Vendor Channel Strategy & Program Benchmark

Continuing Education for IPED Channel Masters

IPED® Consulting

VENDOR BENCHMARK

THECHANNELCO.

Part 2 – Revenue & Spending and Staffing Models

IPED® Consulting

THECHANNELCO.™

ChannelMasters®

Leveraging Two Comprehensive Data Sets

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

IPED® Consulting

VENDOR BENCHMARK

THECHANNELCO.

310
vendor respondents

THECHANNELCO.

CRN®

PARTNER PROGRAM GUIDE

Detailed review of partner program elements

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
- Tradit
- Existin recruitr

Program Structures

- Value-based partner performance metrics
- Training objectives and deliver
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Part 1 Webinar

Delivered July 26

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

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

Objective: Build an Industry Standard Vendor Channel Benchmark

Methodology

Research conducted throughout 2018

Represents **2017** historical and **2018/2019** projected data

Sample size:
310 vendor respondents
(combined studies)

Two vendor-sourced data sets: **Partner Program Guide** and **Vendor Benchmark**

Data was cut to provide business insights

ALL VENDORS

< 5000 PARTNERS

> 5000 PARTNERS

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

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

- **Traditional vs. Non-traditional Channels**
- **Small sample sizes yield directional results**

Respondents were screened for:

- **Participation strictly for IT hardware manufacturers, IT software publishers, and IT service providers**
- **An understanding of budgets, coverage models and chosen routes-to-market/ channels**

Data Cleansing

- **Survey data was cleaned and cross-checked**
- **Medians and quartiles were used to adjust for extreme values in the data**

Revenue & Spending

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Indirect Revenues

- Indirect channels represent between 70-75% of vendors' annual revenues
- Vendors with larger ecosystems use both field sales, inside sales and ecommerce routes to market more frequently than their smaller counterparts
- Resale is still the most common transactional model by a wide margin, but <50% of vendors track & reward partner influence

Channel Spending by Activity

- Roughly twice the $$ are being spent on channel headcount vs. channel programs
- Vendors are spending 4x the amount on incentives they're spending on training & enablement
- Lowest spending categories are automation/operations and program marketing

Revenue & Spending Trends

Channel Budgets as a % of Revenue

- Channel budgets represent 15-24% of indirect revenues;
- Vendors with the largest ecosystems spend least as a percentage of indirect revenue - ~15%

Marketing Funding (MDF)

- Avg. MDF budget is 2.3% of indirect revenues
- More than 50% of vendors plan to offer more MDF to more partners in 2019
- >50% of vendors only offer proposal-based MDF; nearly 1/3 offer both proposal and accrual-based funds

