2017 Channel Review

The Strategic Service Provider Takes Center Stage

Continuing Education for IPED Channel Masters & Alumni

IPED® Consulting

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Channel**Masters**®

IPED Facilitators

Beth Vanni
Sr. Consultant
and Research Manager

Mark Williams
Sr. Consultant

Rauline Ochs
Sr. Consultant

A Look at 2017

Current State

The current state of The Strategic Service Provider business & revenue model, and how vendor programs are developing to support them.

Case Studies

A showcase of partners who have made significant strides in adapting their business to the new market realities

Building Block Framework

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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 not replace ISV, DMR, Consultant, SI or other business models. It is targeted at the **VAR heritage solution provider***
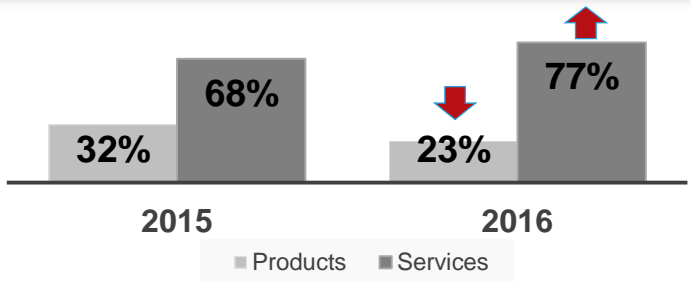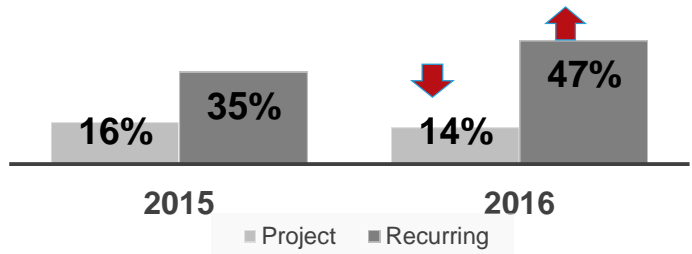
Strategic Service Provider: Model Criteria

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Strategic Service Provider: 2015 vs. 2016 Trendline Summary

Product Mix / **Strategic Value** / **Services Mix**

1/3 of revenues from services (min.)

Product Mix

32% 68% 2015   23% 77% 2016

Products   Services

Recurring revenue services > project services

Services Mix

16% 35% 2015   14% 47% 2016

Project   Recurring

Min. 20% strategic customer engagements

Strategic Value

2015 - 40% of customer engagements

2016 - 65% of customer engagements*
(* new model)

Product Mix and Services Mix numbers are represented as a % of total revenues.
Strategic Value represented as a % of total annual customer engagements.

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Strategic Service Providers: Revenue Mix & Business Model Continued Evolution

Overall Revenue Mix

2015
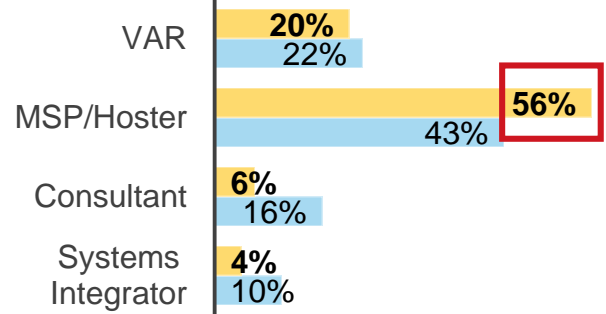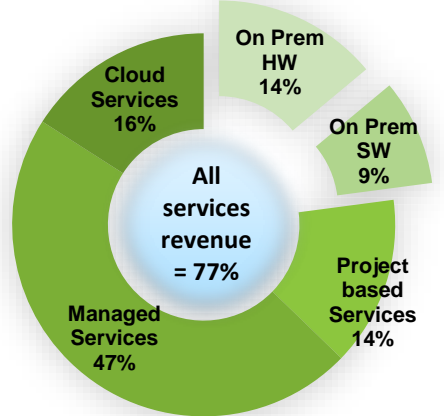

All services revenue = 68%

- On Prem HW 16%
- On Prem SW 16%
- Project based Services 16%
- Managed Services 35%
- Cloud Services 17%

2016

All services revenue = 77%

- On Prem HW 14%
- On Prem SW 9%
- Project based Services 14%
- Managed Services 47%
- Cloud Services 16%

Services up to 77% of total revenues

Continued increase in MSP business model as primary and secondary

Primary & Secondary Business Models

2015

	Primary	Secondary
Reseller	**14%**	25%
MSP/hoster	**55%**	19%
Consultant	**10%**	20%
Systems Integrator	**8%**	20%

