Vendor Channel Strategy & Program Benchmark

Continuing Education for IPED Channel Masters

IPED® Consulting

VENDOR BENCHMARK

THECHANNELCO.

Part 1 - Partner Ecosystem & Program Structures

IPED® Consulting THECHANNELCO.™ ChannelMasters®

VENDOR BENCHMARK

Compare, contrast and view comprehensive peer metrics related to your strategic channel investments and budgeting for annual planning and resource validation.

This Piece is Different from the typical IPED Study because:

- **Vendors** are the subject of the research piece rather than partners or customers
- Leverage a broad set of IT vendors (310 total)
- It does not represent **“industry dynamics”**
- It is a **“reference data set”** from which benchmark comparisons may be made

A Rich Resource to Support Your Partnering Strategies and Program Planning

Partner Ecosystem

- Solution Provider business models and transactional models
- Sell-to and sell-through engagement models for service providers
- Traditional and emerging RTMs
- Existing vs. new partners and recruitment activity

Program Structures

- Value-based partner performance metrics
- Training objectives and delivery vehicles
- Support for services-led business models
- Common program support elements

Revenue & Spending

- Direct vs. indirect revenue, including partner sourced and influenced
- Channel budgets and spending by major activity categories
- Channel spending as a % of revenue and program activities
- Market Development Funds: accrued vs. proposal-based funding

Staffing Models

- Channel roles and coverage models
- Staffing trends

Part 2 Webinar

How Can This Data Help You?

Empowering Data Driven Decisions

Channel budget planning

Channel headcount and staffing planning

Rationalization of an investment plan with your finance team

Competitive positioning of your program

Launching a new program element

Gaining internal mindshare and driving awareness

A true reference source built to address your planning and benchmarking needs

Leveraging Two Comprehensive Data Sets

Leading practices in vendor indirect GTM strategies, programs and partner investment models

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THECHANNELCO.

310
vendor respondents

THECHANNELCO.

CRN®

PARTNER PROGRAM GUIDE

Detailed review of partner program elements

ALL VENDORS

Sample size:

310

< 5000 PARTNERS

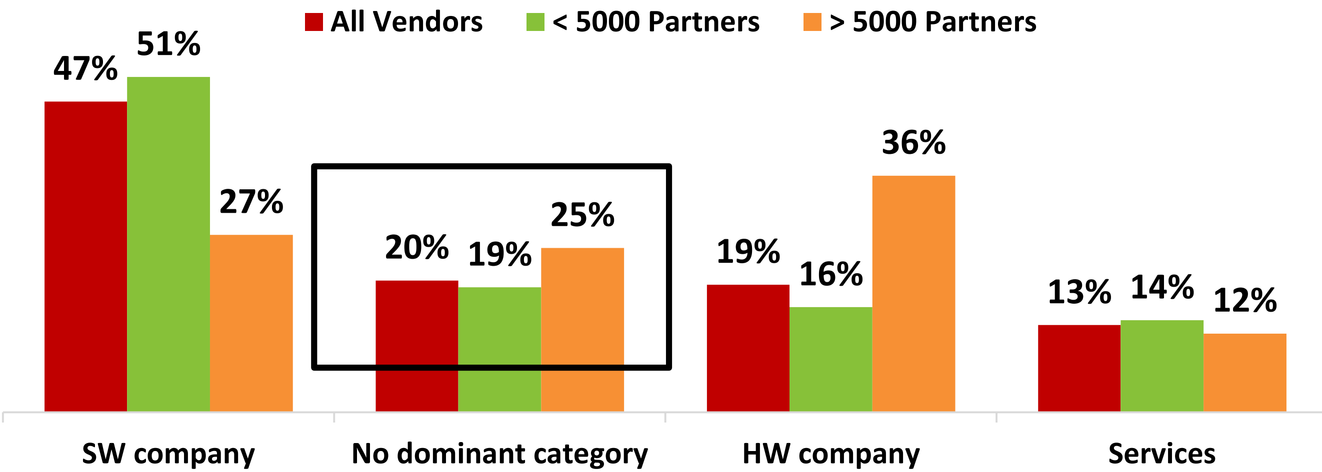
Vendors with small partner communities
< 5000 partners =
85% of respondents)

> 5000 PARTNERS

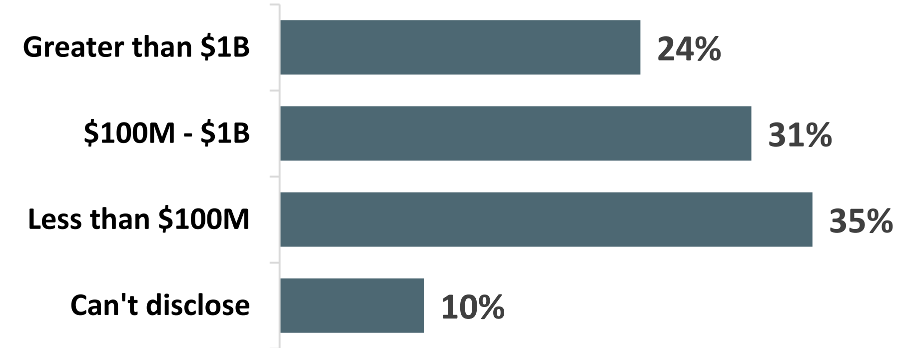
Vendors with large partner communities
> 5000 partners =
15% of respondents)

Vendor Respondent Profiles

Primary Business Model

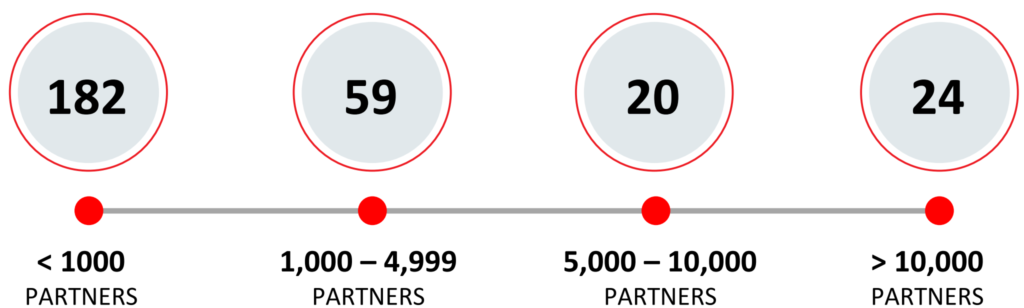


Annual Revenues



Number of Vendor Respondents in Each Partner Count Range

(TOTAL = 285)



