Mark Williams

Over 20 years of operational experience helping large and small companies generate greater revenue through direct and indirect channels.

- Unique experience of leading teams on the sales as well as strategic marketing side of organizations. Throughout his career, Mark has been responsible for developing channel strategies, defining channel programs as well as leading sales teams to drive revenue.

- Before his involvement with IPED, Mark was Vice President of Americas Sales at BakBone Software responsible for all revenue from the Americas.

- Prior to BakBone, Mark was Vice President of Global Field Operations and Vice President of Marketing at Vignette responsible for developing direct and indirect channel sales strategies, programs and operational management across all major geographies plus management of corporate, field and partner marketing.

- Mark also spent 11 years at IBM where he was the Director of Partner Marketing responsible for managing the global go- to-market strategies for all software brands which included developing channel readiness, partner recruitment, partner enablement, and channel marketing programs.

- Mark earned a BA in Computer Science from The University of Texas at Austin and spent his early career as a software developer and development project manager.

Channel Census Overview

METHODOLOGY

► Leverage **The Channel Company** solution provider database and the CRN Channel Intelligence Council

► On-line survey

► Selected **partner interviews** to clarify responses

OBJECTIVES

► Broad overview of the demographics of the N. American solution provider community

► Analysis of emerging solution provider business models

► Key insights into growth strategies, barriers and support expectations of each major partner type

► Critical benchmark against which to measure channel breadth and profile

North American SP Population
170,000
Total SP Organizations

1.5 million individuals

ChannelBase
150,000
Solution Provider Organizations

CRN Channel Intelligence Council

Over 2/3 of the N. American SP community is still small, regional VAR/Consultants catering to SMB

This Study's Participants: (medians)
$4m annual revenues
20 employees total; 10 tech., 5 sales

|	**Small regional** *Local IT generalist or specialized services firms*	**Medium regional/national** *Established SMB integrators with expanding service portfolios*	**Large national/global** *Diverse enterprise solution providers promoting business outcomes*
% of total N. American solution providers	**68%**	**25%**	**8%**
Total annual revenues	<$10m	$10-499m	$500m+
# of employees (total); sales/technical	10 total; 2 sales, 5 tech.	110 total; 19 sales, 40 tech.	3200 total; 600 sales, 750 tech.
Primary & Secondary business models	1. VAR 2. Consultant	1. VAR 2. SI	1. VAR 2. MSP
Mix of revenues by customer type	Consumer 11% Enterprise 14% Mid-market 24% Small 51%	Consumer 7% Enterprise 35% Small 21% Mid-market 37%	Consumer 8% Small 16% Enterprise 44% Mid-market 32%

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Q: What were your company's annual 2016 revenues? (n=532)
Q: Which of the following best describes your current primary business model (that which contributed the highest percentage of your 2016 revenues)? (n=532)
Q: Which of the following best describes your current secondary business model (that which contributed the highest percentage of your 2016 revenues)? (n=532)

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"Strategic Service Provider" Model Revisited

Reseller   VAR   Solution Provider   **Strategic Service Provider**
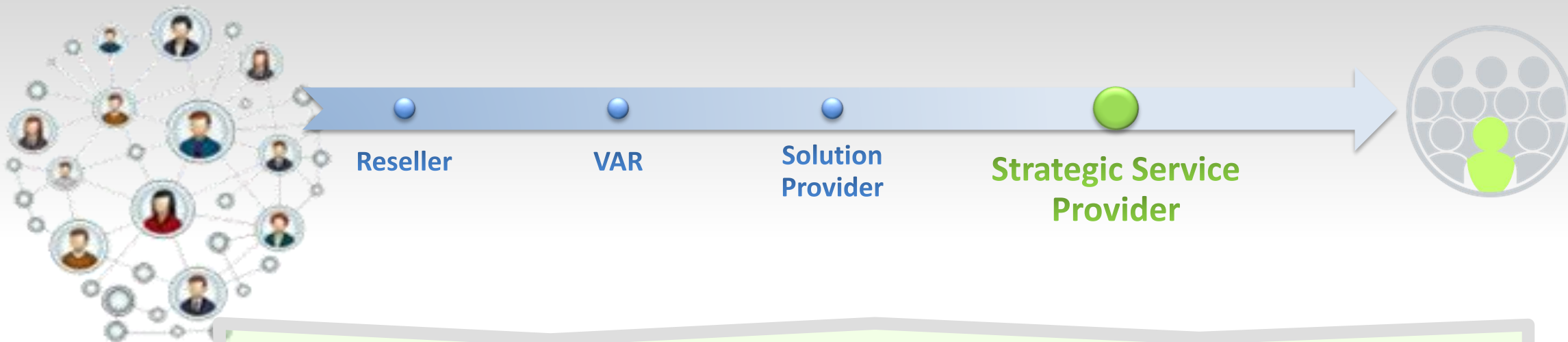
#1 Represents the *aspirational capabilities* of partners 3 - 5 years into the future
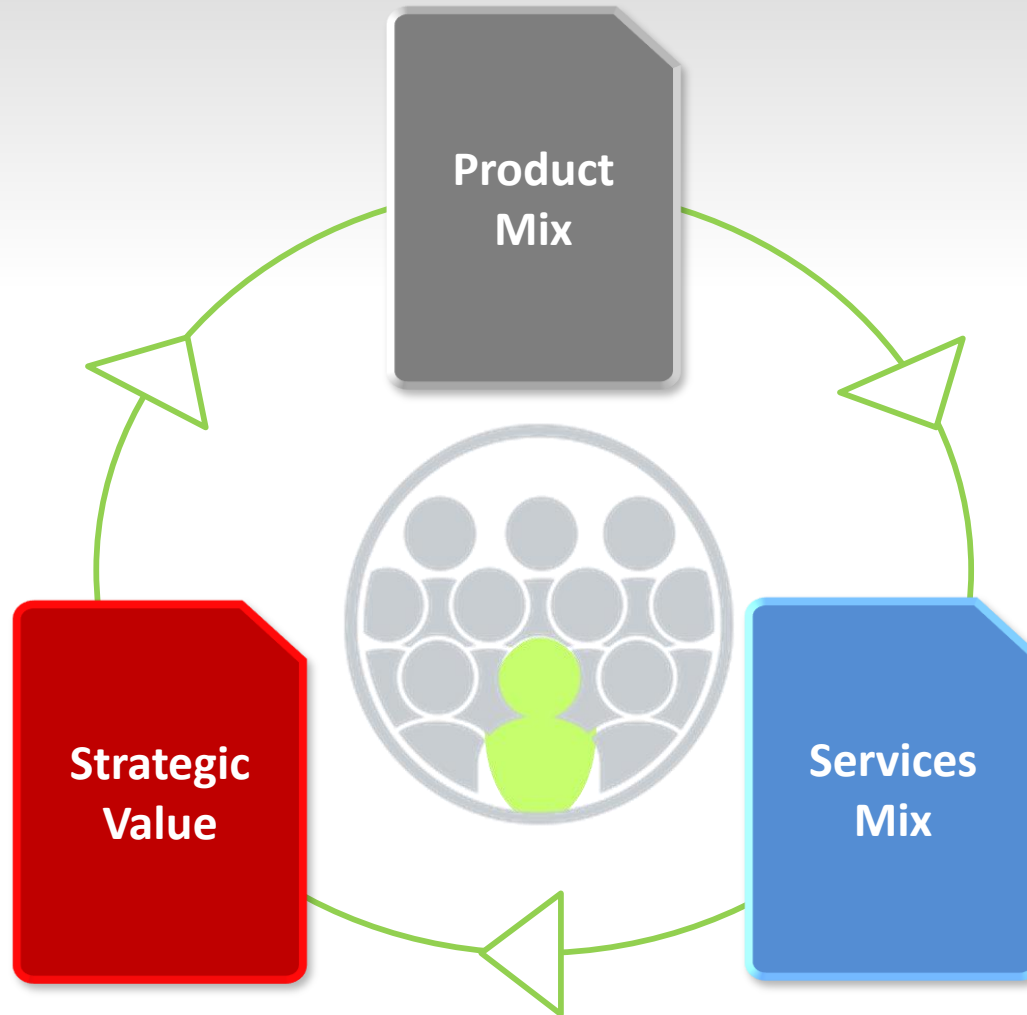
#2 Captures the ability of the partner to be the *trusted advisor to the customer*