2016

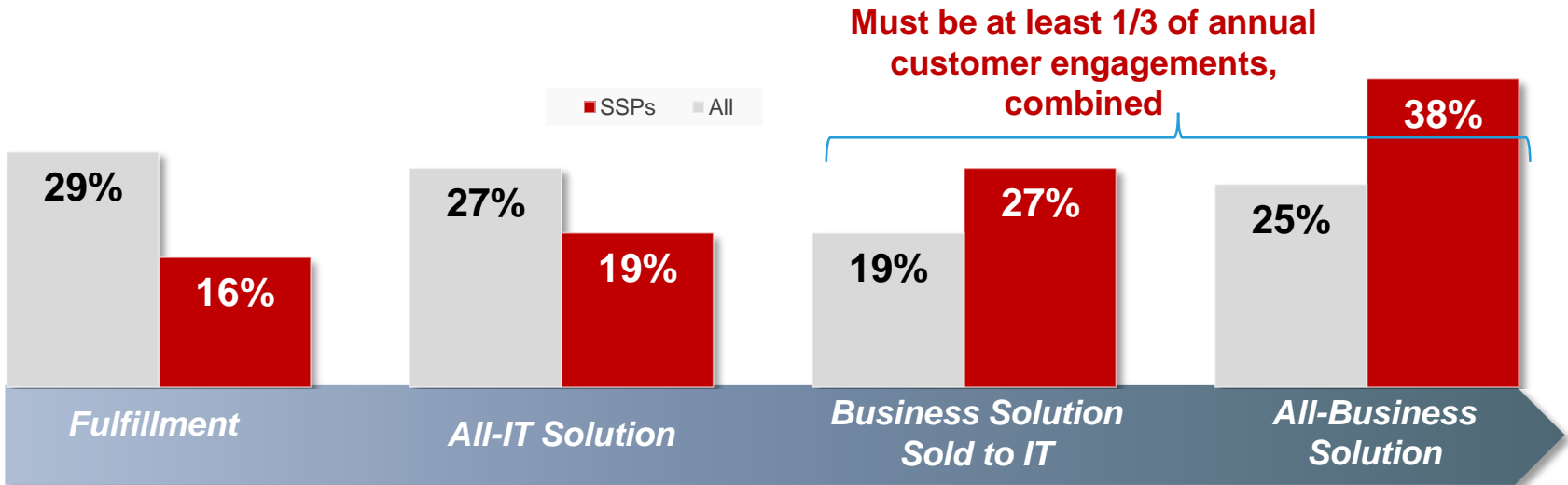|	Primary	Secondary
VAR	**20%**	22%
MSP/Hoster	**56%**	43%
Consultant	**6%**	16%
Systems Integrator	**4%**	10%

Q: What were your company's 2015 total revenues? (n=597)

Q: What percentage of your revenue is sold to each of these profiles of business customer? (n=597)

2018 Census: Selling Business Value

Percentage of Customer Engagements by Type of Strategic Guidance (Means)

Must be at least 1/3 of annual customer engagements, combined

Legend: ■ SSPs ■ All

Bar values:
- Fulfillment: 29% (All), 16% (SSPs)
- All-IT Solution: 27% (All), 19% (SSPs)
- Business Solution Sold to IT: 19% (All), 27% (SSPs)
- All-Business Solution: 25% (All), 38% (SSPs)

Fulfillment → *All-IT Solution* → *Business Solution Sold to IT* → *All-Business Solution*

Focus:
- Primarily focused on fulfilling existing customer demand for IT products and services
- Either existing or new customers

Focus:
- Solving an IT problem, designed for and sold to IT decision makers
- Examples – additional server, storage, networking capacity

Focus:
- Products and services designed to solve a specific business problem; primary decision maker is an IT executive.
- Examples – 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 for 2016 have you offered the following types of strategic guidance to your customers? (532)

Lifecycle Advisor Program

- Cisco's Land, Adopt, Expand & Renew Lifecyle Services Model

- Lifecycle Advisor program helps partners build and reward investments in Lifecycle practices

- Supports partners recurring revenue services and Cisco's investments in subscription services