- **Diverse business models;** 20% are now a blend of HW, SW and Services organizations
- Geographic scope of responses is **primarily Americas**
- Companies with **< 5,000 partners are more often software publishers**
- Companies with **> 5,000 partners are more often hardware manufacturers**

Q: What will be the geographic scope of your responses to this research? (n=309)
Q: Which of the following best describes your company's primary business model? (total=309; Under 5k=263; Over 5k=44)
Q: Which category best describes your company's Total Annual Corporate Revenue for 2018? (Total=274; Under 5k=243; Over 5k=29)

Partner Ecosystem Trends

A Rich Resource to Support Your Partnering Strategies and Program Planning

Partner Ecosystem | Program Structures | Revenue & Spending | Staffing Models

Partner Ecosystem Trends

Solution Provider Business Models

- The “80/20” rule of top partner performance has become the “90/10 rule”
- MSPs now mainstay RTM business model, with specialized program tracks
- Commercial ISVs and Cloud Marketplaces/ Aggregators are the top- ranked future RTM models

Partner Recruitment Activity

- Selective but aggressive partner recruitment is still underway; often focused on filling XaaS, MSP and vertical expertise gaps

Top Performing Partners as % of Total

Top Performing Partners
(80%+ of Revenue)

12%
< 5000
VENDORS
(n=19)

9%
> 5000
VENDORS
(n=17)

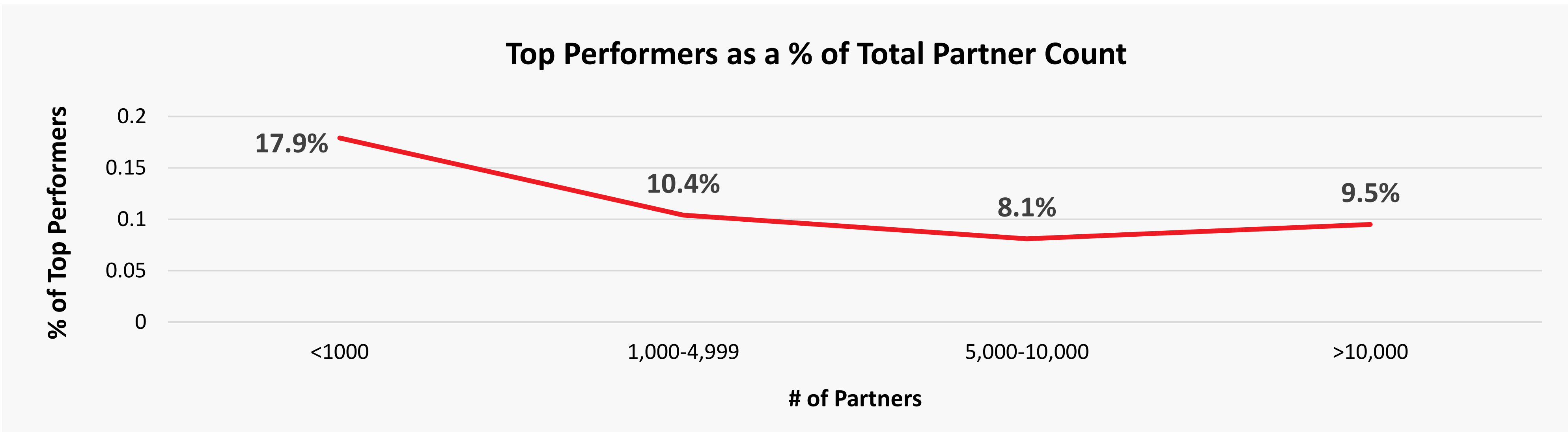
Larger vendors (> 5000 Partners) are very leveraged with < 10% of partners as top performers

85% of vendors have a small ecosystem of partners (< 5000)

Average Number of Total Partners in Program

741
< 5000
VENDORS
(n=264)

16,952
> 5000
VENDORS
(n=44)



Q:What was the total partners with some formal enrollment in your channel program? (n=308)
Q:What percentage of your total partner community do you consider to represent your "top performers" (collectively represent 80%+ of your channel revenues), across your entire partner community? (n=36)

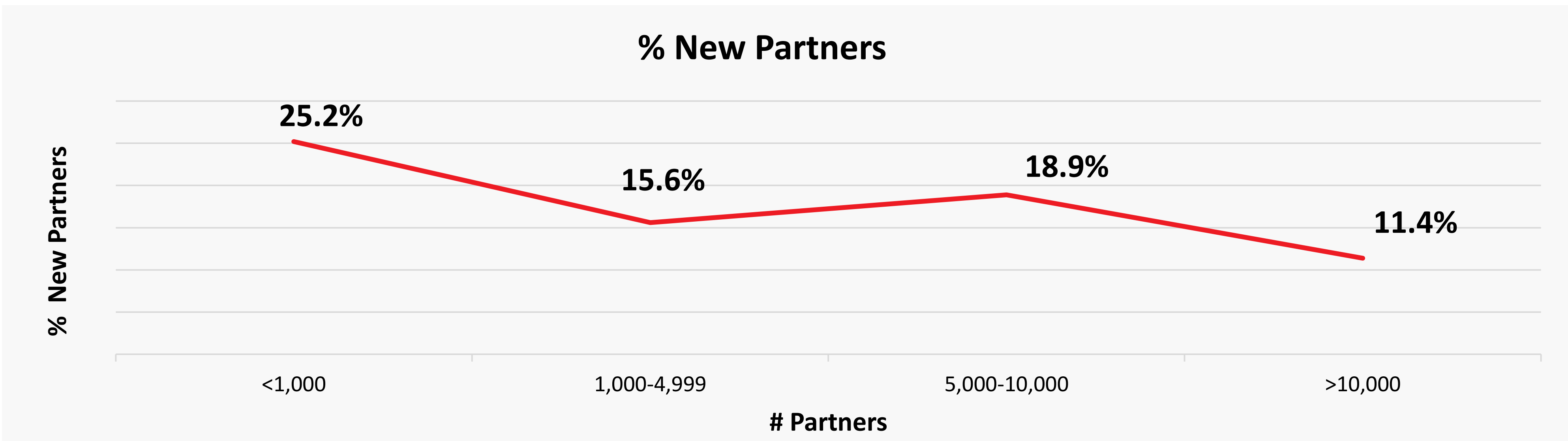
Partner Recruitment

New Partners in Program
(Past Year)