#3 Represents *cloud brokerage* capabilities around IaaS, PaaS, SaaS, and other managed services
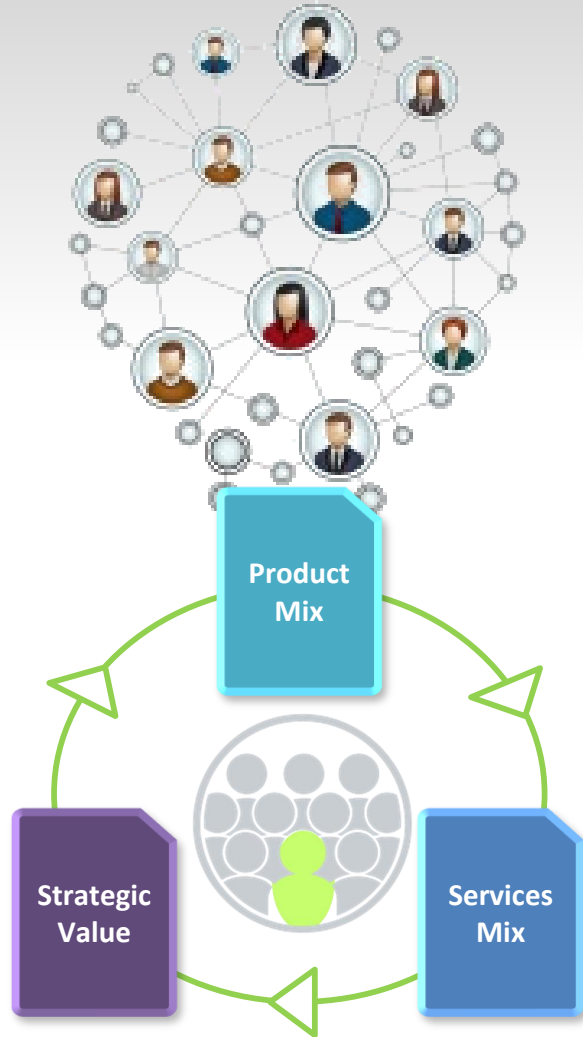
*The term does <u>not</u> replace ISV, DMR, Consultant, SI or other business models. It is targeted at the **VAR heritage solution provider***

Strategic Service Provider: Model Criteria

The "Solution Provider" Evolves: "Strategic Service Provider"

"Strategic Service Provider" Profile
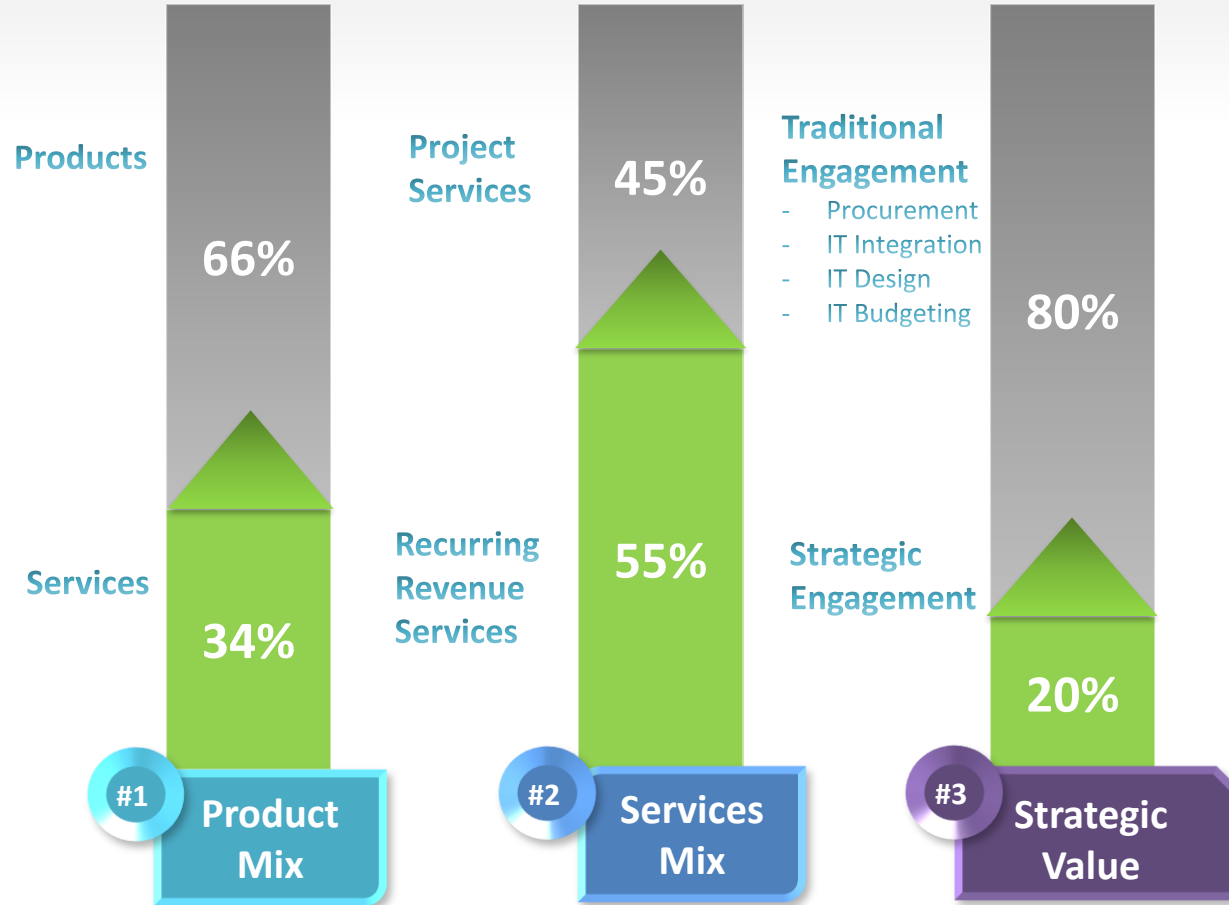
Product Mix