Channel Revenue Summary

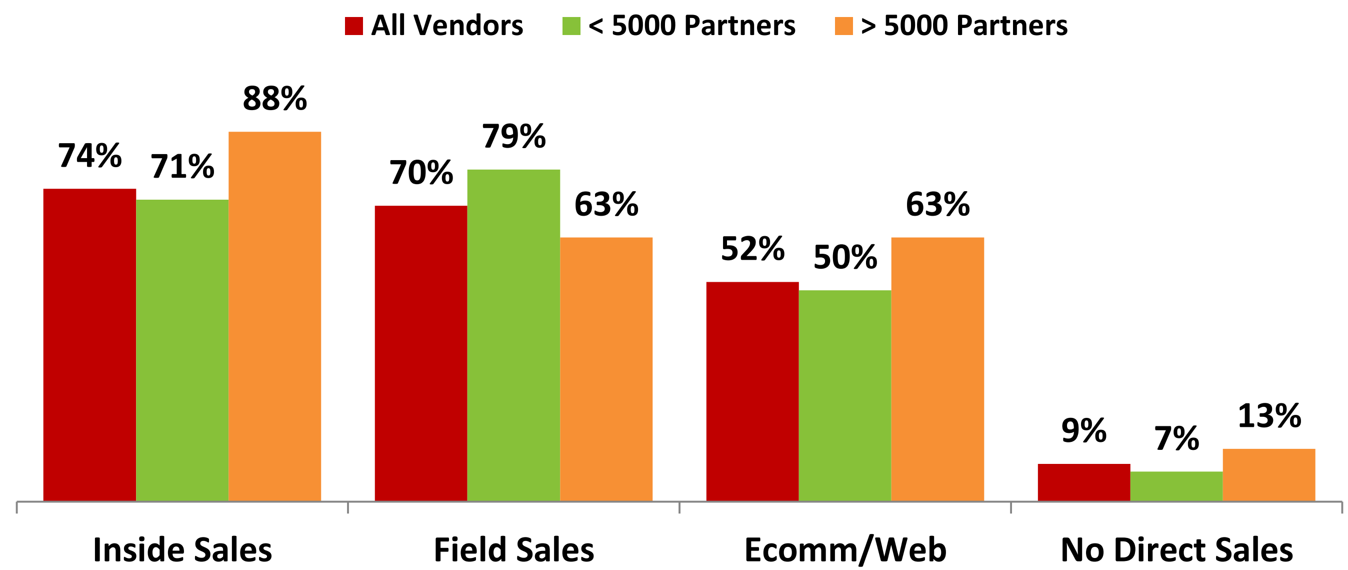
70.5%
ALL
VENDORS

69.7%
< 5000
VENDORS

74.7%
> 5000
VENDORS

Channel Revenue as a Percentage of Overall Revenue

Other (Direct) Routes to Market

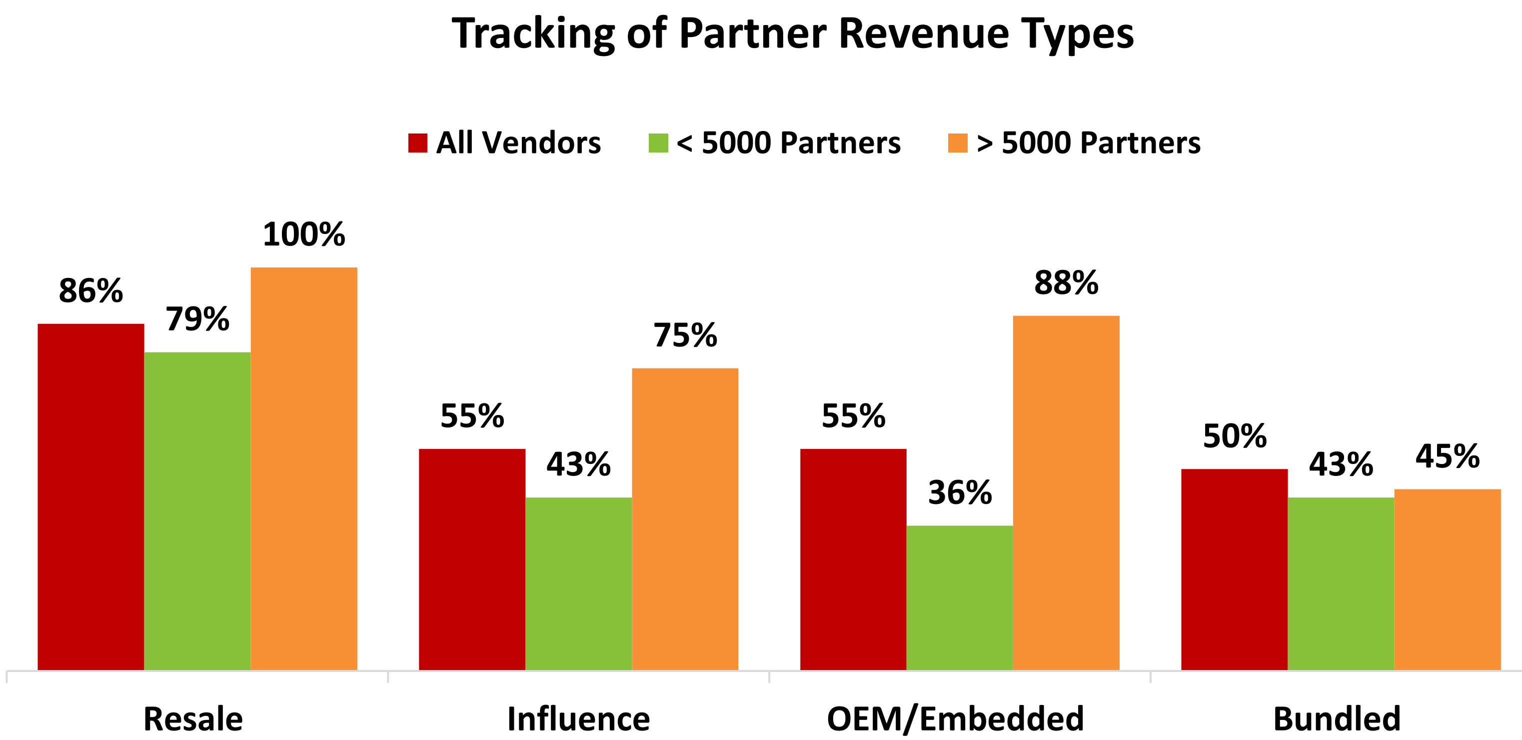


54% of vendor respondents track partner-sourced* revenue (N-19)

* Partner sourced revenue defined as customer demand originated and closed uniquely by partners, with little to no vendor direct sales assistance.

Q: Which of the following ranges best represents your company's indirect revenue as a percentage of total annual corporate revenue?
Q: What percentage of your total partner revenues (not your total company revenues) were partner-source or originated in 2017?
Q: In addition to your channel partners, which of these direct sales routes to market did you use for your product categories in 2017?
(Total=24; Under 5k=14; Over 5k=8)

Channel Revenue Types



- **Vendors with larger partner ecosystems track multiple transactional models more frequently**
- **Influence revenue models reserved for more complex technology requiring co-selling; but growing, driven by cloud and SaaS models**

DEFINITIONS

Resale – Partner takes title to your product, sets price and resells the product to the end-user.