- 397 Customer Success Managers hired by partners this past fiscal year

Creating the customer experience

#successtalk
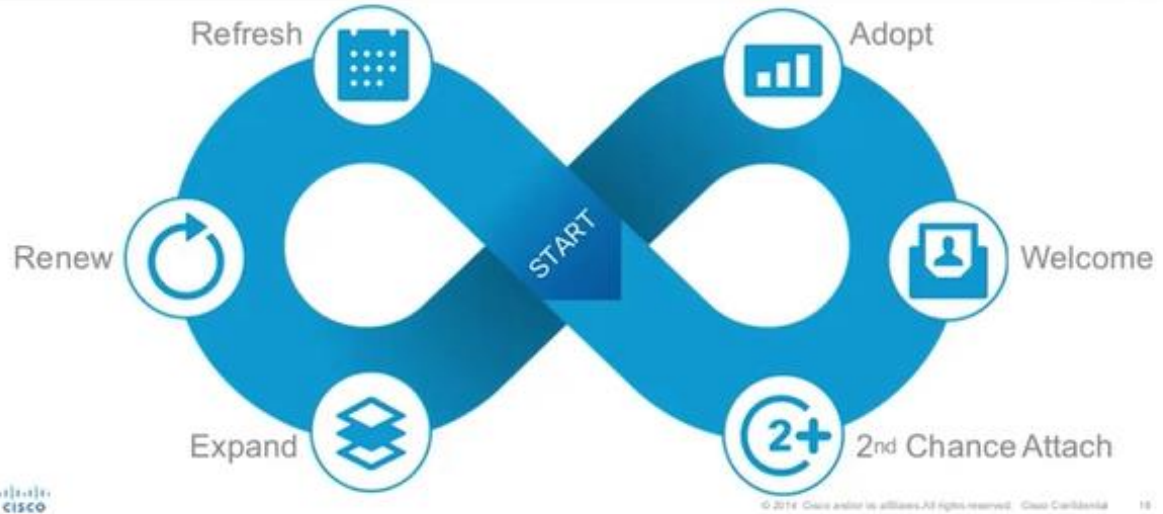
Refresh
Adopt
Renew
Welcome
START
Expand
2nd Chance Attach

Cloud & Managed Service Providers: Cisco ConnectWise Unite

- Customized managed services platform to help Cisco partners efficiently deliver managed services to the fast growing SMB market

- Manage Amazon Web Services and Cisco Platforms from one place; Cisco products include Meraki, Spark, Umbrella, and Stealthwatch Cloud

- Currently in pilot mode; Subscription costs $10/user/month after free trial

Centralize Client Applications Management

Manage Amazon Web Services, and Cisco Platforms from one place. Reduce the complexity and time spent managing user accounts. With ConnectWise Unite, you can efficiently manage everything from one place, and perform tasks with ease.

Download your Cloud Service Provider eBook >>

Join the pilot program free through December 31, 2017 to experience:

Single-Invoice Billing
Fully automated, aggregated billing and one invoice for each customer.

See Everything that Matters
Increased visibility into your AWS and Cisco solutions.

Proactive Instead of Reactive
Proactive monitoring that ensures you stay as productive as possible.

Built-In CRM
Customer relationship management and basic ticketing capabilities.

Simpler, Smoother Solutions
Reduced complexity, time, and cost for managing cloud solutions

ConnectWise UNITE™

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HPE IT as-a-Service Partner Engagement Options

Flexible Capacity

- Agility and economics of cloud, security and control of fin-house IT

- Pay only for what you use

- Scale capacity quickly when needed

- Provisioning up and down as usage requires

Best for high-growth unpredictable workloads
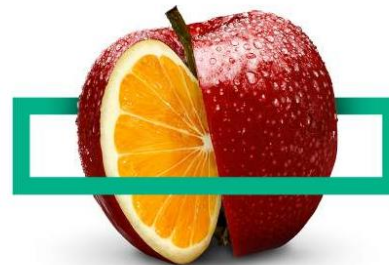*Best for large deals – $75-100K plus*

Subscription

- Flat monthly payments per unit

- Simpler, easier way for SMBs to acquire and pay for complete IT solutions

- Avoid ownership with an affordable predictable monthly subscription plan

- Streamlined buying experience

36-48 month contracts, with no intent to own
Usually used in <$50k deals

HPE Flexible Capacity

An infrastructure service that offers on-demand capacity, combining the agility and economics of public cloud with the security and performance of on-premises IT.

→ **Improve Your IT Consumption**

HP Inc. University

SALES SKILLS TRAINING   **CERTIFICATIONS**   **PRODUCT TRAINING**   **MARKETING TRAINING**

❶ SALES SKILLS

Classroom/virtual:
- Strategic Solution selling
- Executive Level Selling
- Intro to Inside Selling
- Hunting: New Business Development
- Relationship Mapping
- Storytelling

Self-Paced:
- Creating a Win Strategy
- Effective Client Communication
- Meeting and Call Planning
- Fundamentals of Negotiation
- Intro to Business Case Development
- Social Selling
- Financial Acumen

❷ CERTIFICATIONS & SPECIALIZATIONS

New volume certifications:
- Business PCs
- Printing hardware
- Supplies

Specializations:
- Sales certifications
- Technical certifications
- Advanced certifications

❸ PRODUCT TRAINING
- Print
- Personal Systems

"We've already trained 4,000 members of our own direct sales force, including our specialty sales force plus 1,000 HP channel sales reps."