Strategic Value — Services Mix

Products
66%

Services
34%

#1 Product Mix

Project Services
45%

Recurring Revenue Services
55%

#2 Services Mix

Traditional Engagement
- Procurement
- IT Integration
- IT Design
- IT Budgeting

80%

Strategic Engagement
20%

#3 Strategic Value

Four Biggest Takeaways

CONTINUED GROWTH IN MSP BUSINESS MODEL

NETWORK & SECURITY SKILLS REVITALIZED
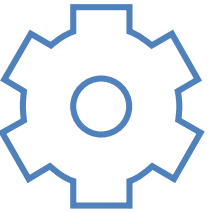
DIGITAL TRANSFORMATION CROSSES CHASM

PARTNERS WANT EXPANDED RECURRING REVENUE SUPPORT
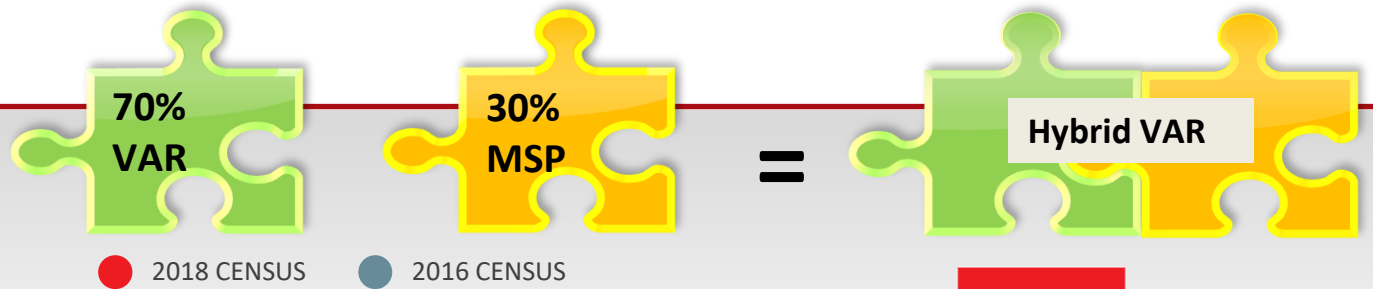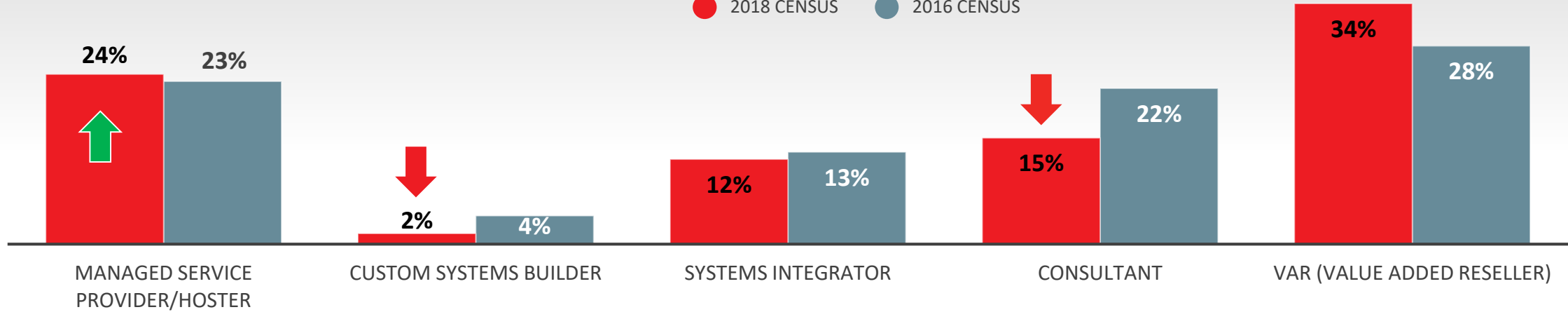
Four Biggest Takeaways

▶ **CONTINUED GROWTH IN MSP BUSINESS MODEL**

Nearly 50% of solution providers now deliver managed services as primary or secondary business model; consultative selling now ubiquitous approach, but drive toward scalable annuity revenues dictates growth strategies

Current Biz Model Mix

70% VAR **30% MSP** **=** **Hybrid VAR**

● 2018 CENSUS ● 2016 CENSUS

▶ PRIMARY BUSINESS MODELS

Business Model	2018 CENSUS	2016 CENSUS
MANAGED SERVICE PROVIDER/HOSTER	24%	23%
CUSTOM SYSTEMS BUILDER	2%	4%
SYSTEMS INTEGRATOR	12%	13%
CONSULTANT	15%	22%
VAR (VALUE ADDED RESELLER)	34%	28%

▶ SECONDARY BUSINESS MODELS

Business Model	2018 CENSUS	2016 CENSUS
MANAGED SERVICE PROVIDER/HOSTER	23%	14%
CUSTOM SYSTEMS BUILDER	2%	5%
SYSTEMS INTEGRATOR	12%	20%
CONSULTANT	23%	26%
VAR (VALUE ADDED RESELLER)	19%	20%

Q: Which of the following best describes your current primary business model (that which contributed the highest percentage of your 2016 revenues)? (n=532) Means
Q: Which of the following best describes your current secondary business model (that which contributed the highest percentage of your 2016 revenues)? (n=532) Means

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Application development skills now blending to many other business models; tracking growth of digital marketing agencies and cloud brokers
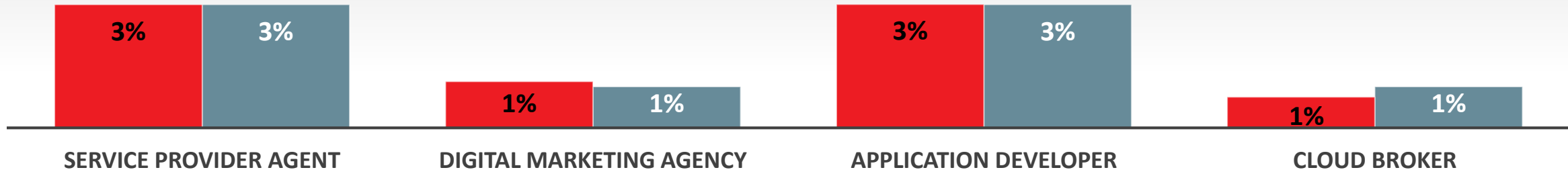
▶ **EMERGING BUSINESS MODELS**

🔴 **PRIMARY** 🔵 **SECONDARY**

3% **3%**	**1%** **1%**	**3%** **3%**	**1%** **1%**
SERVICE PROVIDER AGENT	**DIGITAL MARKETING AGENCY**	**APPLICATION DEVELOPER**	**CLOUD BROKER**

Now Included

Now Included

Service Provider Agent (or reseller) still aligned with legacy telephony focused partners; aligns with opportunistic selling of T21/T2 IaaS provider offerings

Enhance customers' creative and strategic online user experience, mobile applications strategy, social media strategy, and approach to data gathering /analytics. May also provide creative agency services and influence mobile application development and/or marketing automation solutions.

