important issue for us in terms of our future investment in ANY technology area.”*

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

# IT Ecosystem Now Includes Four Vendor Types



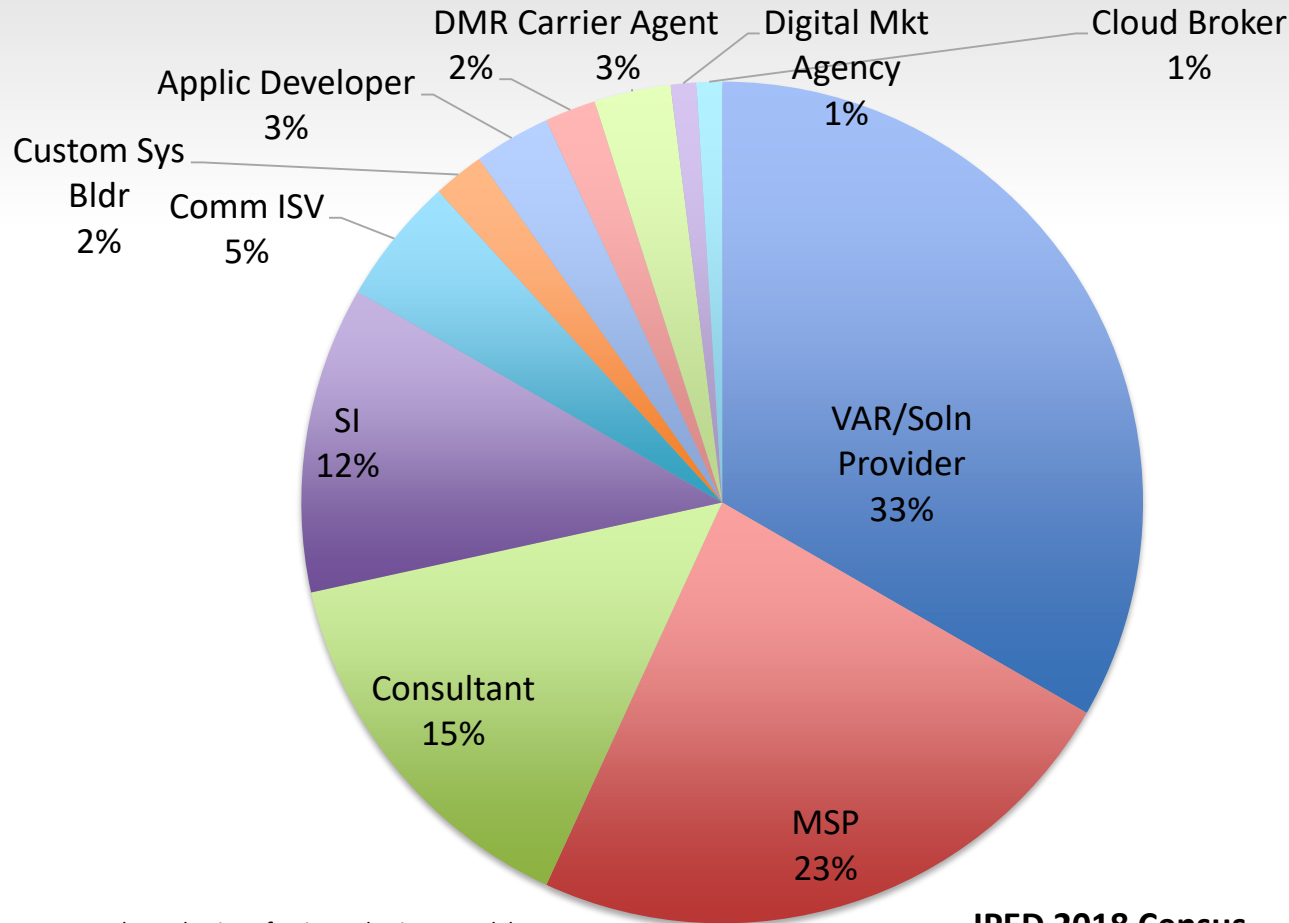
# Service Providers Are New IT Vendors. All Are Recruiting Your Partners!!



Many Applications are Hosted at AWS, Azure, etc.