Stefanie Dismore
VP and GM, Americas Channels

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Strategic Service Provider

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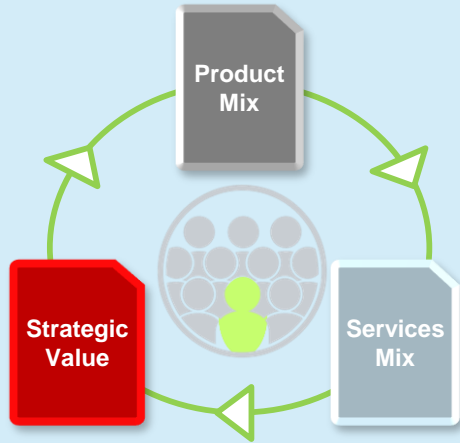
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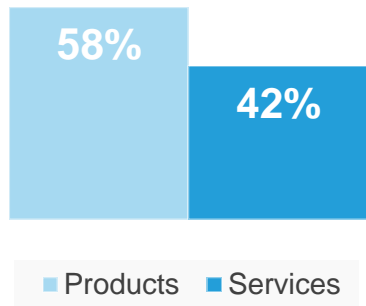# Strategic Service Provider: Case Studies

SSP: 3 Core Criteria

1. Min. 1/3 of revenues from services (vs. products)
2. Recurring revenue services > project services
3. Min. 20% strategic customer engagements

Product Mix — OPTIV

Services Mix — LOGICALIS
Business and technology working as one

Strategic Value — World Wide Technology

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OPTIV

Revenue Breakout

58%

42%

■ Products ■ Services

source: 9-month Pro-forma data from 2016 Optiv S1

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SOLUTION PROVIDER 500

#25

Optiv Security Acquires Decision Lab; Accelerates Execution of Growth Strategy by Expanding Advanced Security Analytics and Big Data Services
November 16, 2017

Optiv Security's New Comprehensive Approach Helps Enterprises Clarify and Satisfy All Cyber Security Requirements of General Data Protection Regulation (GDPR)
October 17, 2017

Optiv Security and KKR Complete Equity Transaction
February 1, 2017

"estimate an EV/revenue multiple of approximately 2.6x"
Jack Andrews, D.A. Davidson & Co, Yahoo Finance

LOGICALIS
Business and technology working as one

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CRN
MSP 500
Elite 150

Our services for digital enablement

Integrated and professional services

- Data Centre
- Communications and Collaboration
- Data and Information Insights
- Mobility
- Networking
- Security
- IT Service Management
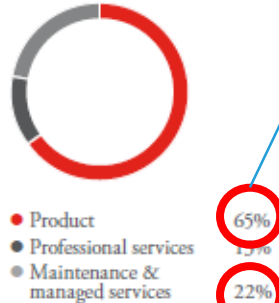- Software Development
- Software Defined *x* (SDx)
- Consulting

Lifecycle and managed services

- Managed Services
- Managed Security Services
- Maintenance Services
- Assessment Services

Cloud solutions

- Public Clouds
- Private Clouds
- Community Clouds
- Hybrid Clouds

Revenue % by segment FY17

- Product — 65%
- Professional services — 13%
- Maintenance & managed services — 22%

Down from 73% in 2013

Up from 17% in 2013

Strategic Facts:
- 3 cloud data centers in NA
- 3 managed services centers in NA
- Services growth = 9.3% in 2017
- Gross profit was up 3% while products sales down 6.2%
- Visionary investments
 - BI from acquisition
  - Investment in IoT

"We believe there will be a continual shift to cloud-based delivery of IT, but in a hybrid public and private configuration for businesses and enterprises. This will help to drive mobility solutions, network security and converged computing applications built in increasingly virtual environments using external data centres."
Jens Montanana, Chairman. 2017 Annual Report

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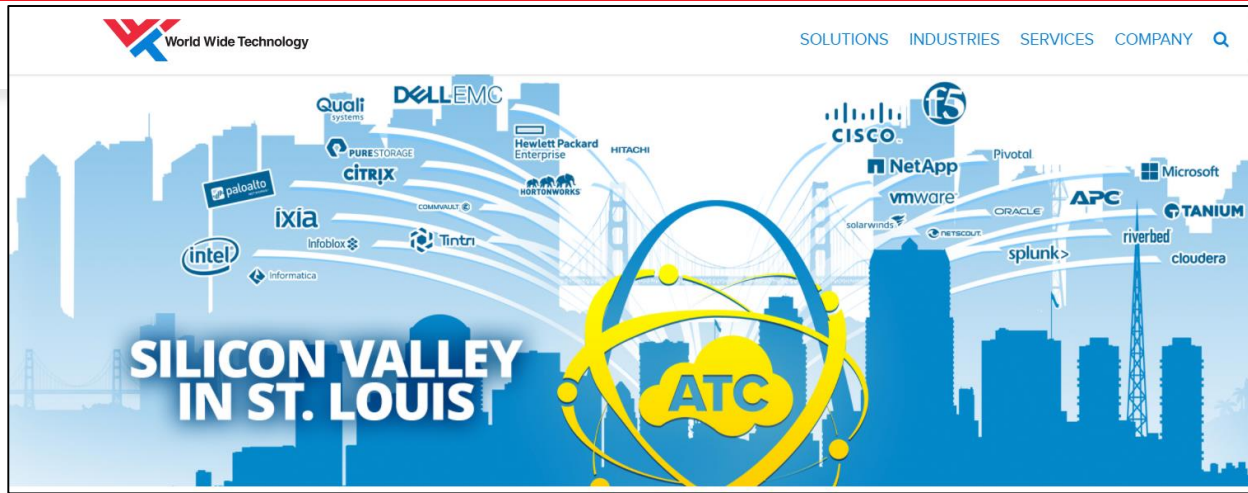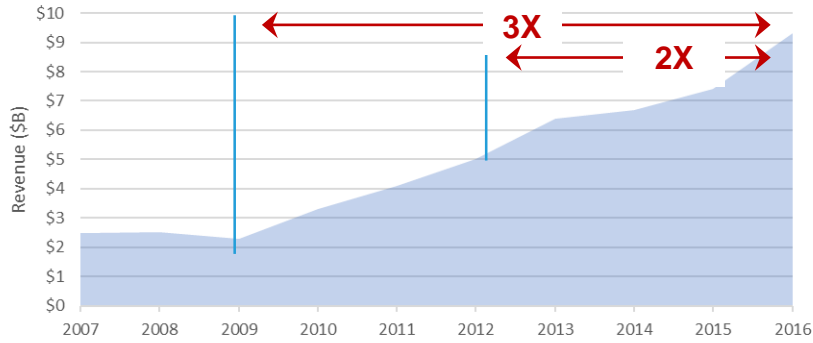
Innovate: but how?
Answer: Advanced Technology Centers