App. developer broken out from commercial ISV to reflect increase need for application skills; top function for P2P teaming
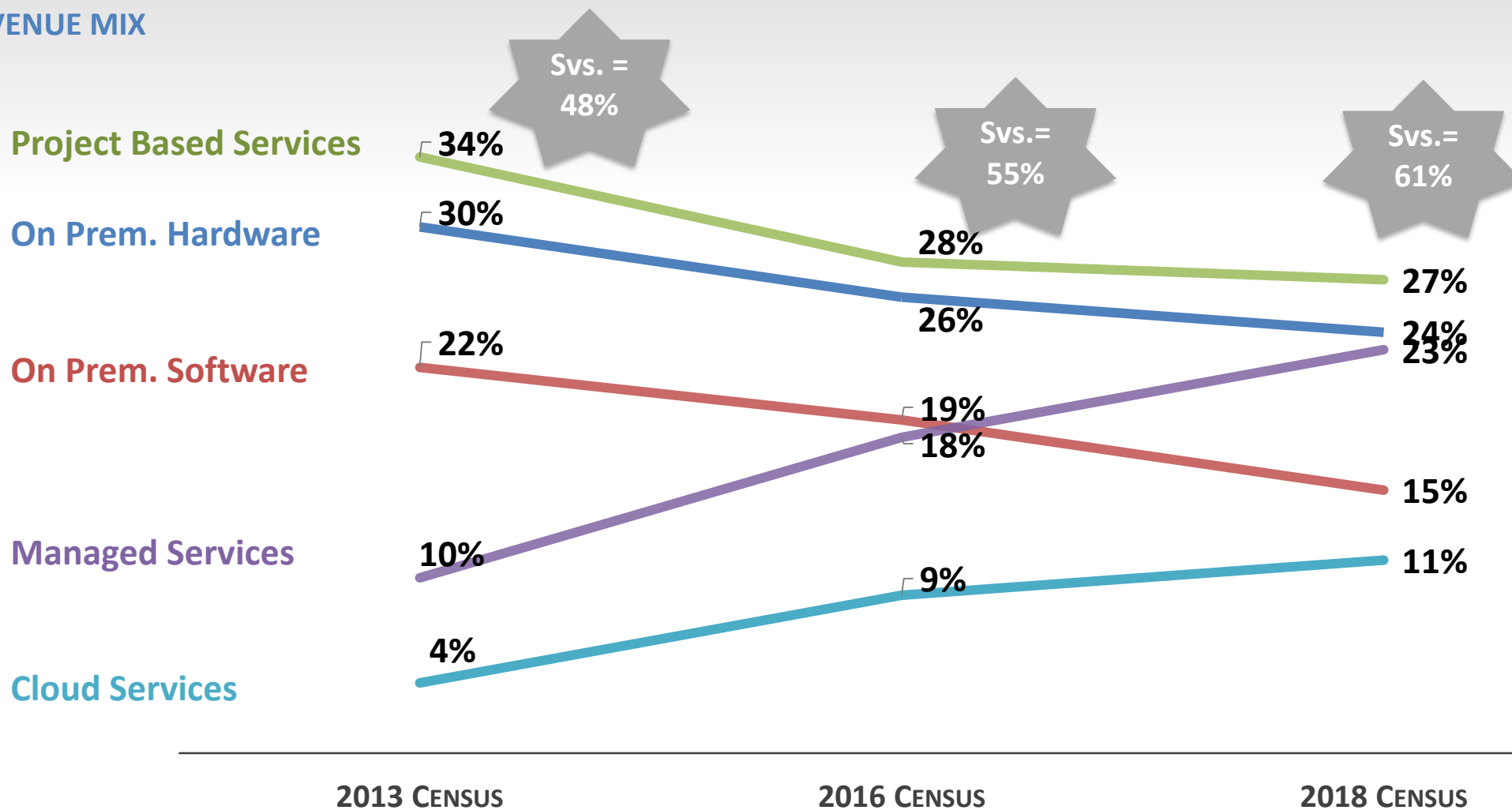
Majority of revenues (>50%) come from the administration of public cloud services. May include provisioning licenses, user additions/changes, access & security designations, license compliance management & reporting via a central portal access, ongoing billing and central help desk support.

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Q: Which of the following best describes your current primary (and secondary) business model (that which contributed the highest percentage of your 2016 revenues)? (n=532) Means

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Revenues continue to shift away from on-prem. hardware and software to project, managed and cloud services

▶ **CENSUS - REVENUE MIX**

Project Based Services — 34% → 28% → 27%

Svs. = 48%

Svs. = 55%

Svs. = 61%

On Prem. Hardware — 30% → 26% → 24%

On Prem. Software — 22% → 19% → 23%

18%

Managed Services — 10% → 15%

Cloud Services — 4% → 9% → 11%

2013 CENSUS | 2016 CENSUS | 2018 CENSUS

Q: What was your estimated mix of revenue in 2016, among the following major product/service categories? (n=532 Mean Data)

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MSP models vary widely; primary revenue coming from partners managing customers assets (only)

PLANS TO GROW MANAGED OR RECURRING REVENUES SERVICES IN 2018?

YES 70%

% of MRR revenues   **20%**   **47%**   **33%**

Resale	Partner Managed-Only	Partner Owned
• Resold another supplier or service providers' managed services	• Partner manages customer's asset *(on customer premise, at someone else's datacenter or on a public cloud)*	• Offered your own hosting services on your own data center <u>and</u> managed for a customer

Q: Thinking specifically about your Managed Services business in the last 12 months, what % of your total managed services revenue came from each of the following service delivery models? (n=209)
*Asked of MSPs only