Influence – Partner plays a material role in the sales process but you sell the product directly or through another resale partner to the end-user. You recognize and reward that role

OEM/Embedded – Sale of a finished product where your SW, HW or IP is integrated into their product; the OEM partner brands it as theirs and sells it through various transactional models

Bundled – Partner combines your HW, SW or IP into their solution, but your brand and technology is visible to the end-user in the solution

Q: Which of these types of partner revenue did you formally track within your organization in 2017? (total=22; Under 5k=14; Over 5k =8)

Channel Spending as a Percentage of Channel Revenues

Channel Spend as a % of Channel Revenues

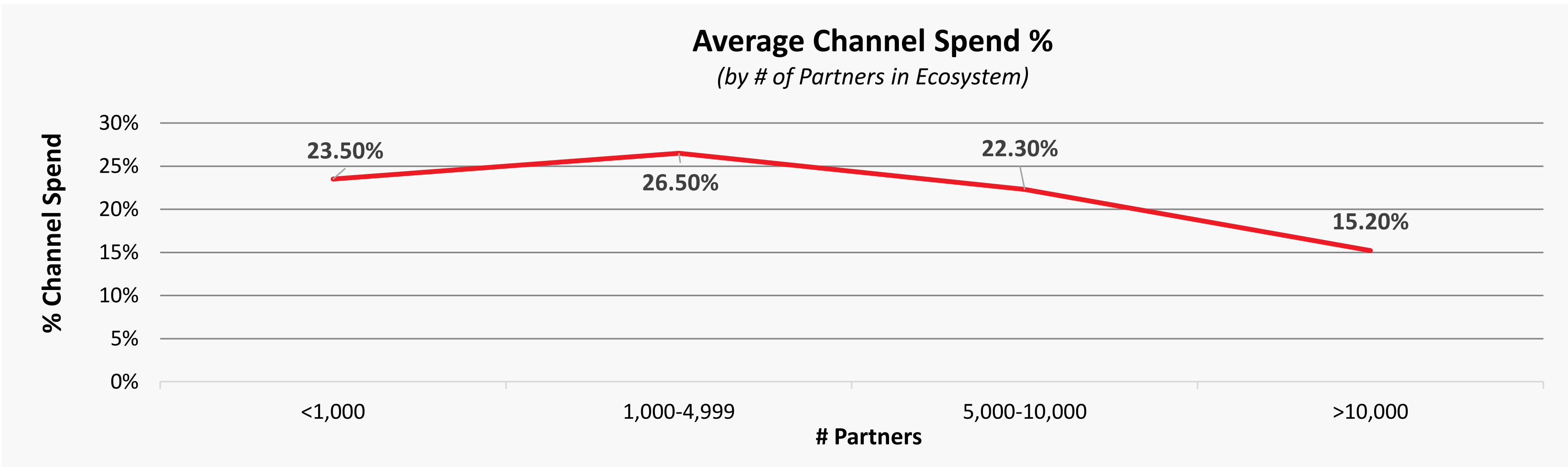
23.7% **ALL** VENDORS (n = 170)

24.2% **< 5000** VENDORS (n = 145)

18.8% **> 5000** VENDORS (n = 25)