# The N. American Solution Provider Universe

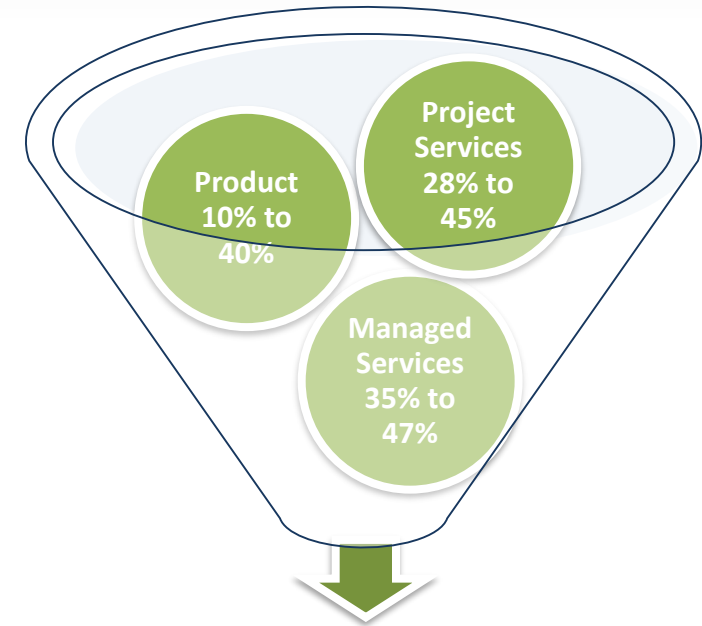


Based on selection of primary business model

**IPED 2018 Census**

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

## PARTNER PROFITABILITY



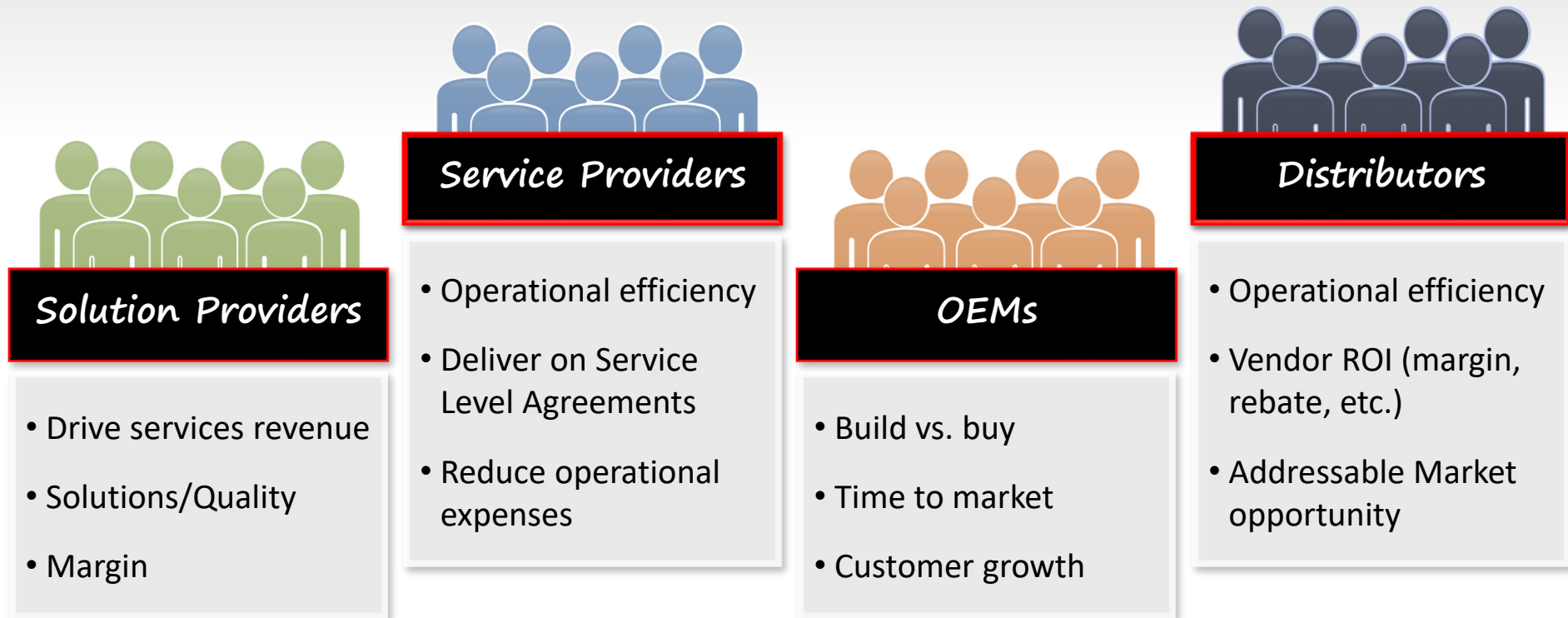
**Technology Line of Business  
or Company**

*Sample Average Gross Margins\**



# 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.*

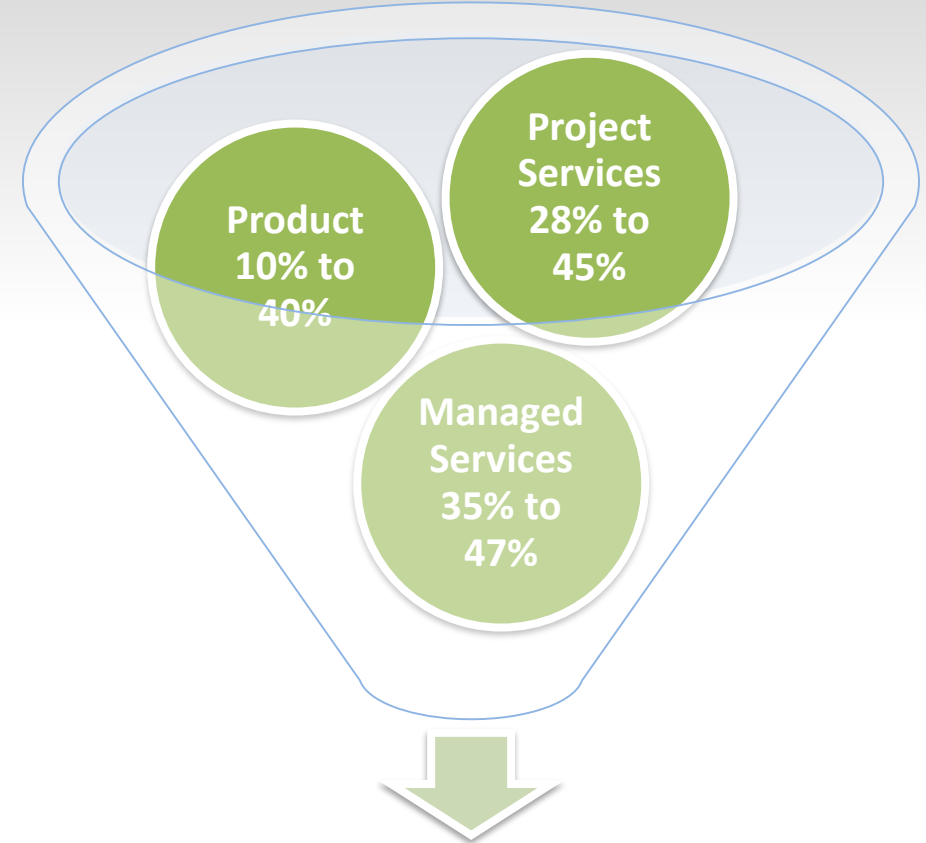
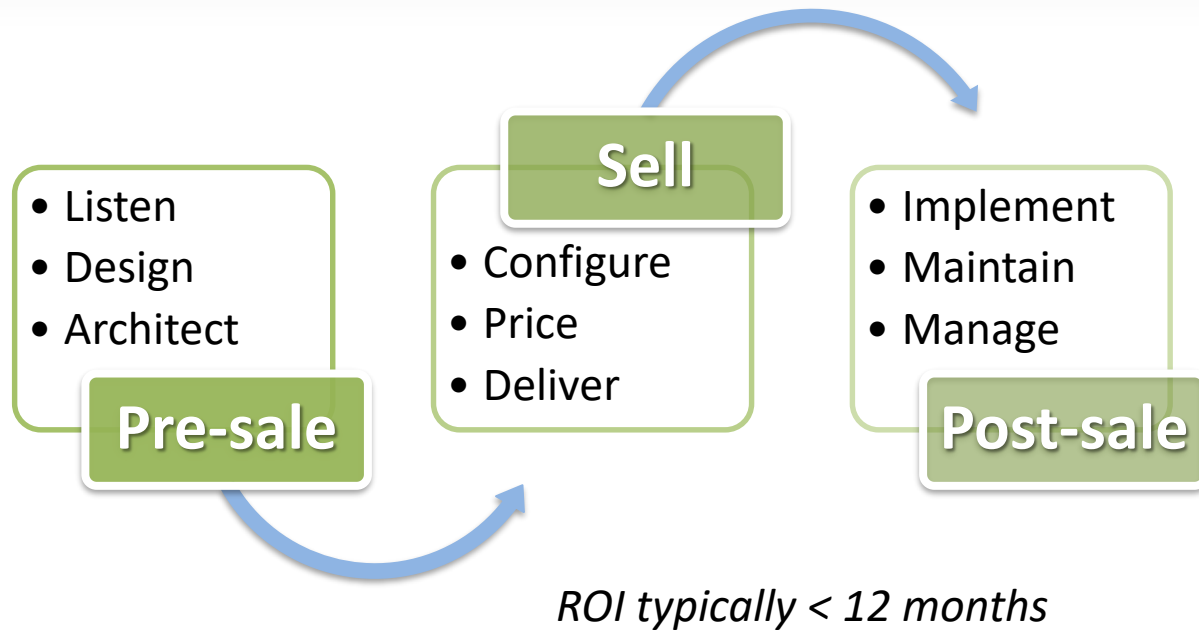