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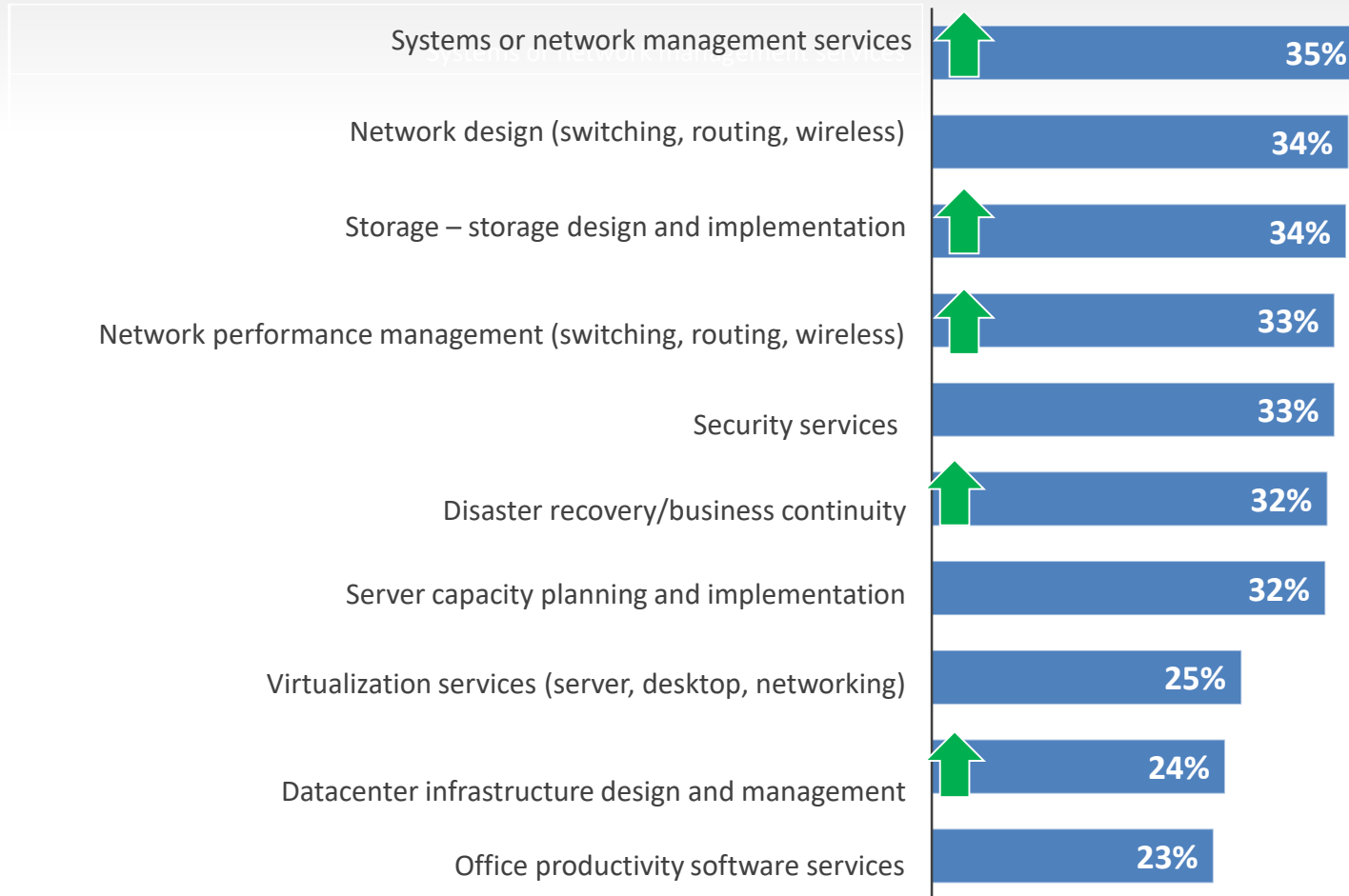© 2018 IPED – The Channel Company

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▶ NETWORK & SECURITY SKILLS REVITALIZED

Emerging technologies require refocus on core networking & security skills; both create expanded opportunity for transition **to software-defined networking and enterprise-wide security**

Systems and network management services top the list of 2017 money-makers; datacenter technologies still drive the most revenue, but are expanding to end-to-end network architectures
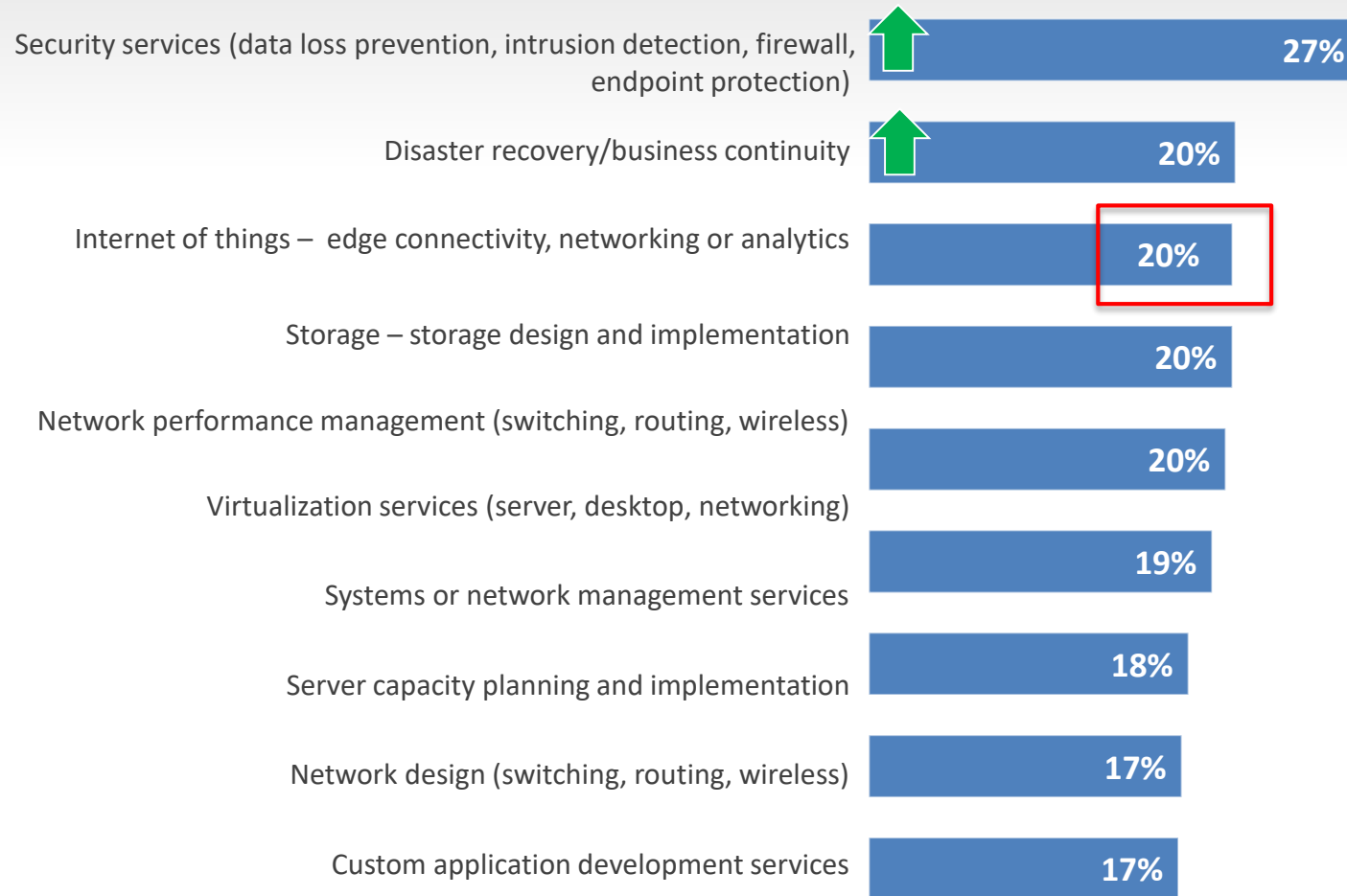
▶ **TECHNOLOGIES THAT REPRESENTED AT LEAST 10% OF REVENUES IN 2017**