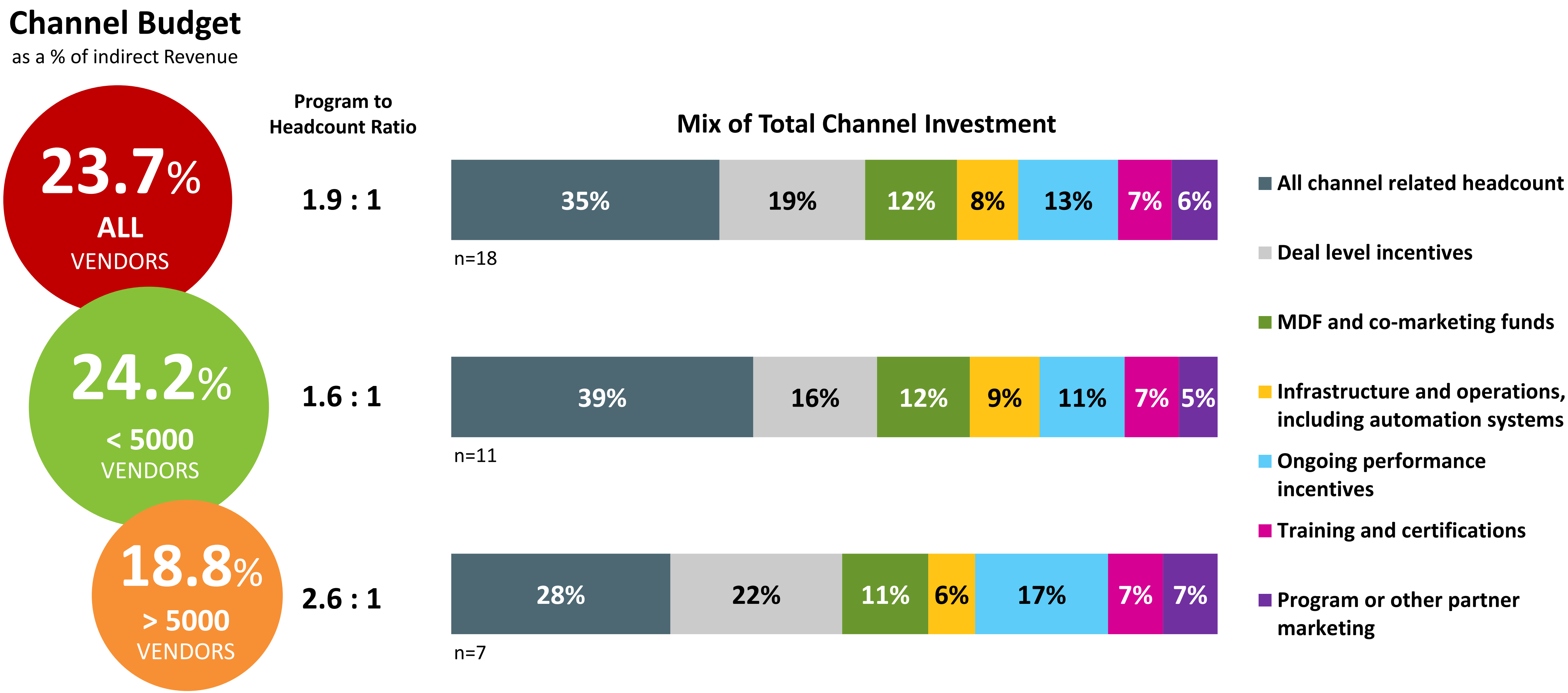
20 vendor participants spent more than 50% of their indirect revenue on all channel-related expenses.

(17 of those 20 are smaller vendors with <5,000 partners)



What percentage of your last year's of channel partner revenues did your company spend on all channel-related expenses, in total? (n=170; Under 5K= 145;Over 5K = 25)*

Channel Spending by Activity Type



Q: Of that total channel investment, what was the mix of spending by activity type?(This should be the % of your total channel spending above, attributable to each type of activity, not as a % of channel revenues. (Total=18; Under 5k=11; Over 5k=7)

Revenue & Spending Trends

Indirect Revenues

- Indirect channels represent between 70-75% of vendors' annual revenues
- Vendors with larger ecosystems use both field sales, inside sales and ecommerce RTM more frequently than their smaller counterparts
- Resale is still the most common transactional model by a wide margin, but <50% of vendors track & reward partner influence

Channel Spending by Activity

- Roughly twice the $$ are being spent on headcount over programs
- Vendors are spending 4x the amount on incentives they're spending on training & enablement
- Lowest spending categories are automation/operations and program marketing