"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

Strategic Value

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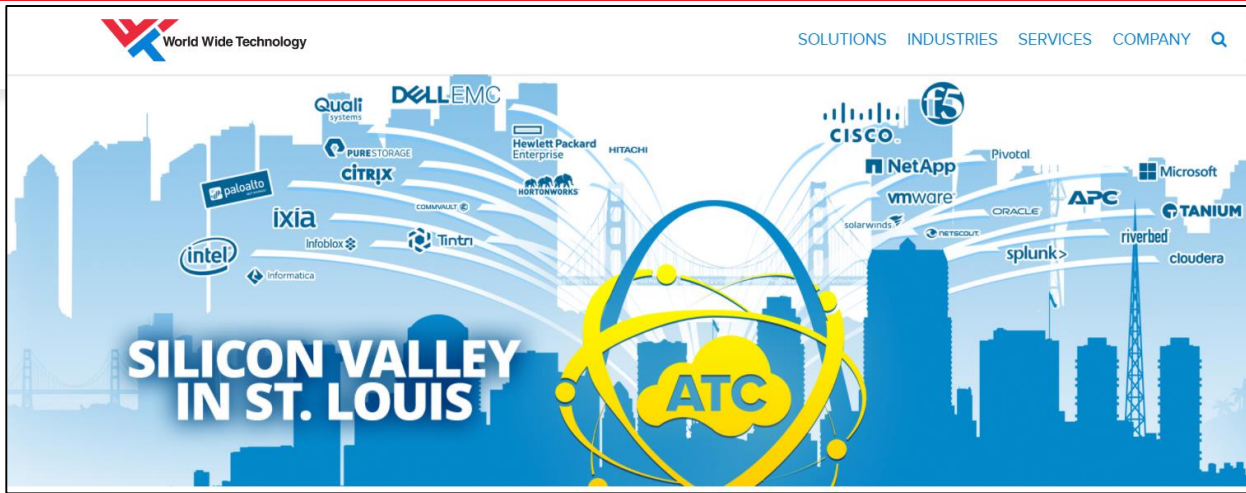
World Wide helped Panera with its Panera 2.0 initiative, a $42 million effort to increase speed and accuracy of orders and drive sales. World Wide helped Panera integrate its mobile apps, point-of-sale kiosks and network infrastructure.

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.