18%
< 5000
VENDORS
(n=259)

13%
> 5000
VENDORS
(n=47)

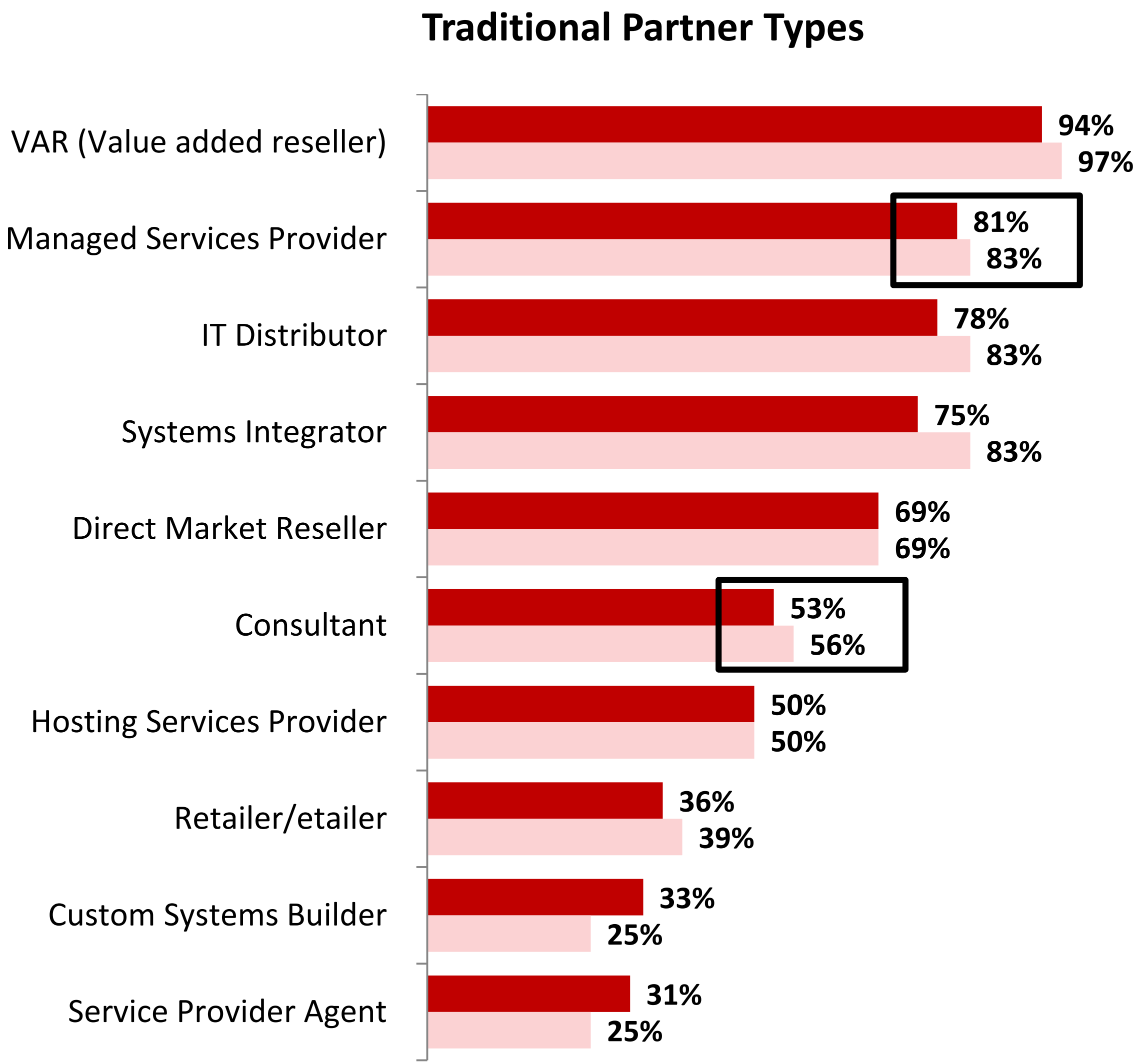
Aggressive but selective partner recruitment continues, for vendors with both small and large ecosystems