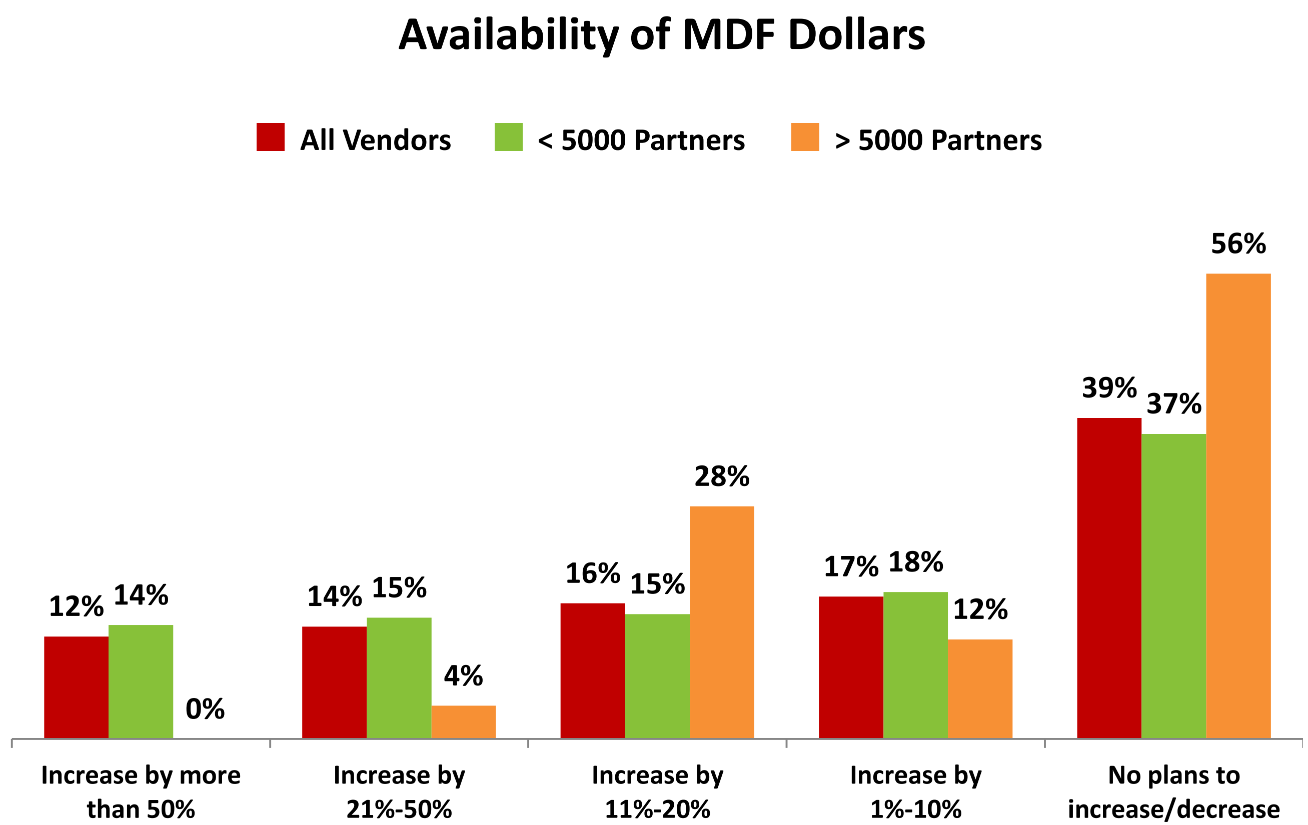
Channel Budgets as a % of Revenue

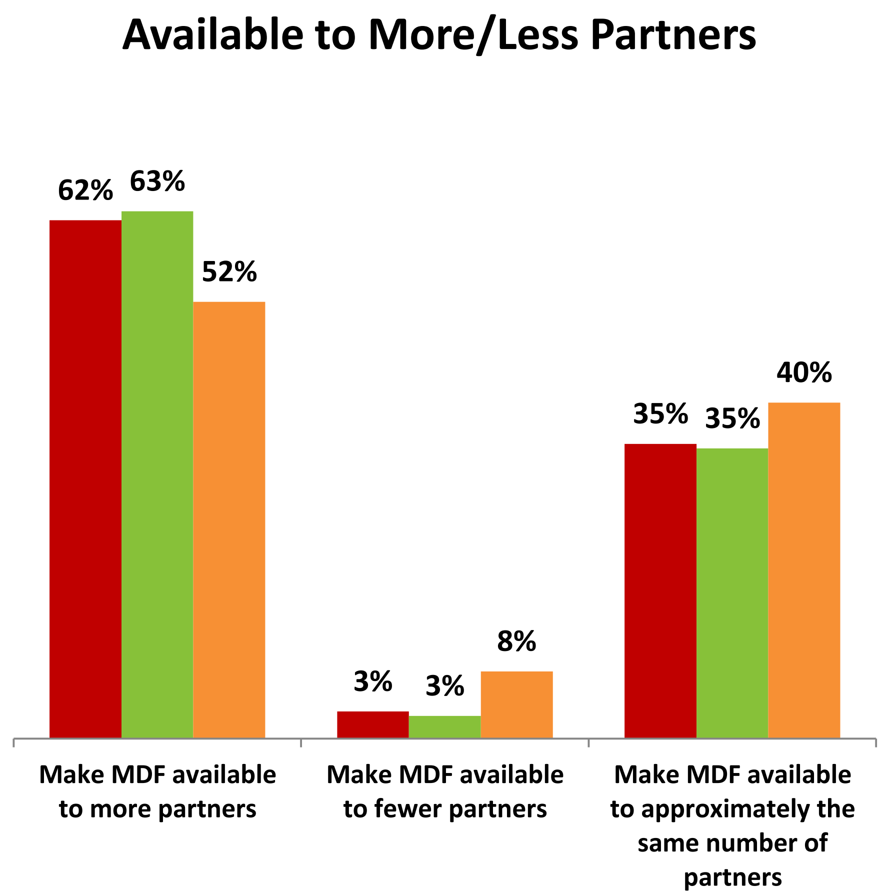
- Channel budgets represent 18-24% of indirect revenues;
- Vendors with the largest ecosystems spend least as a percentage of indirect revenue - ~15%

Marketing Funding (MDF)

- Avg. MDF budget is 2.3% of indirect revenues
- More than 50% of vendors plan to offer more MDF to more partners in 2019
- >50% of vendors only offer proposal-based MDF; nearly 1/3 offer both proposal and accrual-based funds