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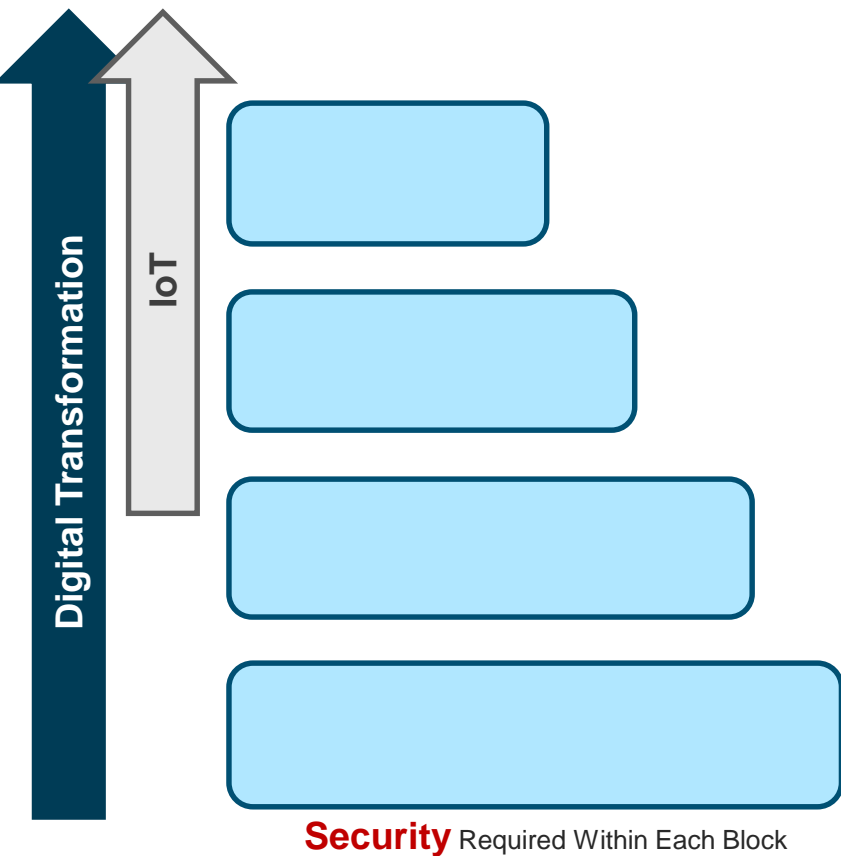
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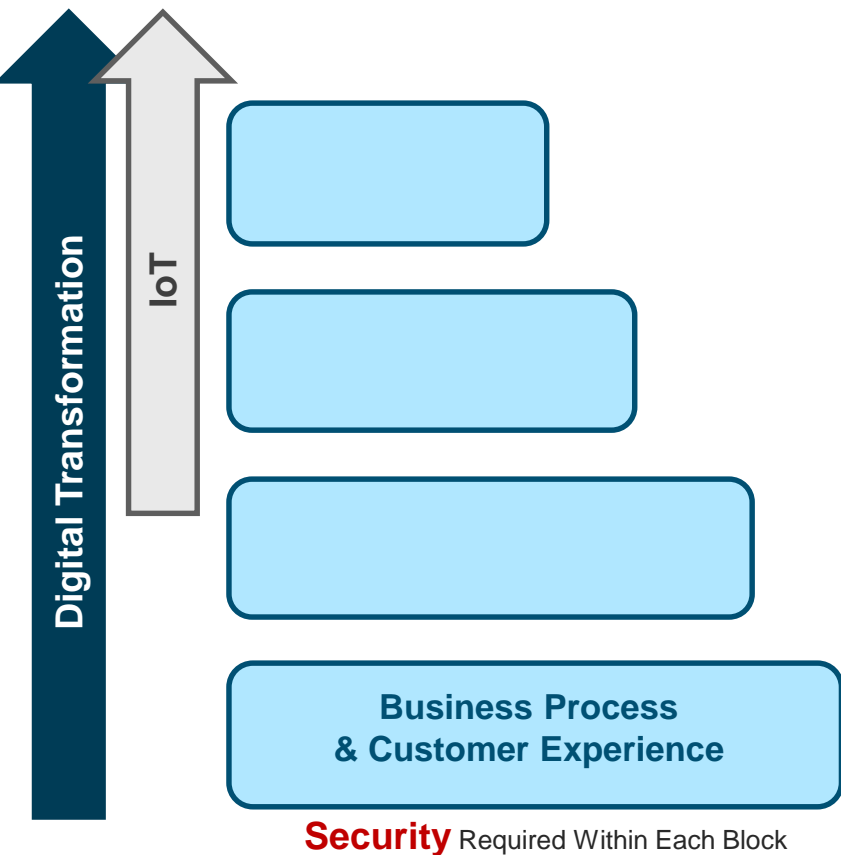
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Digital Transformation Framework

Digital Transformation

IoT

Technology Examples:
Analytics provides business insight or foresight

Security Required Within Each Block

Digital Transformation Framework

Digital Transformation

IoT

Technology Examples:
Analytics provides business insight or foresight

**Business Process
& Customer Experience**

Security Required Within Each Block

- **Focus:** transformed process & customer experience
- **Leverage:** Cloud & applications

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Digital Transformation Framework

Digital Transformation

IoT

Technology Examples:
Analytics provides business insight or foresight

Digital Ready Infrastructure

- **Focus:** infrastructure driven differentiation
- **Leverage:** security & network platforms, wireless location based services

Business Process & Customer Experience

- **Focus:** transformed process & customer experience
- **Leverage:** Cloud & applications

Security Required Within Each Block

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Digital Transformation Framework

Digital Transformation

IoT

Edge Device
& IoT Platforms

Digital Ready
Infrastructure

Business Process
& Customer Experience

Security Required Within Each Block

Technology Examples:
Analytics provides business insight or foresight

- **Focus:** new business problem solutions, data
- **Leverage:** Edge sensors, IoT Platforms or Market Ready Solutions