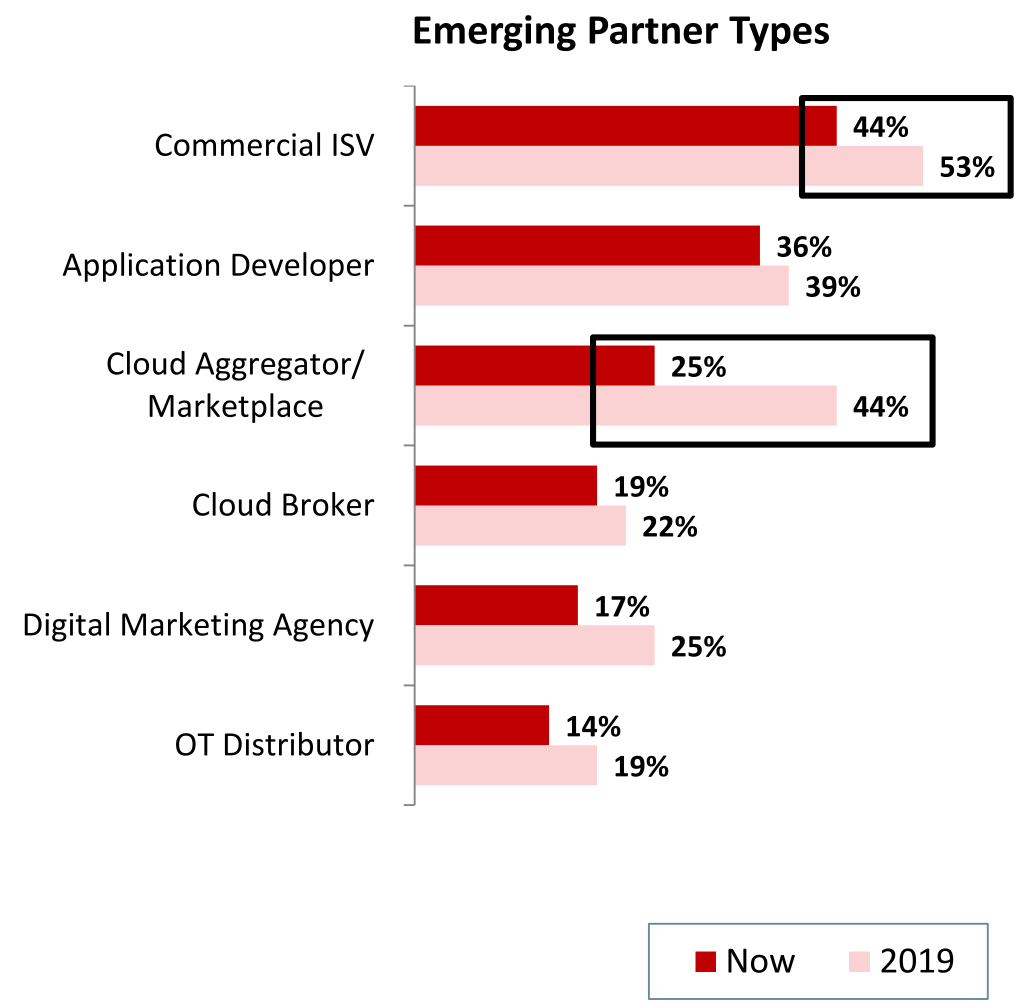


Q:What was the total partners with some formal enrollment in your channel program? (n=308)
Q:How many new partners joined your channel program in 2017? (n=306)

Channel Routes to Market – Existing and Planned

ALL VENDORS





Q: :For the product categories you selected, which of the following routes to market did you formally utilize now and which ones do you expect to utilize in 2019? (Total=36; Under 5k=18; Over 5k=16)

Partner Ecosystem Trends

Transactional Models

- Mature programs recognize all models – resale, influence and MSP delivery (for both one-time purchase and subscription/consumption)
- Multiple models used for a given partner type, indicating blended business models across product & service delivery

Sell-to and -through Engagement Models for Service Providers

- Over 50% of respondents have their own public/direct cloud service; engage solution providers as agents and resellers
- Sell-to service providers for IaaS delivery is a common partner model, esp. for vendors with large, HW focused ecosystems

Engagement Models by Partner Type/Role

ALL VENDORS

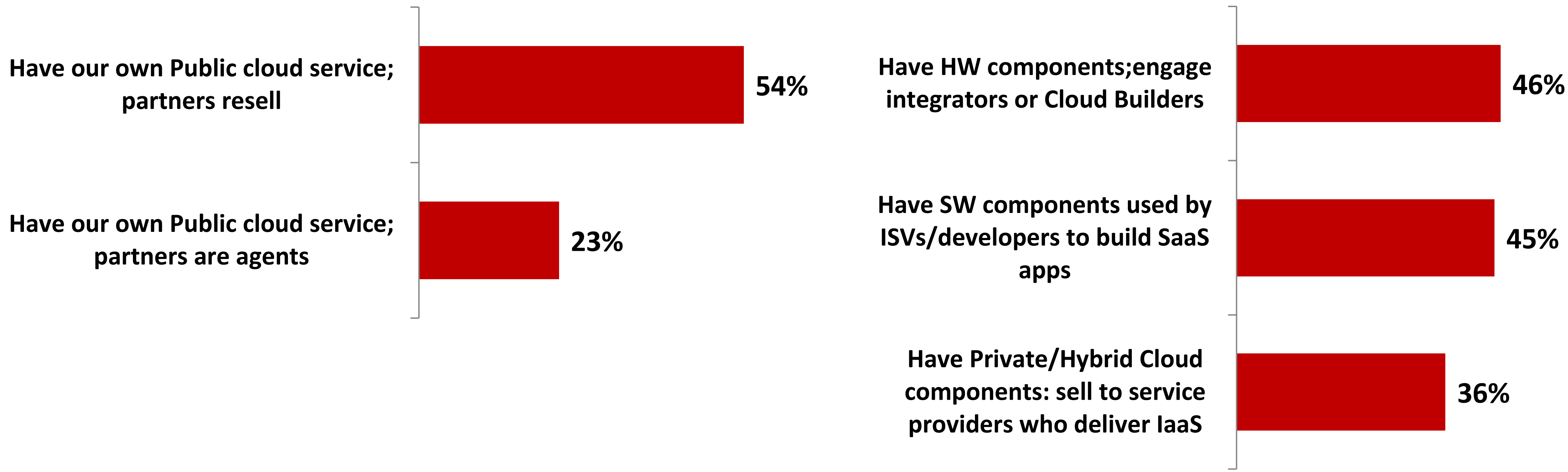
VAR	SI	Consultant	MSP
91% **Discount on Resale Transaction** (non-recurring)	**31%** **Partner with a Fee** (influence rewards)	**29%** **Discount on Resale Transaction** (non-recurring)	**49%** **Discount on Resale Transaction** (non-recurring)
31% **Partner with a Fee** (influence rewards)	**29%** **Discount on Resale Transaction** (non-recurring)	**20%** **Partner with a Fee** (influence rewards)	**20%** **Transaction Usage or Metered-Based Margin**
29% **Discount on Resale** (subscription or consumption based)	**29%** **Partner without a Fee** (field teaming)	**9%** **Partner without a Fee** (field teaming)	**17%** **Discount on Resale** (subscription or consumption based)
29% **Sell-to partner for their consumption and delivery as a service**	**14%** **Sell-to partner for their consumption and delivery as a service**	**9%** **Discount on Resale** (subscription or consumption based)	**14%** **Sell-to partner for their consumption and delivery as a service**

Q: For each of your company's 2017 indirect channel segments what are the primary and secondary methods your company used to engage and transact with each type of channel partner? (n=35)
NOTE: Not cut by vendor partner ecosystem size due to low sample sizes

Engagement Methods to Promote Cloud Solutions

ALL
VENDORS

Engagement Methods to Promote Cloud-Related Technologies



Q: In which of the following ways does your company engage with Channel partners to promote your Cloud-related technologies or services? (Total=274; Under 5k=243; Over 5k=29)

Partner Program Structure Trends

A Rich Resource to Support Your Partnering Strategies and Program Planning

Partner Ecosystem

Program Structures

Revenue & Spending

Staffing Models

Value-based Performance Metrics

- Sales volume is still leading metric, but sales & technical certifications, solutions expertise and market specialization rise in value metrics
- Deal Registration is used to define program value for multiple partner types, but requires new business & other criteria to qualify for incentives