*We must look at the world through "Partner" glasses*



# 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\*

\*IPED Profitability Study and SME: data directionally correct

# Basic Partner Business Model Structure

**Target  
Audience**

WHO THEY SELL TO ...

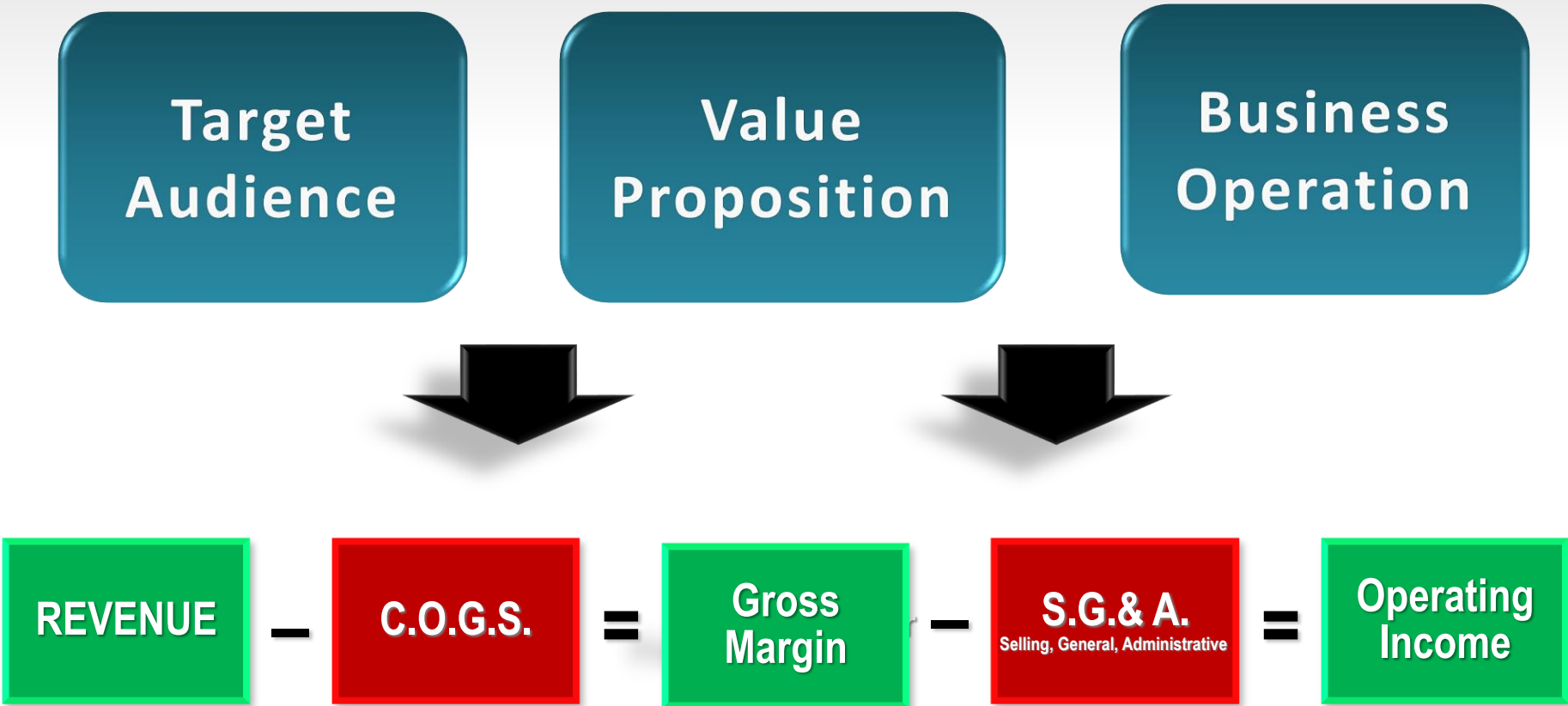
**Value  
Proposition**

WHAT THEY SELL ...

**Business  
Operation**

HOW THEY DELIVER ...

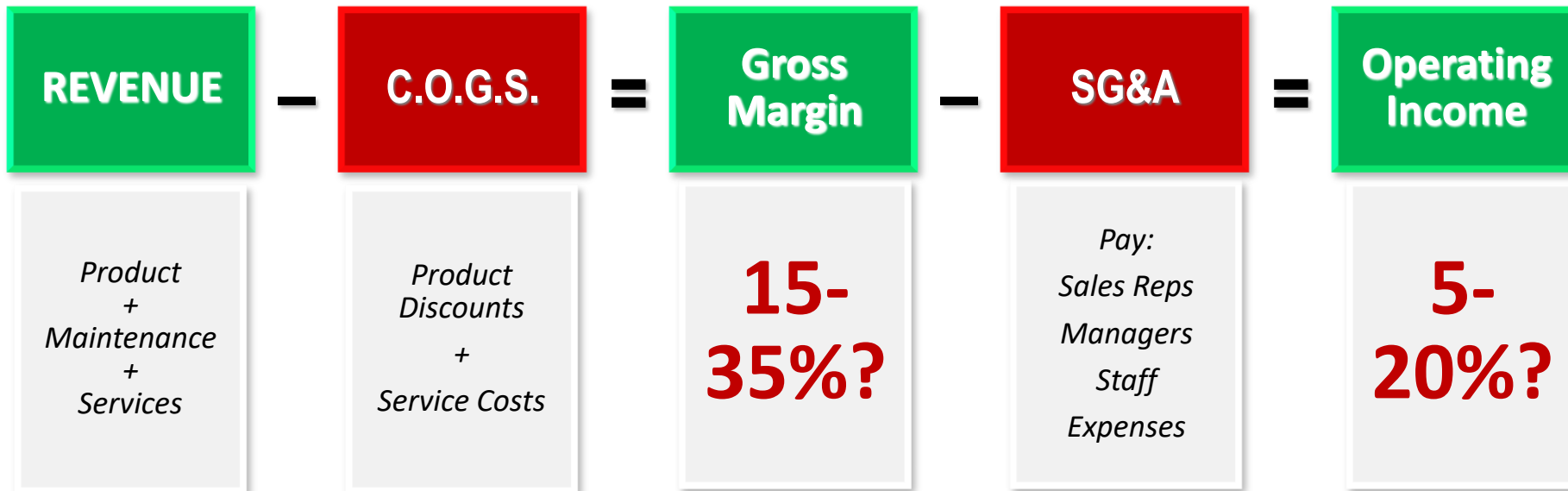
# Basic Partner Business Model Structure