- **Focus:** infrastructure driven differentiation
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- **Focus:** transformed process & customer experience
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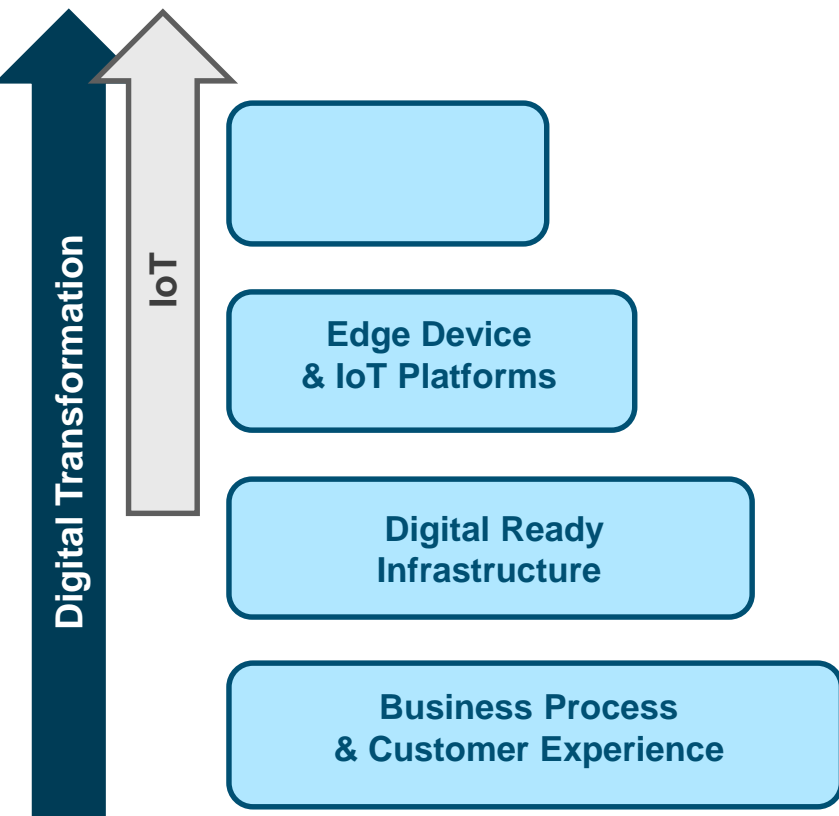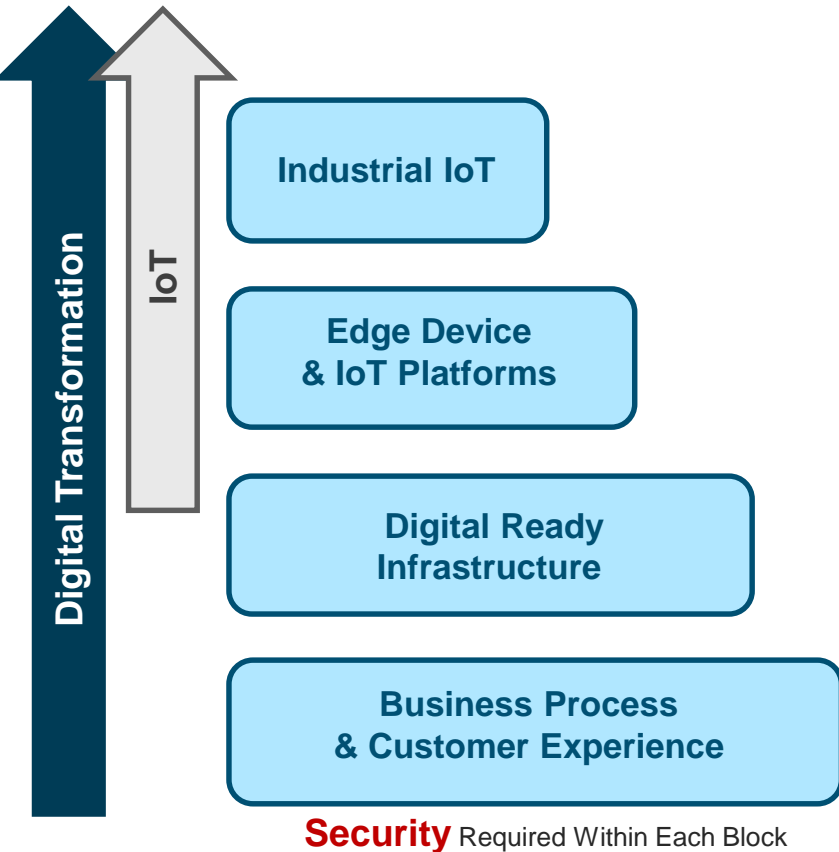
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Digital Transformation Framework

Industrial IoT

Edge Device & IoT Platforms

Digital Ready Infrastructure

Business Process & Customer Experience

IoT

Digital Transformation

Security Required Within Each Block

Technology Examples:
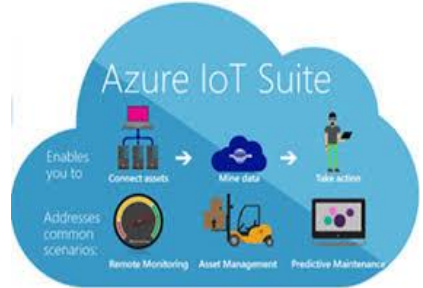**Analytics** provides business insight or foresight

- **Focus:** decrease human costs, accuracy, new abilities, new data
- **Leverage:** Vertical expertise, cloud or Edge device enabled Industrial Control Systems from Siemens, GE Digital, etc.