Training Objectives & Delivery Models

Program Structures Trends

Common Program Support Elements

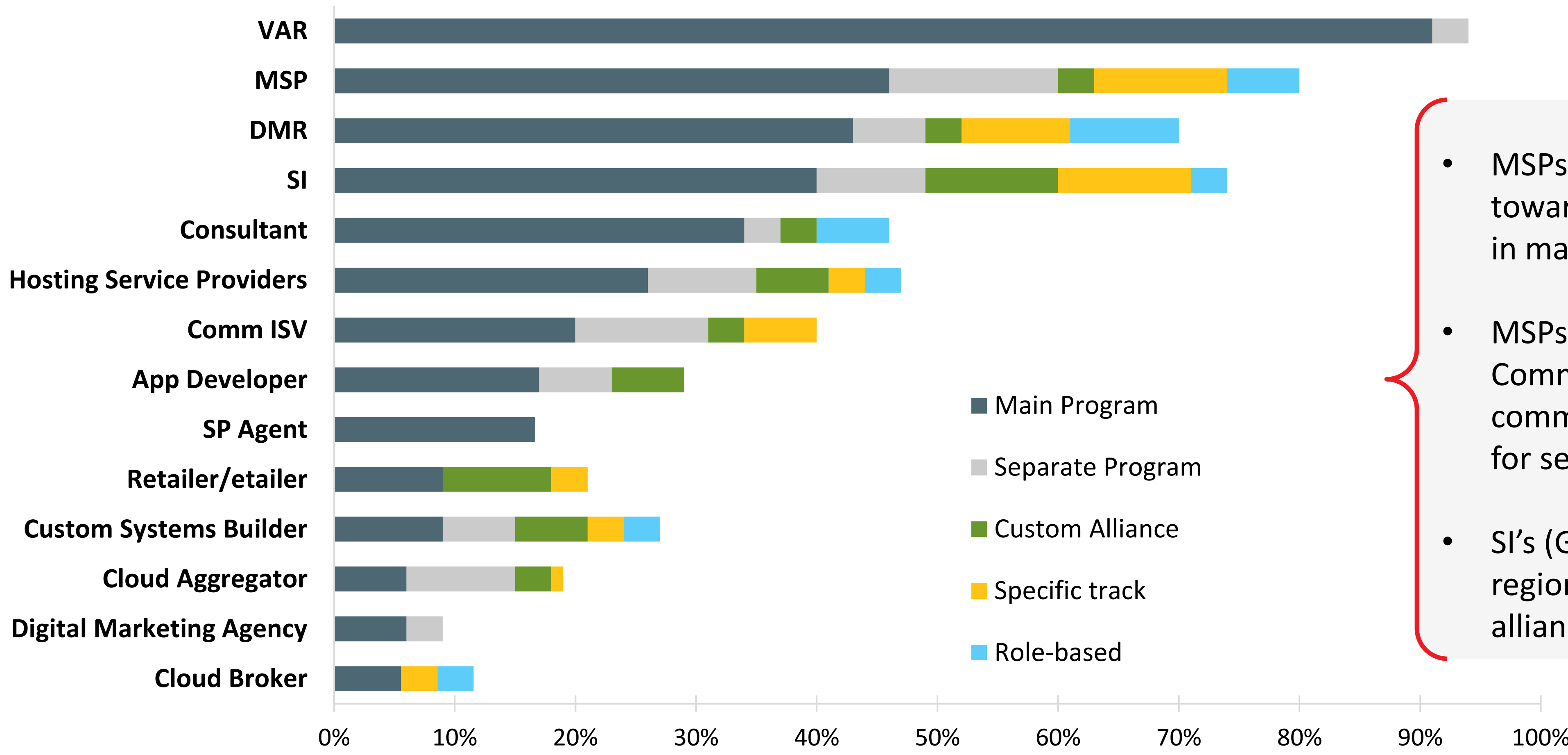
- Marketing support & funding plus training and certification support are <u>more commonly offered</u> than sales incentives
- Vendor with larger ecosystems more frequently offer sales incentives and SPIFs to drive behavior
- Support for cloud-focused partners is less transactional; focus is on financing, demand general and sales training support

Support for Services-Led Business Models

Partner Program Structures by Partner Type

ALL VENDORS

Primary Program/Contract Structure



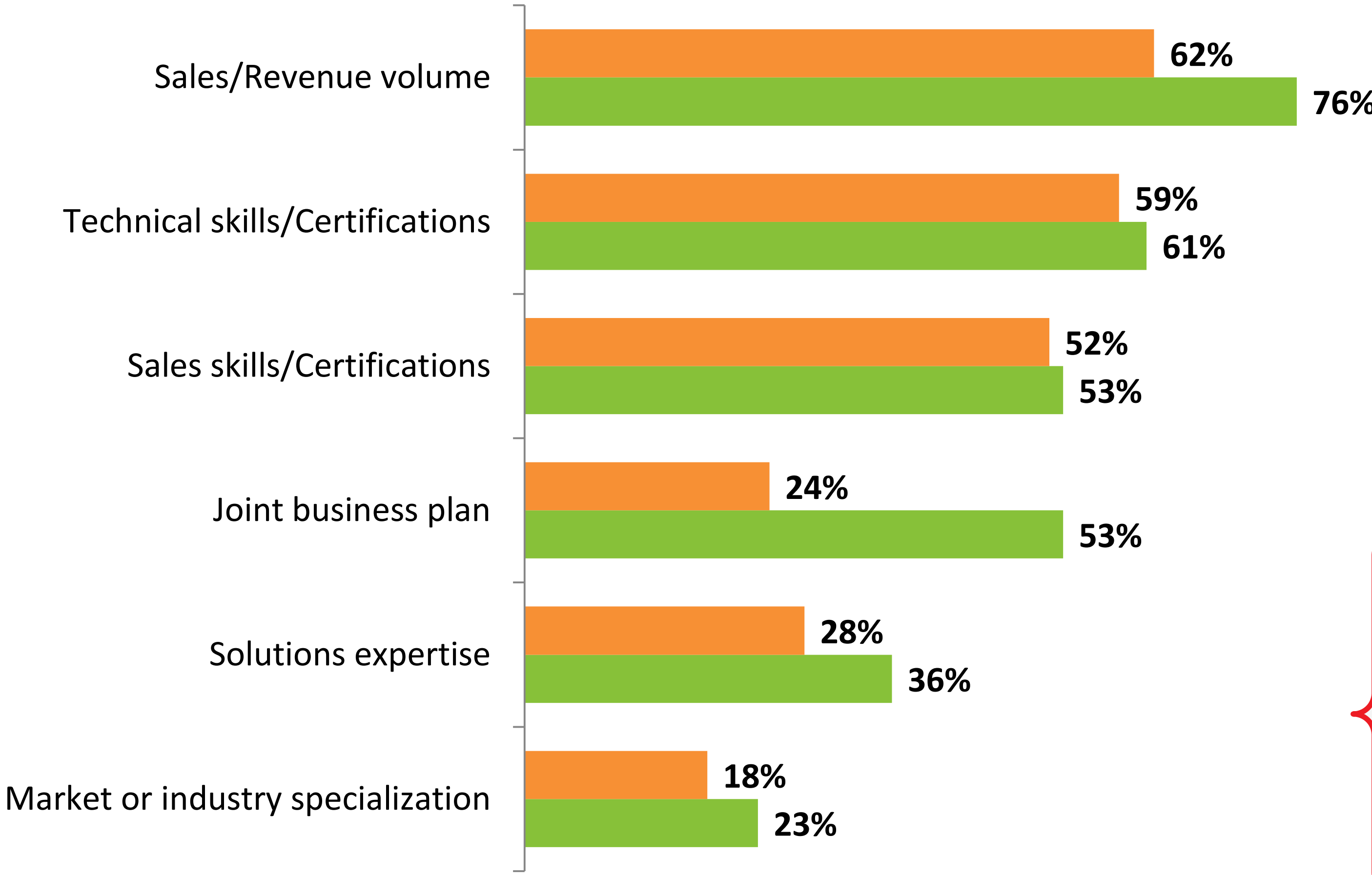
- MSPs & Hosters moving toward integrated track in main program
- MSPs, Hosters, Commercial ISVs most common partner types for separate program
- SI's (Global & large regionals) still treated as alliances