# 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...**

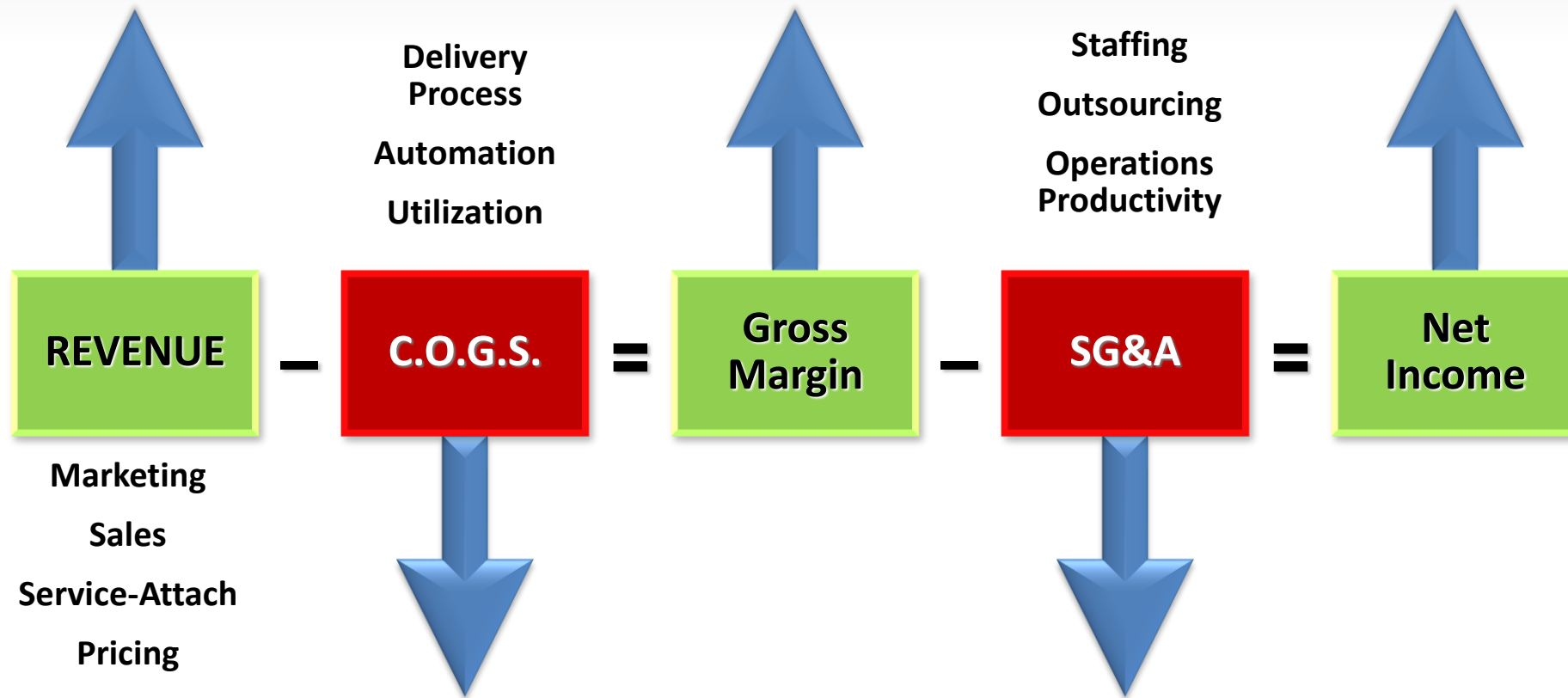


## HOW DO CHANNEL REPS USUALLY ENGAGE PARTNERS?

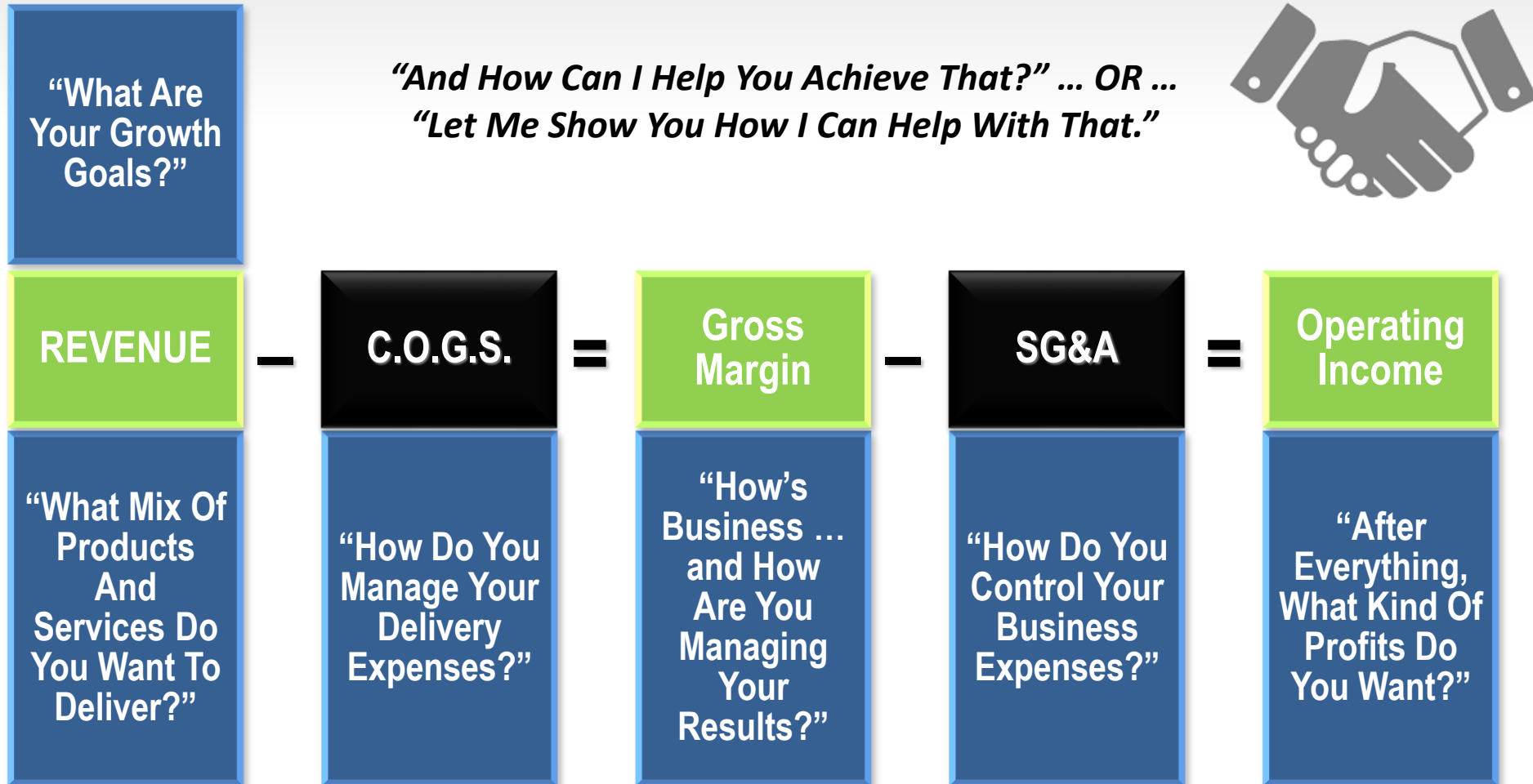




## HOW DO YOU USE YOUR PROGRAM BENEFITS TO CAUSE ROI?



## IS THERE A BETTER WAY TO ENGAGE PARTNERS?



# Profit and Loss (P&L) Income Statement

## A Very Simple View



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