Technology	Percentage
Systems or network management services	35%
Network design (switching, routing, wireless)	34%
Storage – storage design and implementation	34%
Network performance management (switching, routing, wireless)	33%
Security services	33%
Disaster recovery/business continuity	32%
Server capacity planning and implementation	32%
Virtualization services (server, desktop, networking)	25%
Datacenter infrastructure design and management	24%
Office productivity software services	23%

Q: In which of these product or solution categories will your company generate at least 10% of its annual revenues in 2017? (n=532)

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Security and disaster recovery/BC services top the list of 2018 investments; IoT makes the top 3 and core data center services (virtualization, storage) continue their focus
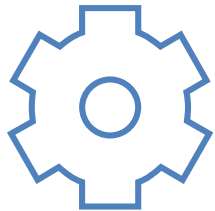
▶ **TOP TECHNOLOGY INVESTMENTS**

Category	Percentage
Security services (data loss prevention, intrusion detection, firewall, endpoint protection)	27%
Disaster recovery/business continuity	20%
Internet of things – edge connectivity, networking or analytics	20%
Storage – storage design and implementation	20%
Network performance management (switching, routing, wireless)	20%
Virtualization services (server, desktop, networking)	19%
Systems or network management services	18%
Server capacity planning and implementation	18%
Network design (switching, routing, wireless)	17%
Custom application development services	17%

Q: In which of these product or solution categories is your company planning to strategically invest further during 2018? (n=532)
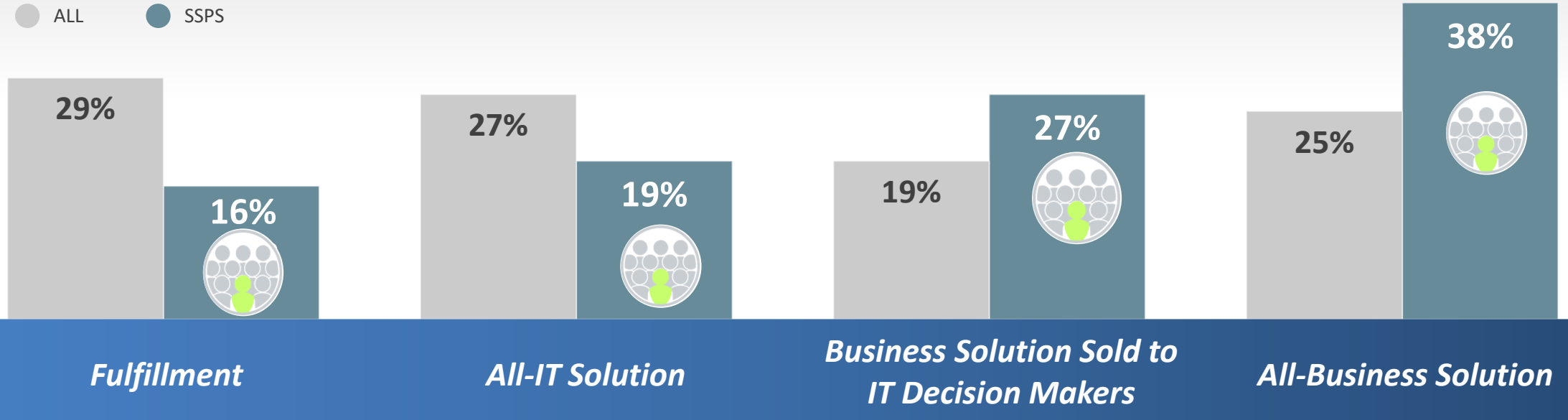
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Deal volume still small, but ~16% of solution providers (of all sizes) showing customer wins in infrastructure and application-led digital solutions in key verticals; IoT makes top five technology investments for the first time

Less than half of current SP customer engagements focus on business solutions or business decision makers; SSPs providing nearly 50% more business solutions vs. general SPs

▶ **CUSTOMER ENGAGEMENTS BY TYPE OF STRATEGIC GUIDANCE (MEANS)**

⬤ ALL   ⬤ SSPS

29%	27%		38%
16%	19%	19% 27%	25%

Fulfillment	**All-IT Solution**	**Business Solution Sold to IT Decision Makers**	**All-Business Solution**

Focus:
- ▶ Fulfilling pre-existing customer demand for IT products and services, either with established or new customers
- ▶ **Example:** procuring additional laptops for a DaaS solution