MDF Spending and Partner Access

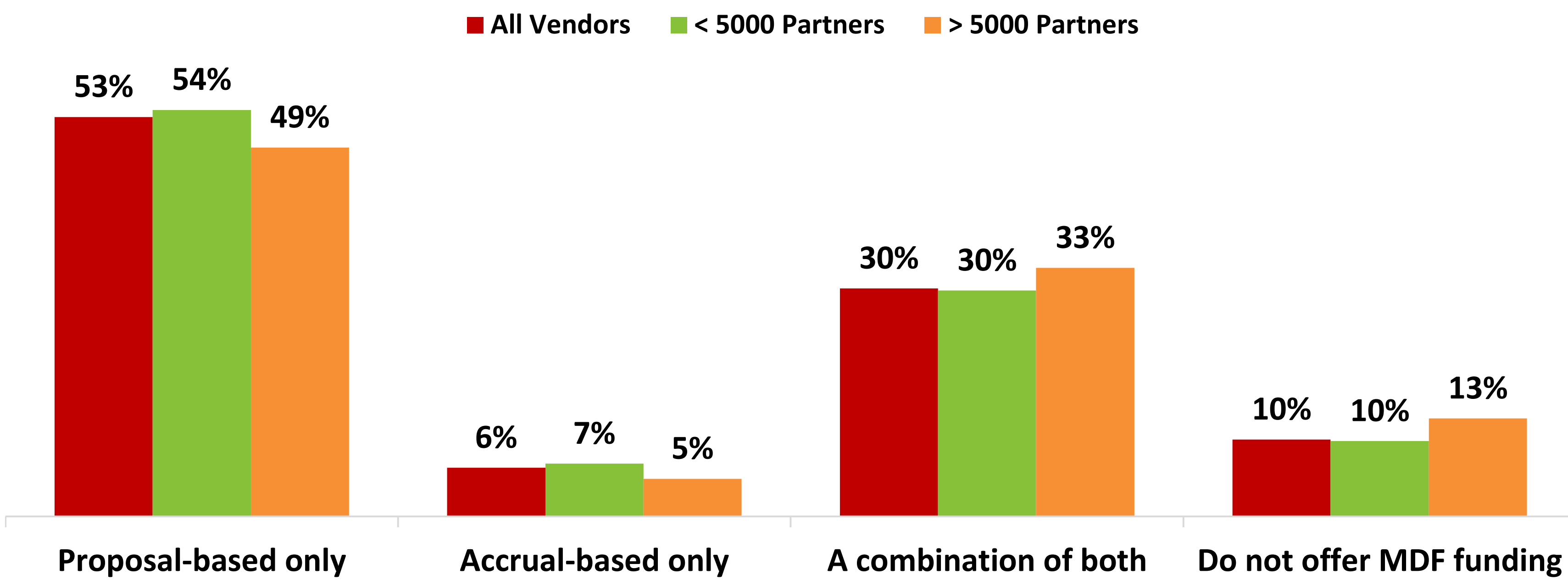




More than 50% of vendors plan to offer <u>more</u> MDF to <u>more</u> partners in 2019

Q: Will you have more or less MDF or Co-op dollars ($) available for partners in 2019? (Total=274; Under 5k=243; Over 5k=29)
Q: Compared to 2019, will you be making MDF and/or Co-op funds available to more or fewer partners in 2020? *(Total=274; Under 5k=243; Over 5k=29)*
Q:What percent of your indirect revenue is made available to your partners for MDF/Co-op? (Total = 76)

Structure of MDF Funding



- More than **50%** of vendors offer **proposal based MDF access**
- Nearly a third of vendors offer **both proposal based and accrual based**
- ***77%*** of vendors have Partner Marketing Managers assigned to partners that qualify for **MDF to plan and execute demand generation campaigns**

Q: Today, what % of your total annual market development funds passed to partners do you spend in the following manner / How would you characterize your Marketing Development Funds (MDF) or their equivalent (i.e. Joint Marketing Funds - JMF)? Accrue – Proposal. (Total=294; Under 5k=255; Over 5k =39)
Q: Does your partner program have Partner Marketing Managers assigned to partners that qualify for MDF to plan and execute demand generation campaigns? (Total=274; Under 5k=243; Over 5k=29)

MDF Budgets

Percentage of Indirect Revenue Towards MDF

	ALL VENDORS (n=76)	**< 5000** PARTNERS (n=68)	**> 5000** PARTNERS (n=8)
< 1%	21%	19%	38%
1-2%	42%	43%	38%
3-4%	24%	24%	25%
5+%	13%	15%	0%
Weighted Avg.	**2.3%**	**2.4%**	**1.8%**

Majority of vendors budget MDF at ~ 2% of indirect revenues, despite most funding being proposal-based

Q:What percent of your indirect revenue is made available to your partners for MDF/Co-op? (n=76)