## 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**

## 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 ...**

## SG&A



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



## 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

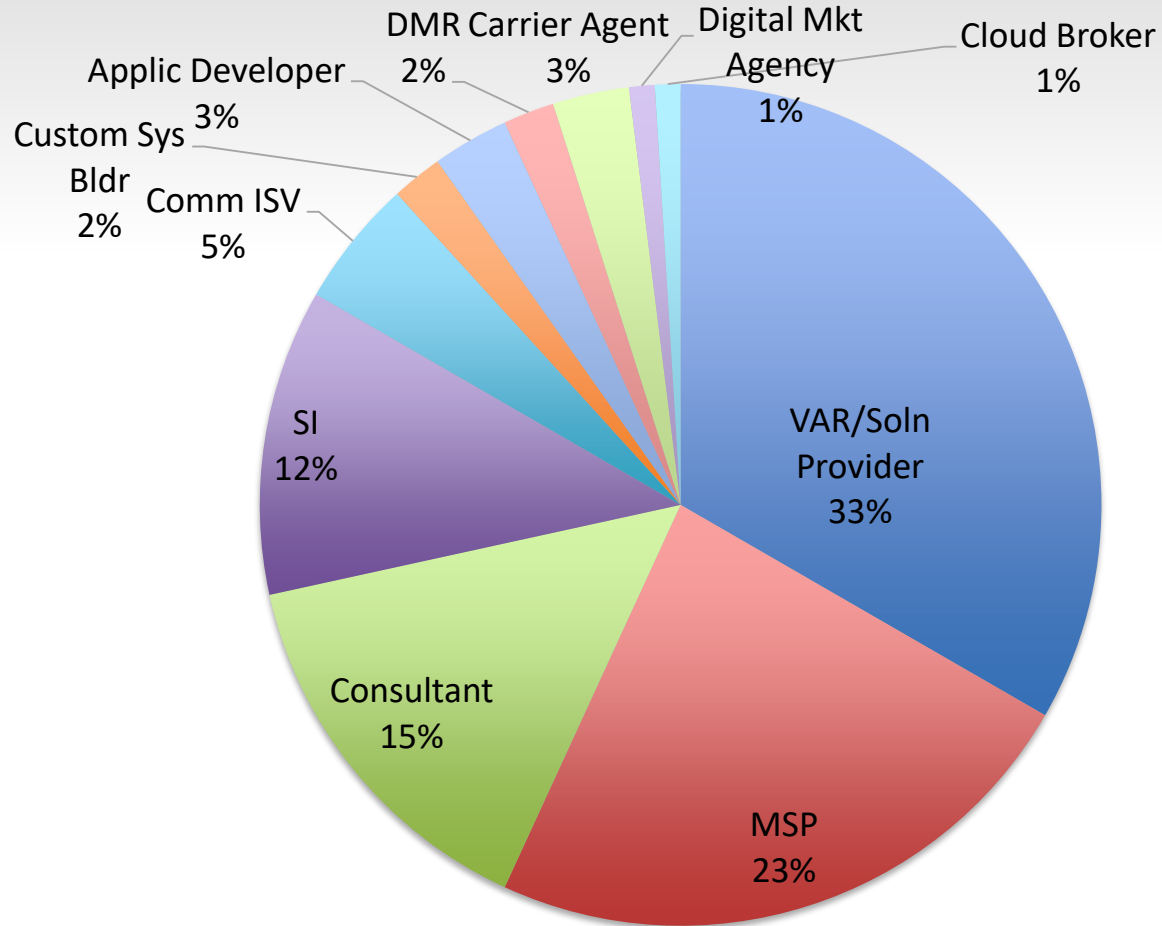


Sales Revenue	+
Cost of Goods	-
Gross Profit	
Operating Expenses	-
Sales and Marketing	-
General and Administrative	-
Total Operating Expense	
Income (EBITA)	
Depreciation, Interest, Taxes	-
<b>Net Profit</b>	