Focus:
- ▶ Solving an IT problem, designed for and sold to IT decision makers
- ▶ **Example:** integrating additional server, storage, networking capacity
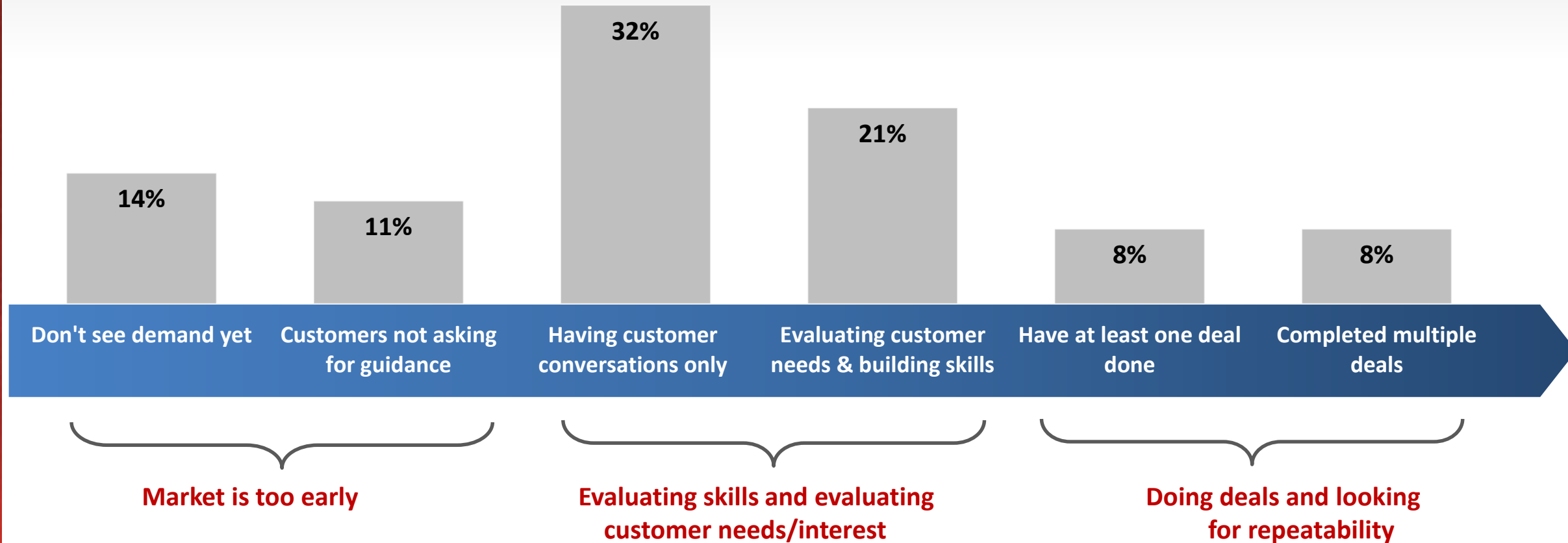
Focus:
- ▶ Products and services designed to solve a specific business problem; primary decision maker is an IT executive.
- ▶ **Example:** design of a UC system for enhanced sales/mktg. collaboration
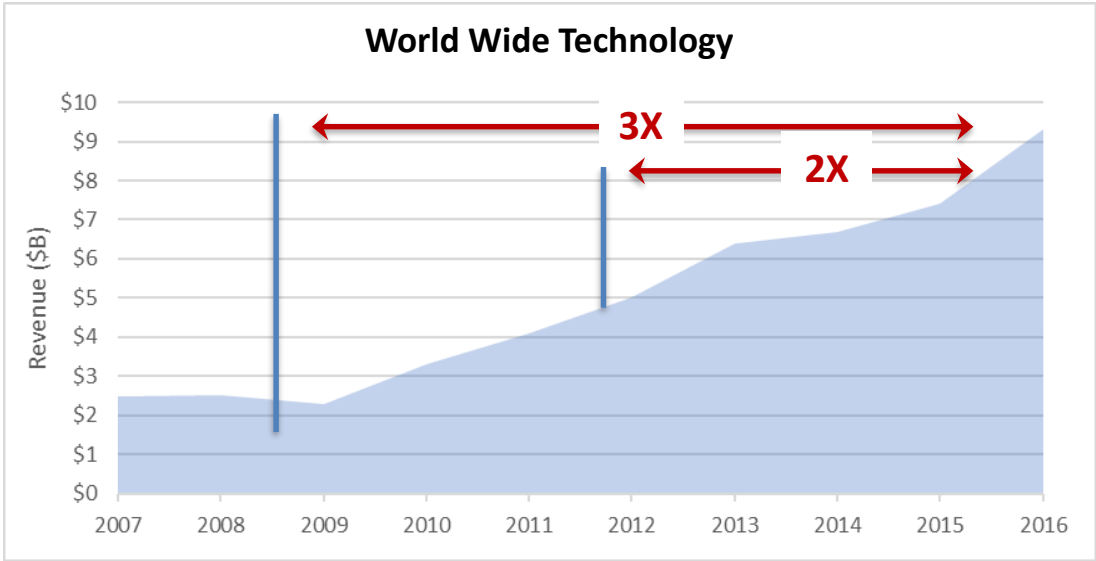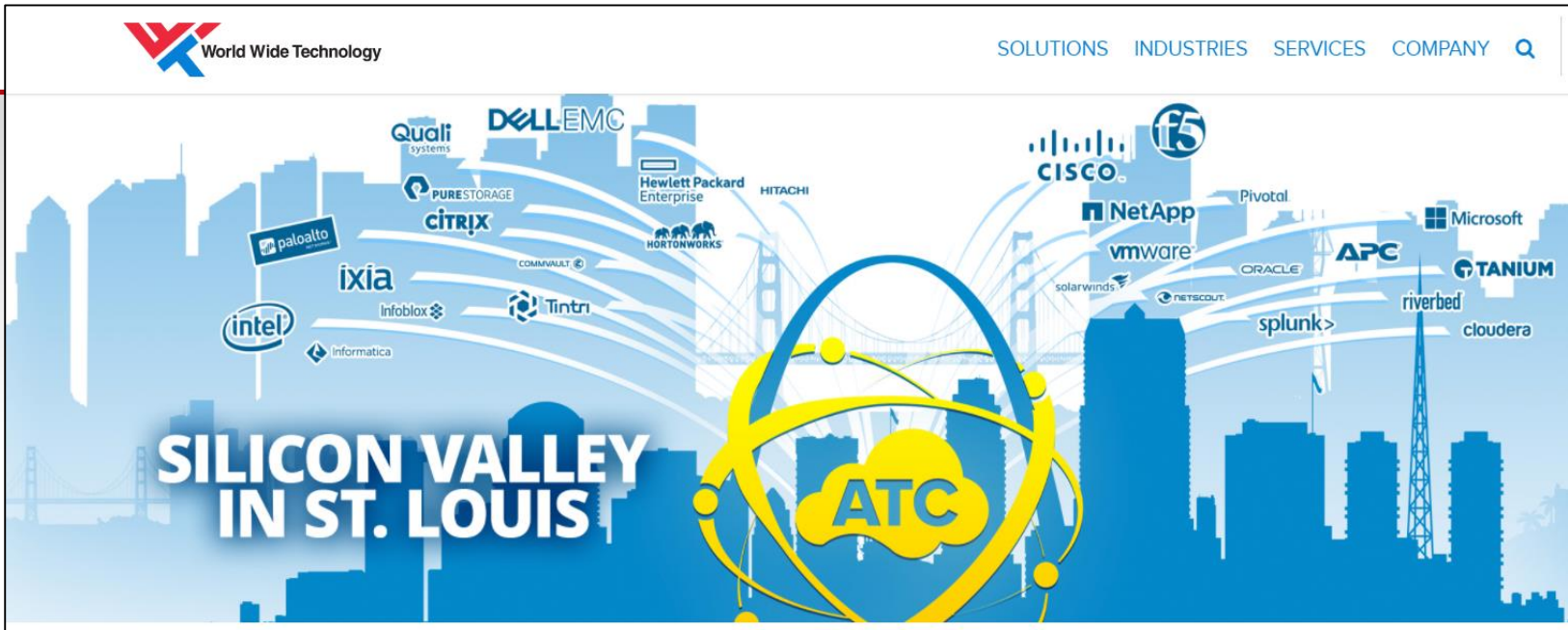
Focus:
- ▶ Solutions designed to solve a specific existing problem or automate a new business process; designed for and primary decision maker is LOB
- ▶ **Example:** implementing a marketing automation system

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Q: In what percentage of your total number of customer engagements over the last 12 months have you offered the following types of strategic guidance to your customers? (532)

Digital transformation projects are defined broadly; majority still evaluating customer needs and their own assets. <20% have any deals yet

▶ **DEGREE OF DIGITAL TRANSFORMATION IMPLEMENTATION**

Don't see demand yet	Customers not asking for guidance	Having customer conversations only	Evaluating customer needs & building skills	Have at least one deal done	Completed multiple deals
14%	11%	32%	21%	8%	8%