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Staffing Models Trends

Partner Facing Staff

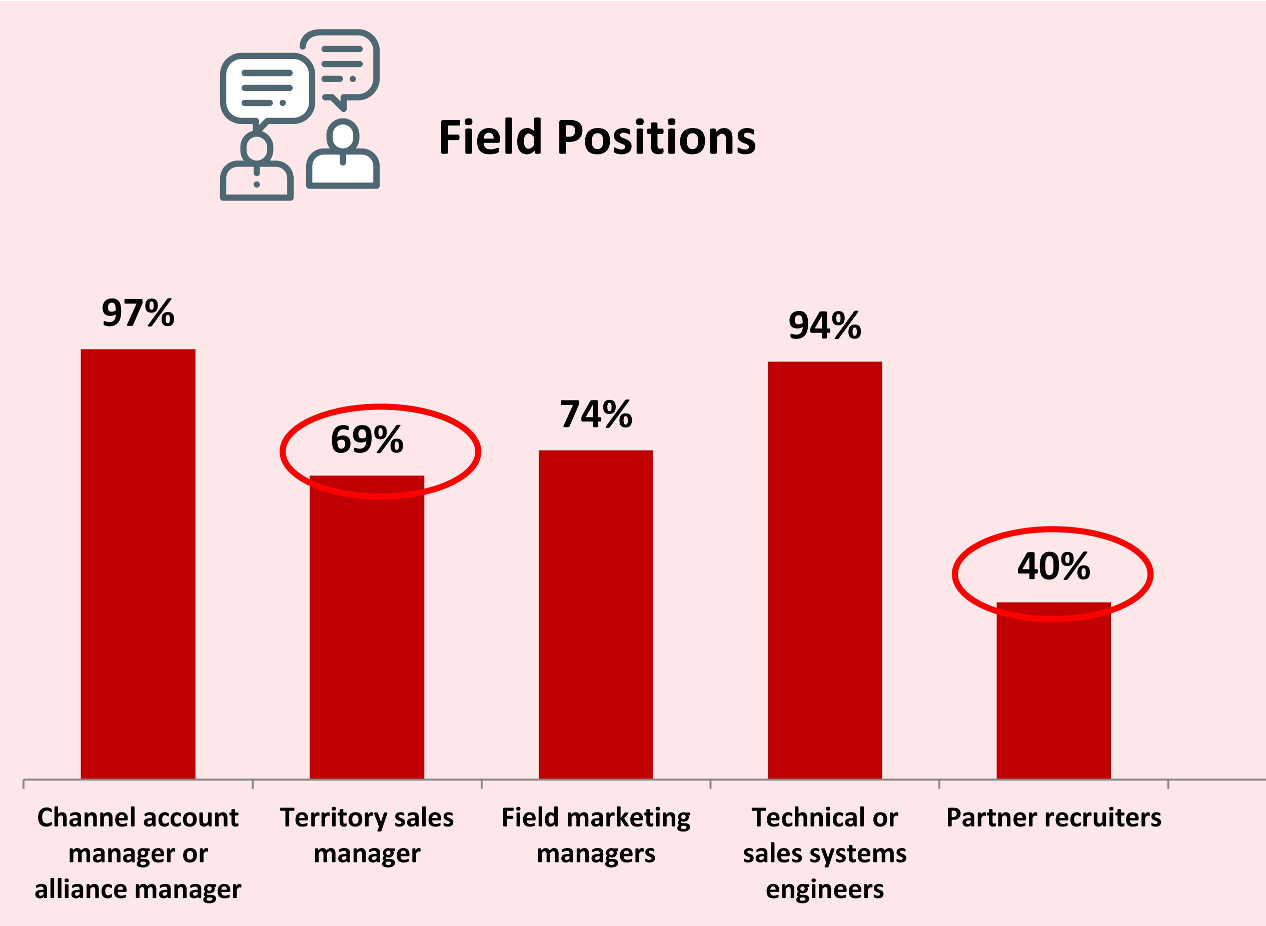
- Field-based Partner Account Managers/CAMs and Technical Engineers are a mainstay position for all vendors
- Inside positions (CAMs, partner help desk and online portal support) positions are much more common with large ecosystem vendors; supports a larger and more diverse set of partners
- 75% of vendors have field marketing managers that work with partners; more common with large ecosystem vendors
- Future staffing plans focus on enhancing the field CAM and inside CAM roles; ties to more strategic BMT and solution-development roles