## Cost Drivers

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

# The North American Solution Provider Universe

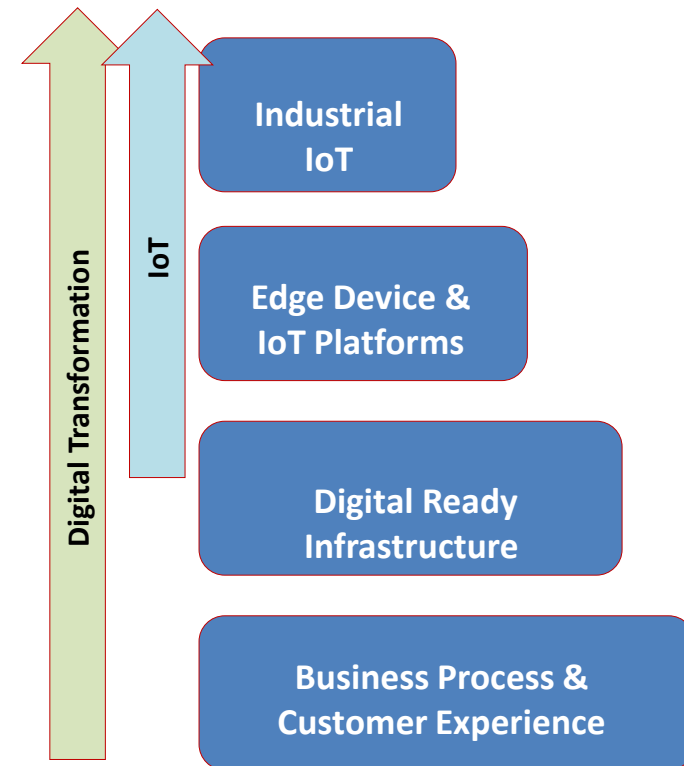


Based on selection of primary business model

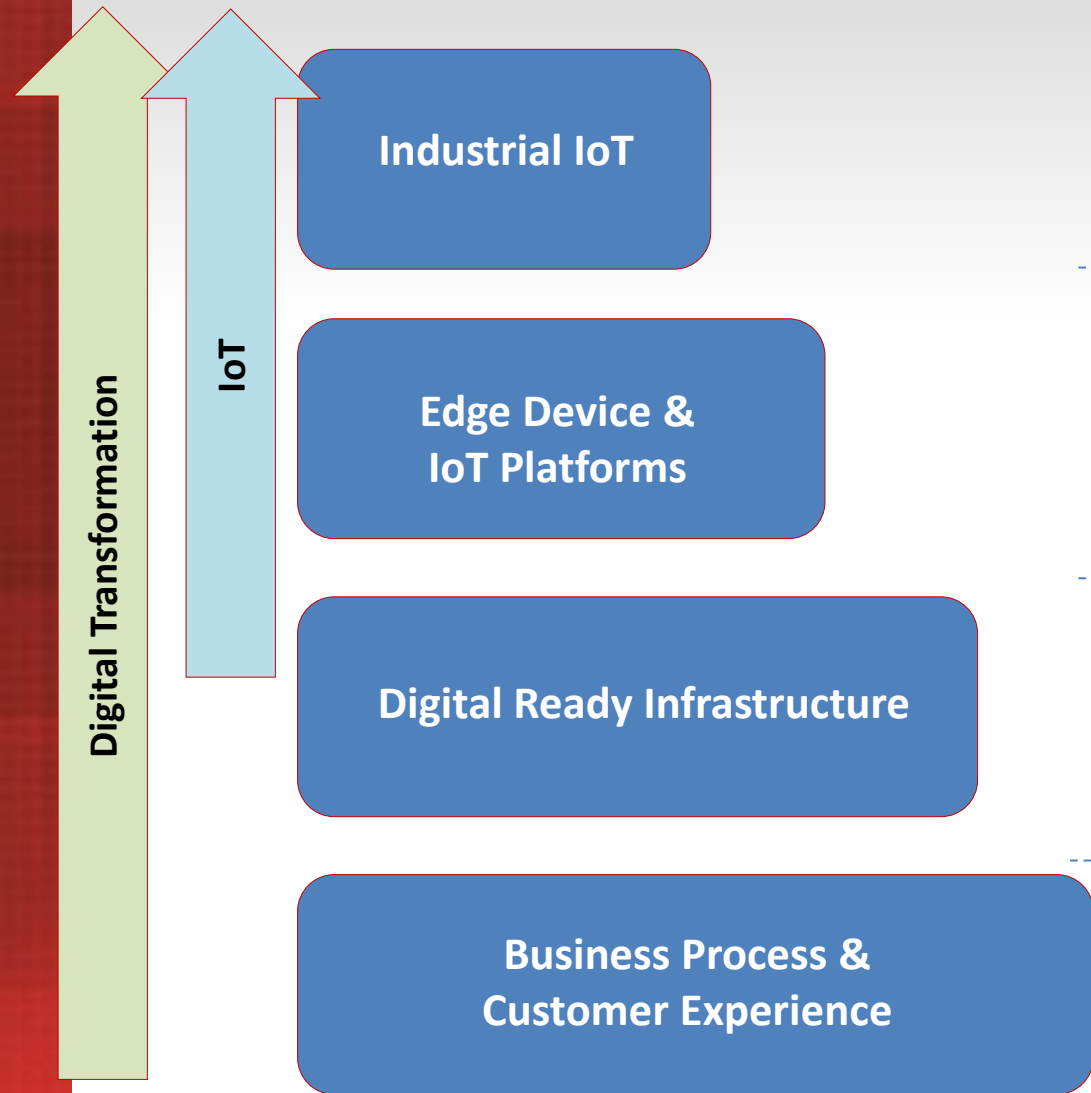
**IPED 2018 Census**

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

## DIGITAL TRANSFORMATION/IoT



Security required within each Digital Transformation category



- **Focus:** decrease human costs, accuracy, new abilities, new data
- **Leverage:** ability to monitor or sense temperature, pressure, direction, speed, etc.
- Industrial control systems integration to cloud or with edge devices, e.g. Siemens, GE Digital, Bosch, etc.

- **Focus:** new approaches to business problems
- **Leverage:** Edge sensors & metering devices with an IoT Platform both IT centric (e.g. Azure, AWS, PTC) and OT centric (e.g. GE Predix, Siemens MindSphere, etc.)
- Application Development or a Market Ready IoT Solutions

- **Focus:** technology driven differentiation
- **Leverage:** retail Zebra RFID clothing tags or Aruba wireless location based services to navigate a venue on mobile device

- **Focus:** business process & customer experience
- **Leverage:** digitally enhanced or cloud enabled commerce, marketing, data, applications, e.g. EMR: Allscripts or Marketing Agency: SapientRazorfish