Q: For each of your company's 2017 primary channel segments, what is the primary program or contract structure for governing these partner relationships? (Total=35; Under 5k=18; Over 5k=17)
NOTE: Data not broken by size of partner base due to low sample size

Program Tier Criteria

< 5000 PARTNERS

> 5000 PARTNERS



18% of small vendors

21% of larger vendors

have no program tiers

While the majority of vendors do not require a minimum revenue commitment to **join** their partner program, most vendors require a specific sales volume to **attain higher tier levels**

Q: By what criteria are partner tiers for this partner program determined? (Total=274; Under 5k=243; Over 5k=29)
NOTE: Cuts by size of partner ecosystem are not included, as "All Vendor" segment was nearly identical to "<5,000 partners" cut

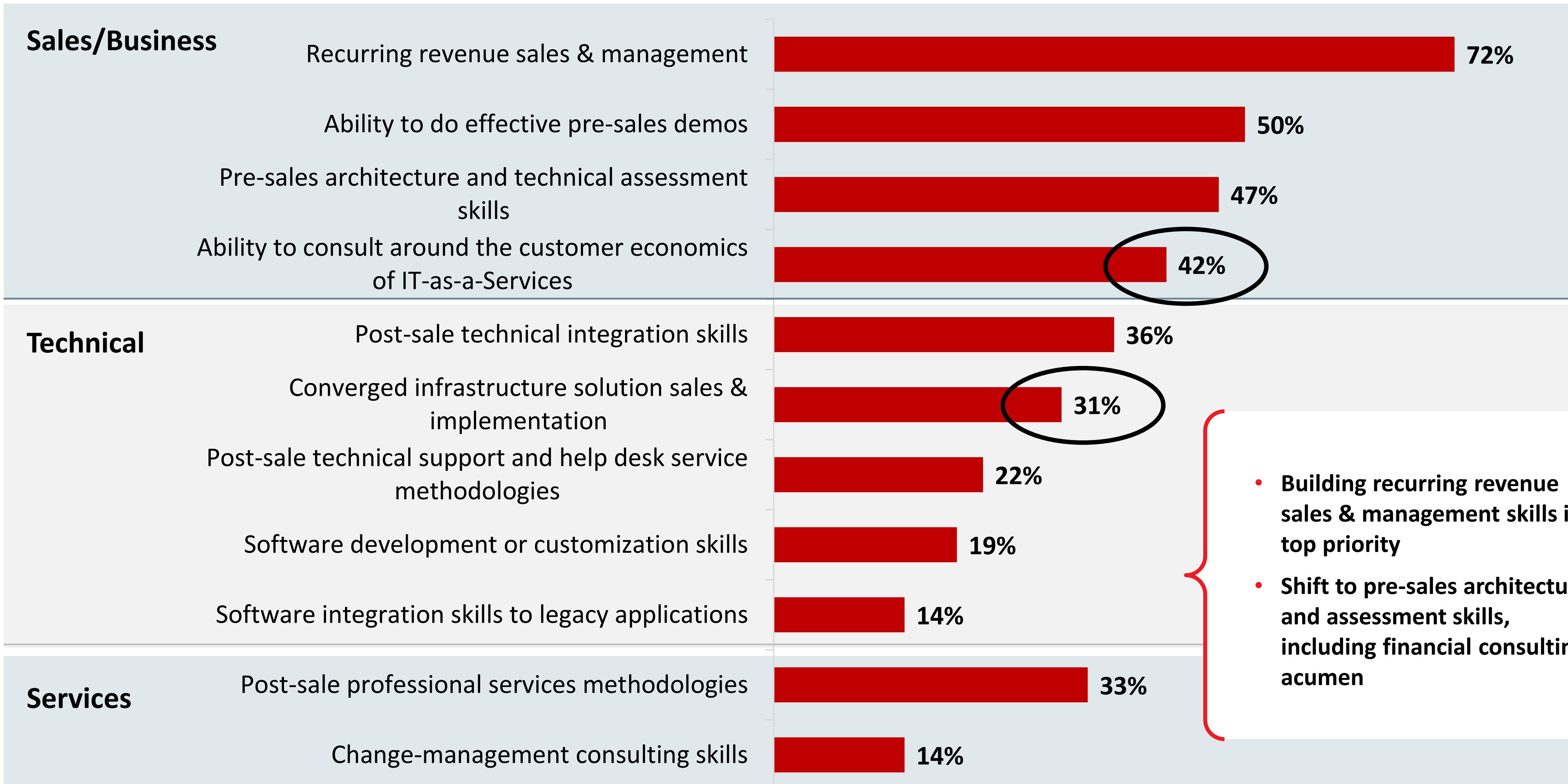
Value-Based Performance Metrics

Partner Type	#1 Metric	#2 Metric	#2 Metric (Tie)
VAR	# Deal Reg/% New Biz	# Sales Certs	# Mktg/Demand Gen Activities
Consultant	# Deal Reg/% New Biz	# Technical Certs	Mkt/Solution Specializations
Systems Integrator	Mkt/Solution Specializations	# Technical Certs	# Deal Reg/% New Biz
Commercial ISV	# Certified Apps	# Deal Reg/% New Biz	Mkt/Solution Specializations
Direct Market Reseller	# Deal Reg/% New Biz	# Mktg/Demand Gen Activities	
Custom Systems Builder	# Deal Reg/% New Biz	Mkt/Solution Specializations	# Sales Certs
MSP	# Deal Reg/% New Biz	# Mktg/Demand Gen Activities	Multi-year Contracts
Hosting Services Provider	Mkt/Solution Specializations	# Deal Reg/% New Biz	
Cloud Broker	Mkt/Solution Specializations	# Deal Reg/% New Biz	
Application Developer	# Deal Reg/% New Biz	Mkt/Solution Specializations	
Digital Marketing Agency	# Deal Reg/% New Biz	Mkt/Solution Specializations	
Service Provider Agent	Mkt/Solution Specializations	# Mktg/Demand Gen Activities	Multi-year Contracts
Cloud Aggregator/Marketplace	# Deal Reg/% New Biz	Mkt/Solution Specializations	
Retail/eTailer	# Deal Reg/% New Biz	# Mktg/Demand Gen Activities	

Q: Please indicate which primary value-based performance metrics (beyond revenue) your company measured and/or rewarded in 2017 for each of your primary partner types. (Total=34; Under 5k=18; Over 5k=16)
NOTE: Data not cut by size of partner ecosystem, due to small sample sizes

Selling IT as a Service – Cultivating Partners' Skills

ALL VENDORS



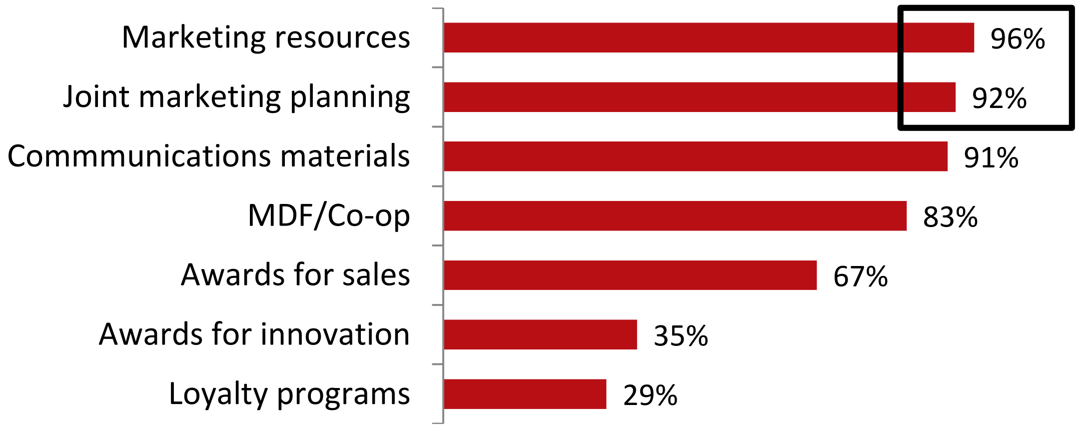
- **Building recurring revenue sales & management skills is top priority**
- **Shift to pre-sales architecture and assessment skills, including financial consulting acumen**

Q: What new or enhanced skills are you planning to actively cultivate among your partners to help them successfully transition to selling IT as a service and managed IT services in 2018? (total=35; Under 5k=18; Over 5k =17)