- **Focus:** new business problem solutions, data
- **Leverage:** Edge sensors, IoT Platforms or Market Ready Solutions

- **Focus:** infrastructure driven differentiation
- **Leverage:** security & network platforms, wireless location based services

- **Focus:** transformed process & customer experience
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Extending Legacy Skills Gives Partners a Pathway to IoT

Sample IoT Platforms

AWS IoT

SIEMENS MindSphere

VS

thingworx

GE Predix

Schneider Electric EcoStruxure

ANNOUNCING
cisco Cisco Kinetic

Connection Management   Fog Computing   Data Delivery

Azure IoT Suite

Enables you to: Connect assets → Mine data → Take action

Addresses common scenarios: Remote Monitoring   Asset Management   Predictive Maintenance

Extending Legacy Skills Gives Partners a Pathway to IoT

Barriers to Entry Offer Partnering Opportunity

"IT Partners don't anticipate bringing on field resources for physical security/access control.
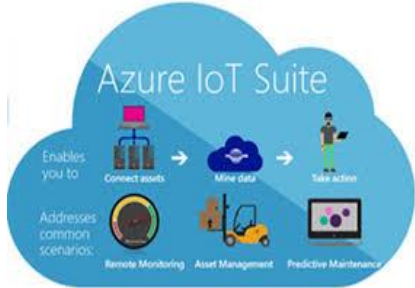
Overhead is costly.

You must roll a van, get insurance, cost is far too great unless they acquire a firm."

OT Partner: Wachter

Sample IoT Platforms

Successful IoT Partners Team. Security & Data Science Top of List

54% of partners indicate a desire to team for:

- Edge security skills: OT partners
- Access to vertical LOB decision makers: IT partners

2017 IPED Intel IoT Study

"We team for big data, we bring in Presidio. We go to our rolodex of Cisco partners if we need them."

Wachter (OT)

"We have the vision…we don't have the resources to do it all. We will never be security geeks, but we'll partner with the best in class."

Encon Mechanical (OT)

"Our ISVs are vertically oriented. Bar coding VARs find Zebra ISVs on a regular basis."

ZEBRA

"The data science, every one uses Oracle or SAP but obscure data sources must be found and customized. It's not cookie cutter."
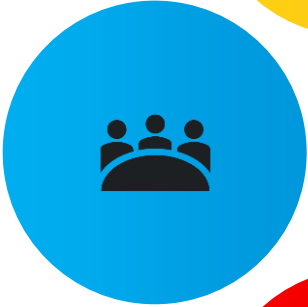
CB Technologies (IT)

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A Look at 2017

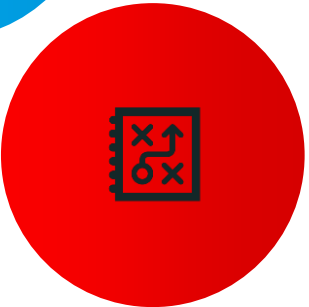## Current State

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Actionable channel intelligence to help you build, develop and drive your channels

Research
- Market Intelligence
- Trending Data
- Vendor Imperatives

Insights
- Expert Perspectives
- Proven Practices
- Operational Guidance

Tool sets
- Frameworks & Guides
- Playbooks & Templates
- Channel Primers

Advisory
- Research Readouts
- Inquiry Appointments
- Executive Briefings

Partner Databases
- SP500
- MSP500
- + More Lists & Awards

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Subscribers receive ongoing access to channel *research, expert channel analyst insights* and *operationally proven tool-sets* designed to unleash your channel potential.

▶ **Research on topics at the forefront of the channel**

▶ **Actionable insights to fully leverage the data**

▶ **Playbooks and tools for quicker execution**

▶ **Advisory services tailored to your goals**

▶ **Executive communities to network and collaborate**

2018 Research Tracks:
- ▶ State of Partner Profitability
- ▶ State of IoT in the Channel
- ▶ Evolving Role of CAMs
- ▶ State of Partner Marketing
- ▶ Professional Services Enablement
- ▶ Channel Census
- ▶ Vendor Benchmark
- ▶ State of Application Dev
- ▶ State of Managed Services
- ▶ State of Partner Enablement
- ▶ IoT: State of Channel Readiness

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Contact John Machado @ IPED
jmachado@thechannelcompany.com

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Thank You

For More Information Contact:

Lisa Sabourin
Director of Engagements
C 561.339.5517
lsabourin@thechannelco.com

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