Market is too early   **Evaluating skills and evaluating customer needs/interest**   **Doing deals and looking for repeatability**

Innovate: but how?
Answer: Advanced Technology Centers

"The company was doing great but Jim wanted to make sure we were staying ahead of the competition...At the time(2010), our margins were fine, but not great. Jim's [Kavanaugh] brainchild was to develop these innovation labs — this playground for super-smart people with cutting-edge equipment to innovate and find better, faster ways of getting solutions to customers. I must have asked the same question three times: How do we monetize that?"
- Advisory Board Member

World Wide Technology
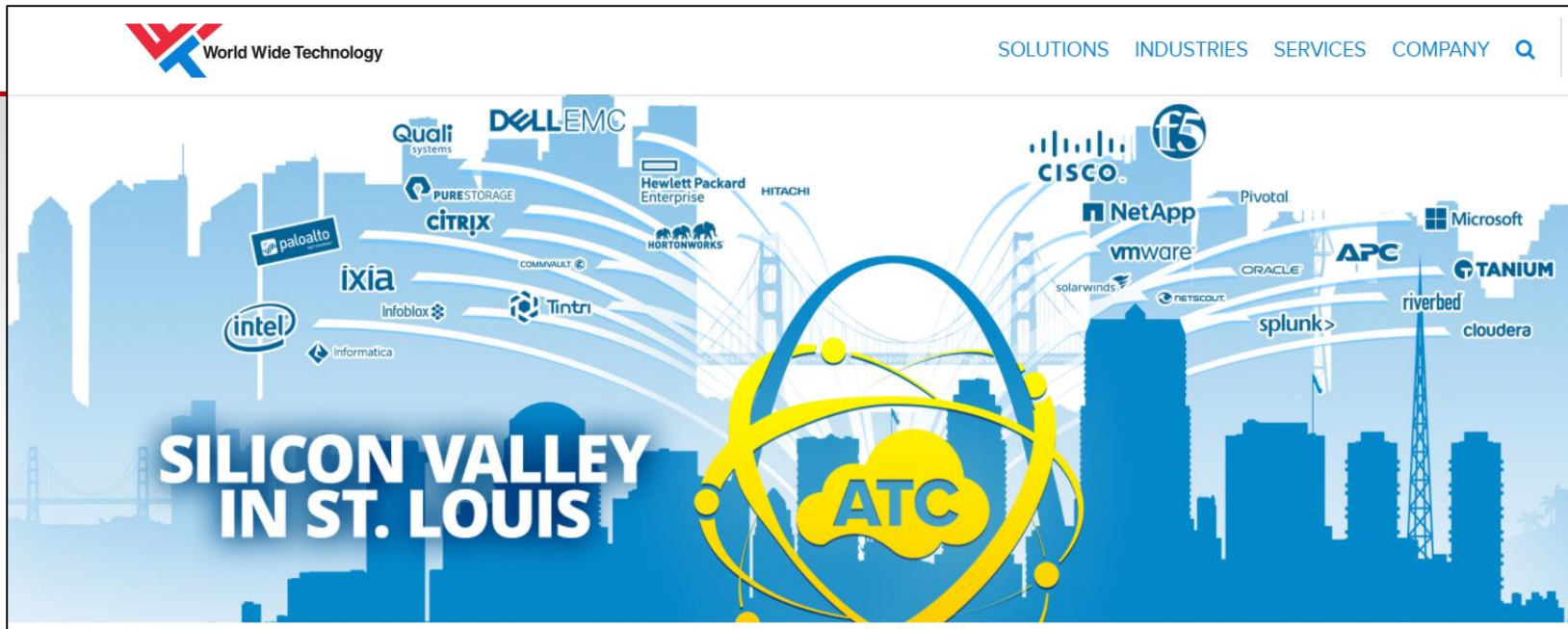
World Wide helped Panera with its Panera 2.0 initiative, a $42 million effort to increase speed and accuracy of orders and drive sales. World Wide helped Panera integrate its mobile apps, point-of-sale kiosks and network infrastructure.

National pizza chain Papa John's enlisted World Wide to help develop a platform on which customers can order a pizza through an Apple TV app.
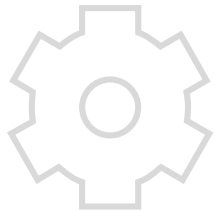
CONTINUED GROWTH IN MSP BUSINESS MODEL

NETWORK & SECURITY SKILLS REVITALIZED

DIGITAL TRANSFORMATION CROSSES CHASM

▶ **PARTNERS WANT EXPANDED RECURRING REVENUE SUPPORT**

Partners' top support asks of vendors focus on recurring revenue success, including expanded service offerings, utility based pricing models, help hiring new sales & technical talent and help to create better marketing differentiation

Topline sales priorities focus on continuing to evolve sales methodologies and increased marketing and branding

1. Enhance our sales methodology or approach (43%)
   - services attach rate (28%)
   - sell to new buyer (LOB) (22%)
   - change our prices on solutions & services (22%)

2. Increase marketing and branding (31%)

3. Expand into a new market or vertical (30%)

4. Increase our sales staff (hiring) (28%)

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Q: What are your top plans for 2018 as it relates to the growth of your company's top-line sales? (n=532)

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Profitability plans continue to depend on rate of recurring revenue increases; services-led market forces bench utilization rates

Top 2 Priorities

1. Increase the percentage of our recurring revenue services (58%)

2. Improve technical and services bench utilization (47%)

Lower Priorities

Drop under-performing suppliers (30%)

Maximize supplier rebates/ incentives (23%)

Reduce overall SG&A expenses (22%)

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Q: What are your top plans for 2018 as it relates to the growth of your company's top-line sales? (n=532)

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Biggest obstacles when working with strategic suppliers are utility based pricing models, ability to drive services revenue & ease of field engagement with vendor

▶ **BIGGEST OBSTACLES WHEN WORKING WITH STRATEGIC VENDORS**

1. Pricing models that support an IT-as-a-service delivery model (utility or consumption based) (45%)

2. Ability to drive enough services revenue (project or recurring) around their core technologies (43%)

3. Sufficient profitability provided through their incentive programs (42%)

4. Ability to engage effectively in the field with their sales or tech teams (33%)

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Vendors - Key Considerations

1 **Channel Programs** -- must cater to a recurring revenue business model; retrofit enablement programs, MDF and pricing models to make sure they equitably support MSPs

2 **Profiling & Metrics** - continue to profile for SSP "next-gen" partner criteria; program performance metrics must evolve to capture influencers, services delivery success & business value selling

3 **Marketing** - Now is the time to invest heavily in MDF to help strategic partners pivot their marketing around new capabilities and decision makers

4 **Digital Transformation** - Share early wins and help partners benchmark investments and resources against their peers as they grow their practices; extend to staff recruitment support

We look forward to seeing you at the kickoff workshop!

Questions: Please contact
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