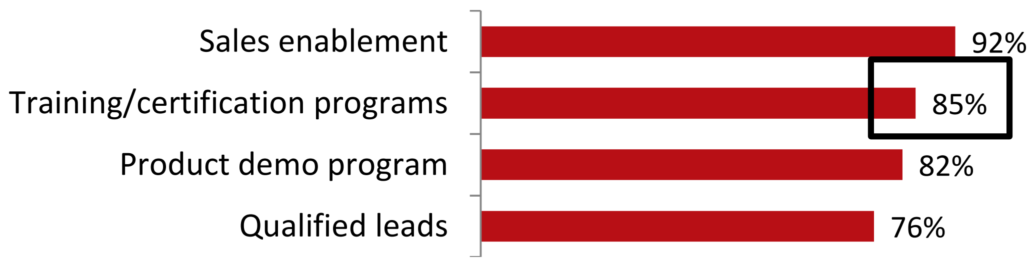
Diverse Program Support Offered

ALL VENDORS

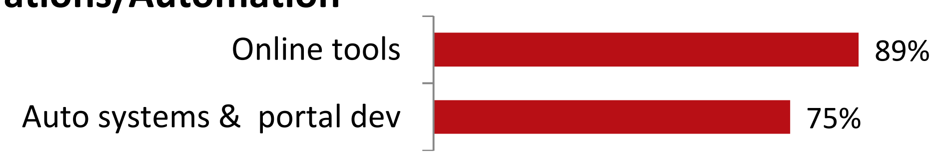
Marketing Support



Training & Enablement

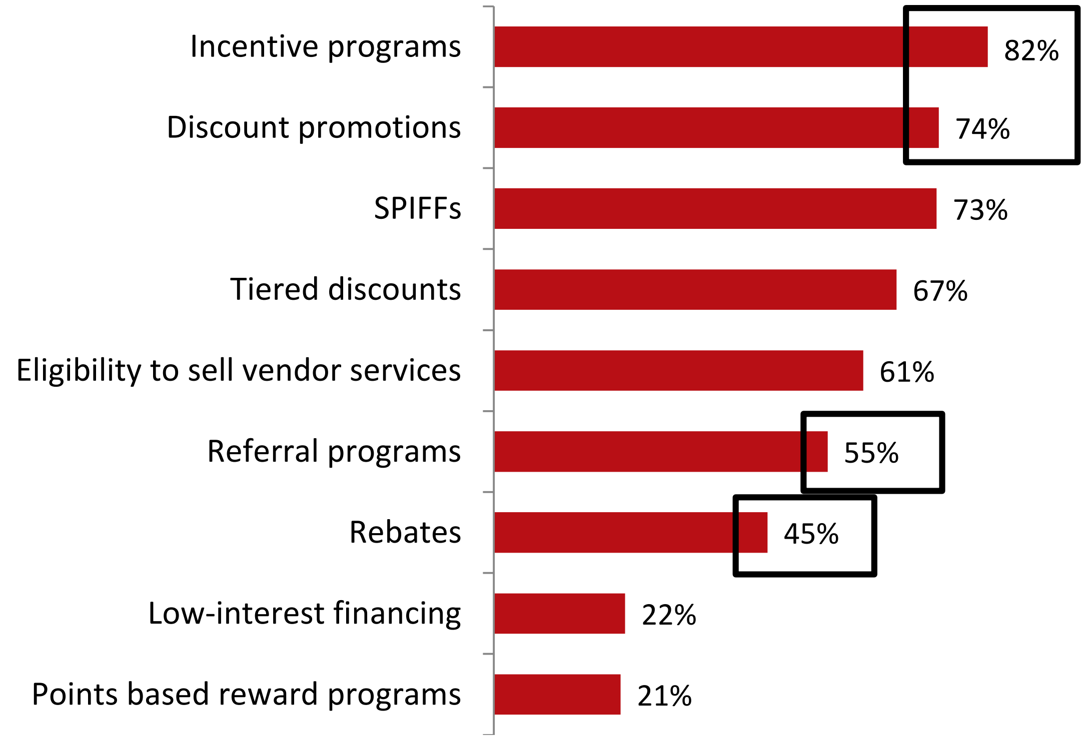


Operations/Automation



Coverage

Financial Incentives



Q: How does this channel program motivate/support its resellers? (Total=274; Under 5k=243; Over 5k=29)

Program Structures Trends

Training Objectives & Delivery Models

- Building recurring revenue management skills is the leading service delivery enablement priority
- Pre-sales architecture and IT financial consulting skills are target for next-gen vendor enablement efforts

Support for Services-Led Business Models

- Majority of core sales and technical training is delivered online; resurgence of F2F training to cultivate hands-on skills (advanced labs, white-boarding)
- Nearly 25% of vendors offer Business Model Transformation assistance, to accelerate XaaS & recurring revenue sales

Training Delivery Models

ALL VENDORS | **< 5000 PARTNERS** | **> 5000 PARTNERS**

ON-LINE/VIRTUAL

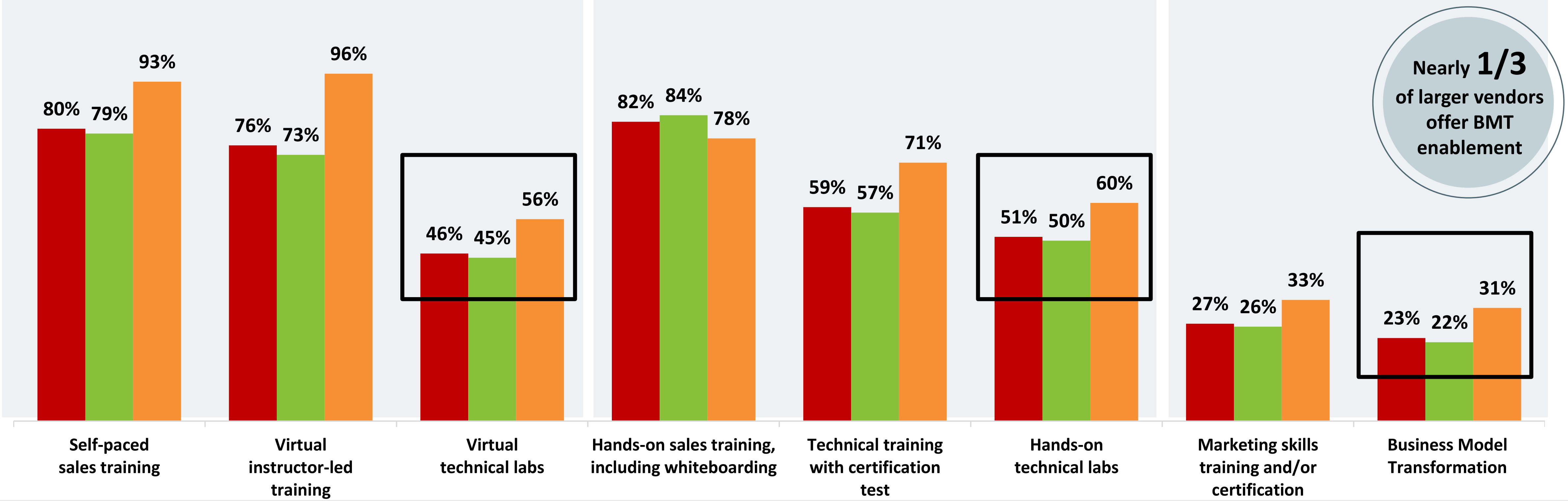
Self-paced and VIL training most common sales & tech. delivery models

CLASSROOM/LAB

> 50% of all vendors using hands-on tech. lab to supplement traditional training

MARKETING & BUSINESS MODEL TRANSFORMATION

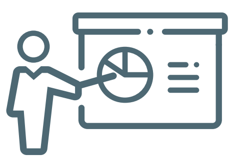
1/3 of larger vendors have marketing enablement