Security required within each Digital Transformation category

# Teaming with Partners Makes Sense in Light of the Typical IoT Sales Pursuit!

The Partner with access in stage 1 of sales pursuit



**Vertical Decision Makers**

**Business Problem Discovery**

**Solution Vision, POC Proposal**

Decides the Infrastructure during later stages

**Critical POC Components**



IoT Platform, App. Dev. Skills, Edge Devices, Vertical Workflow

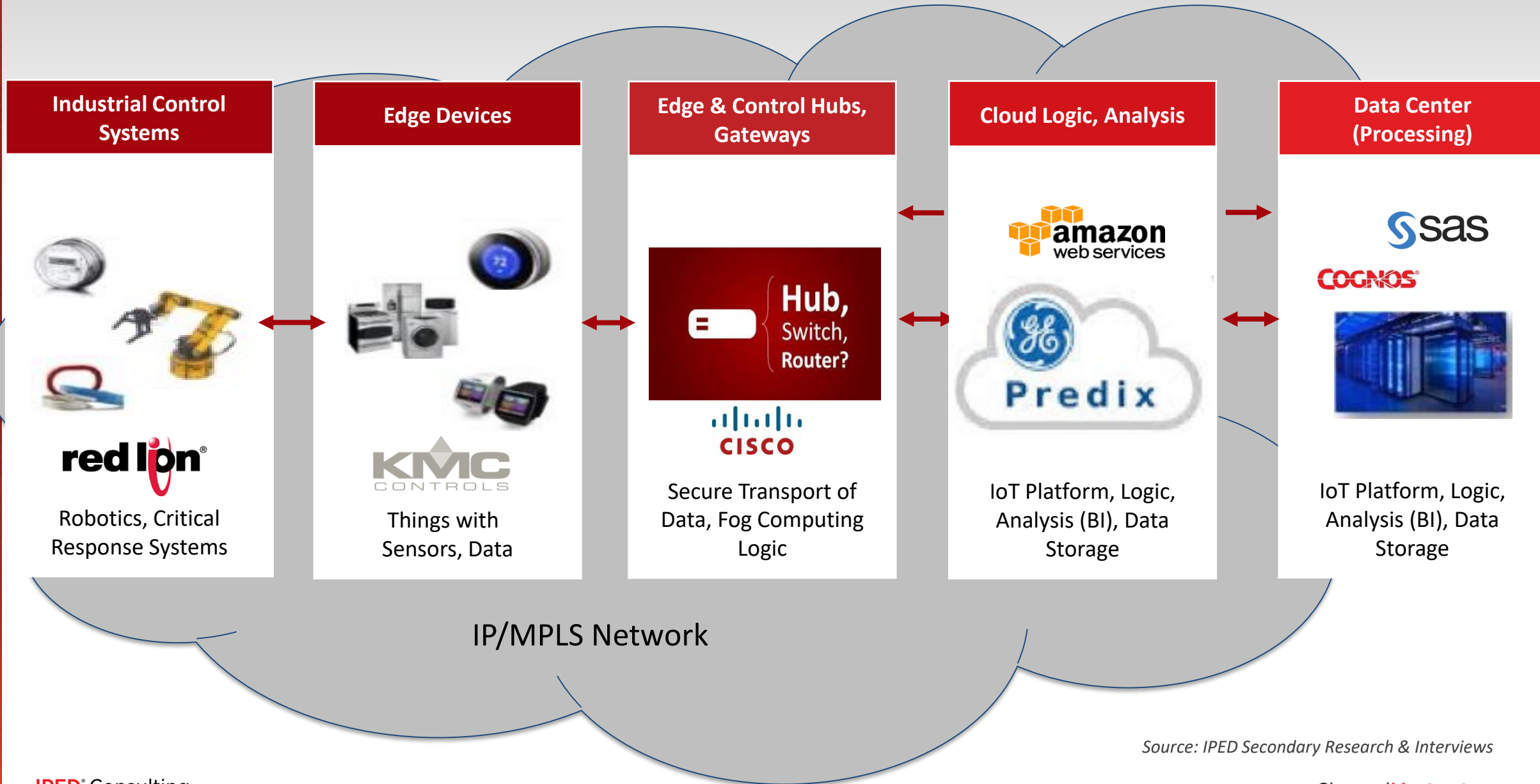
**POC Bill of Materials**



Based on the Solution Providers Skills, Research



# Example IoT Solution Components... Your Telephony, IT or OT Legacy Biases Each View



Source: IPED Secondary Research & Interviews



# Successful IoT Partners are Teaming to Ensure a Total Solution

*“GE is a vendor, a partner, a client.”*

*IT partner, Dimension Data*

*“We have partnered with Dell on “brownfield buildings” smaller than class A buildings that have little to no automation.”*

*Operational Technology partner, Encon Mechanical*

**54%**

The percentage of partners indicating a desire to team for:  
Edge security skills: **OT partners**  
Access to vertical LOB decision makers: **IT partners**

2017 IPED Intel IoT Study

**52%**

The percentage of partners who look to IT vendors to foster collaboration between OT and IT partners within the community.