Q: What types of training and education types does your partner program offer? (total=309; Under 5k=263; Over 5k=44)

Sales & Technical Training – Costs to Partners

Training Cost to Partner	< 5000 PARTNERS			> 5000 PARTNERS		
	Basic	Advanced	High-level Certification	Basic	Advanced	High-level Certification
Sales – Free	95%	82%	59%	90%	72%	45%
Sales – Partner Pays a %	1%	8%	9%	4%	10%	24%
Sales – Partner Pays Full Fee	0%	1%	2%	0%	4%	7%
Sales – Do not offer training or N/A	4%	9%	30%	6%	14%	24%
Technical – Free	92%	75%	50%	90%	69%	38%
Technical – Partner Pays a %	4%	16%	24%	4%	14%	34%
Technical – Partner Pays Full Fee	0%	0%	3%	0%	3%	8%
Technical – Do not offer training or N/A	4%	8%	23%	6%	13%	20%



- **Majority of basic product & solution sales trainings is free and on-line**
- **Advanced sales (and technical) training including labs, hands-on mentoring and whiteboard training carries a charge; more frequently with larger vendors**

Q: is there a cost to partners for SALES training and/or certification? (Total=274; Under 5k=243; Over 5k=29)
Q: Is there a cost to partners for TECHNICAL training and/or certification? (Total=274; Under 5k=243; Over 5k=29
NOTE: Data not cut by size of partner ecosystem, as totals were nearly identical to <5k partner data

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Part 2 Webinar

For additional information:

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