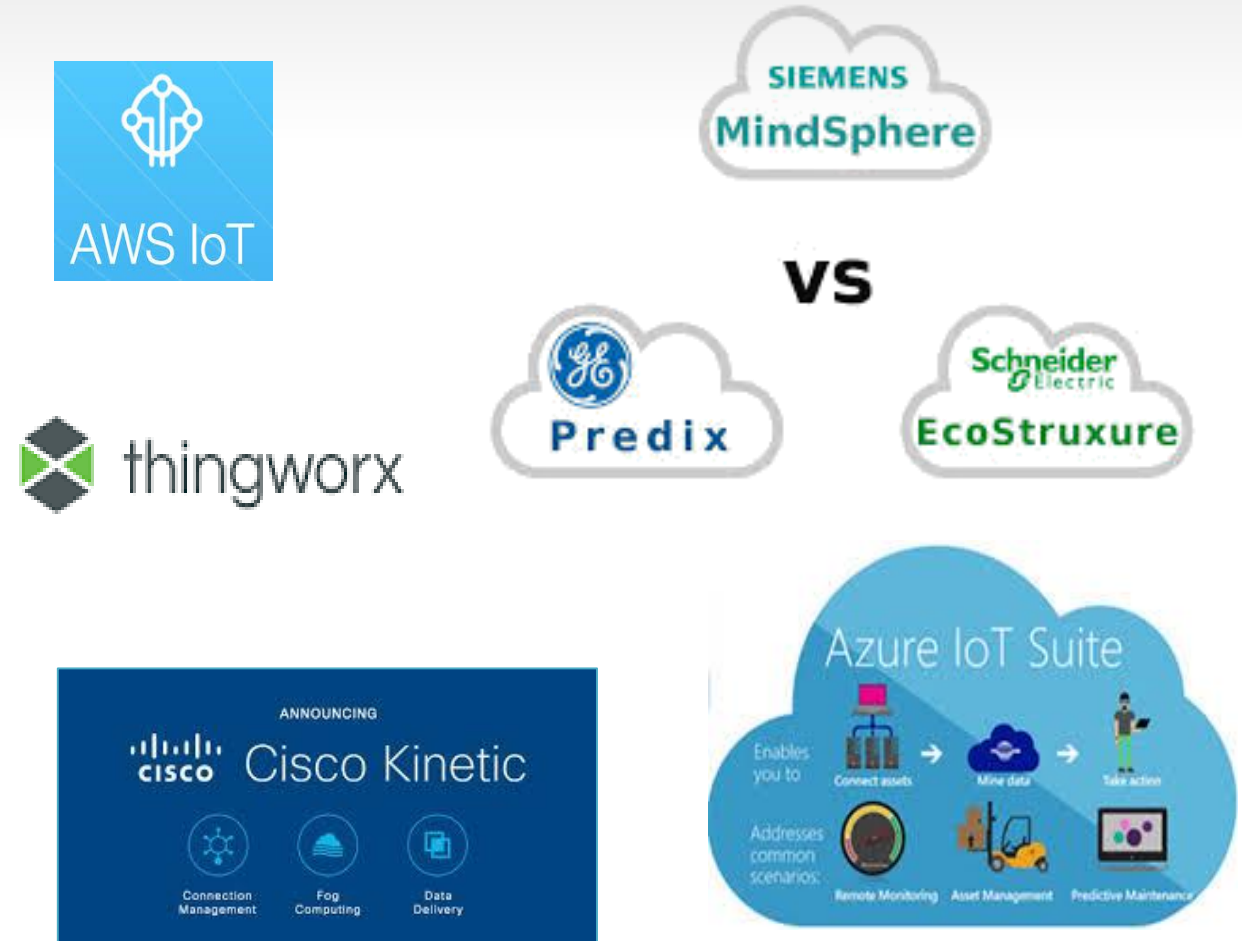
2017 IPED Intel IoT Study

# Critical Capabilities to Capture End Customer Mindshare and Budget Start with a Solution Vision & POC

## Skills Critical to the Sale of IoT:

- Vertical Expertise
- Solution Design Capability
- Development Capability

## Sample IoT Platforms



# Critical Capabilities to Capture End Customer Mindshare and Budget Start with a Solution Vision & POC



**Why do Containers matter in IoT?** ... virtual machines (VMs) are too slow and too for use in IoT endpoints. Most endpoints require a light OS that uses few resources and can work quickly to automate various processes... these requirements are largely responsible for the increasing use of containers in IoT.

*Peter Dykes March 24, 2017 IoTNow*

[What is Docker?](#)

**DevOps** is the combination of cultural philosophies, practices, and tools that increases an organization's ability to deliver applications and services at high velocity: evolving and improving products at a faster pace than organizations using traditional software development and infrastructure management processes.

*Source: AWS*

# Avaya & Cisco Reseller Chooses Wireless as IoT Entry Point

“We ... enable smart devices to talk back. We started with municipal ball fields then added smart trash cans.

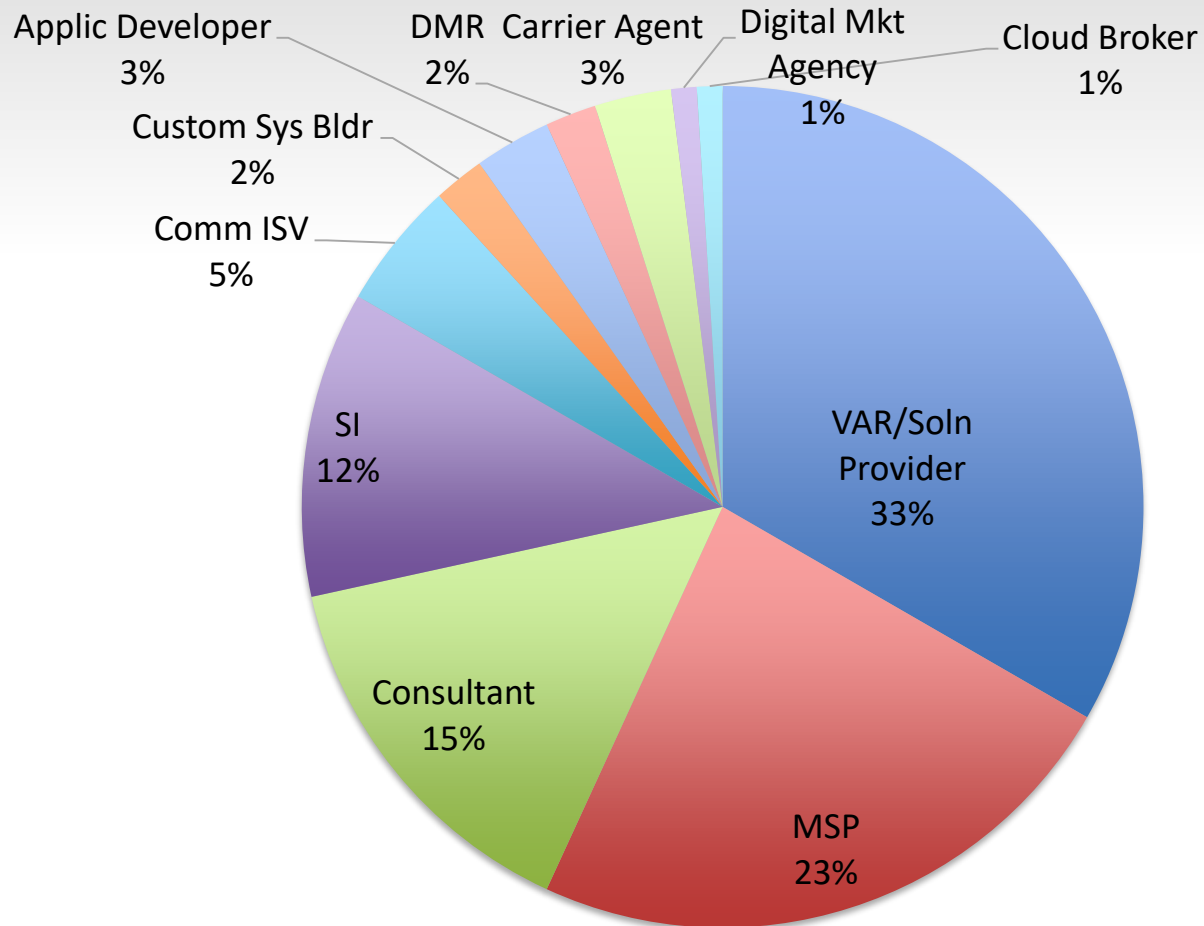
Most devices have control panels, we just have to turn them on, but every device is managed differently. Dashboards matter.

From the IT side, it's just wireless which we do with Meraki.

We don't do large industrial IoT projects, we don't see an easy path to success for us.”



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**PARTNER BUSINESS MODELS**

**CLOUD & MANAGED SERVICES**

**PARTNER PROFITABILITY**

**DIGITAL TRANSFORMATION/IOT**

# Your next action item to do before we meet at the kickoff workshop ...



Prerequisite Module 2 of 2

## ***Partner Channel Census Data Review***



We look forward to seeing you at the kickoff workshop!



Questions: Please contact  
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