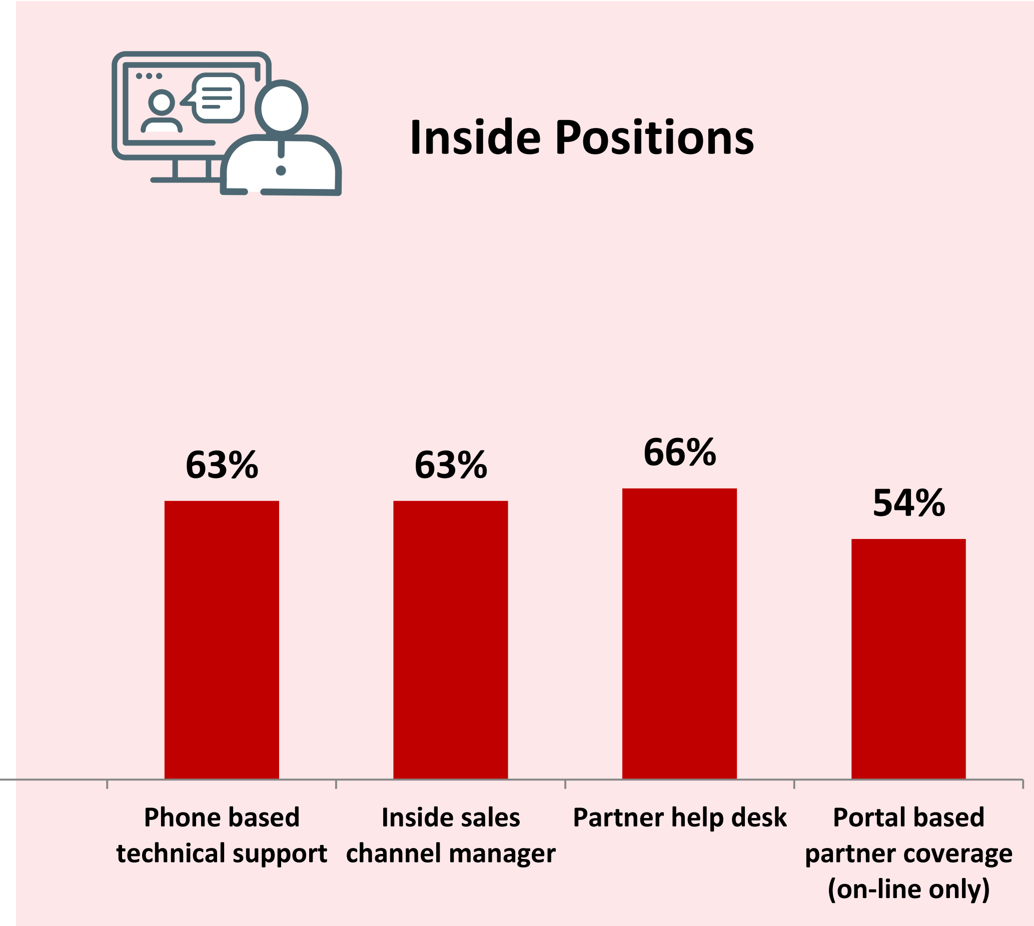
Coverage Models & Roles

- VARs have the highest level of staffing across various staffing roles of any partner type (sales, technical, marketing, program support)
- Partners with an SI or MSP business model have coverage by field or inside Partner Account Manager/CAM less frequently than a VAR business model
- The average Partner Acct. Mgr./CAM has >50 partners to support; leading vendor programs are focusing that and including 1:few coverage in formal program benefits
- <20% of MSPs get access to a vendor Field Marketing Manager; FMM roles map to a broad set of 70 partners regionally
- Average field Technical Engineer covers >30 partners; role is being divided into enablement vs. deal support to focus efforts with strategic deals & partners

Partner Facing Roles & Staffing

ALL VENDORS





NOTE: 95% of staffing information provided by geographic regions, primarily Americas.
Q: Which of these positions, support roles or programmatic coverage vehicles did you have in your organization in 2017 working with your partners? (total=35; Under 5k=18; Over 5k =17)

Staffing Models Trends

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Channel Facing Roles – Coverage by Partner Type

ALL VENDORS

Roles Most Often Involved with Partner *(by type)*

	FIELD ROLES			INSIDE ROLES		
	CAM/PAM or Alliance Manager	Field Marketing Managers	Field Technical or Sales SEs	Inside Sales CAM	Partner Help Desk Staff	Portal Based Coverage (On-line only)
VAR	83%	39%	39%	52%	22%	13%
MSP	61%	17%	22%	22%	17%	4%
DMR	52%*	22%	22%	26%	13%	9%
SI	48%	30%	22%	13%	13%	9%
Retailer/eTailer	30%	10%	5%	24%	14%	10%
Consultant	17%	0%	13%	0%	0%	0%

* Most DMRs due to their scale and volume often have dedicated teams of roles from the vendor, including a National CAM/PAM role

Q:For each of these types of partners, please indicate which roles within your organization were most often involved with the partner.
(n=23; Under 5K=14; Over 5K=9)
NOTE: Data not cut by vendor size due to low sample size

Channel Facing Roles – Coverage Models

Partner to Channel Role Coverage

Channel Role *(number of partners covered by 1 headcount, in each role)*	**ALL** VENDORS	**< 5000** PARTNERS	**> 5000** PARTNERS
Channel Account Manager or Alliance Manager	**56**	**81**	**22**
Territory Sales Manager	**62**	**78**	**35**
Field Marketing Managers	**69**	**33**	**110**
Partner Recruiters	**175 (N-7)**	*Insufficient sample size*	*Insufficient sample size*
Technical Sales or Systems Engineers	**33**	**32**	**34**
Phone based Technical Support	**249**	**206**	**292**
Inside Sales Channel Manager	**167**	**86**	**261**
Partner Help Desk	**713**	**209**	**857**

Q: For each headcount function, please estimate the number of partners each role generally touches and is accountable for engaging with (coverage ratios). (n=34; Under 5k=18; over 5k=16)

Channel Facing Roles – Future Plans

ALL VENDORS

	FIELD ROLES					INSIDE ROLES			
	CAM/PAM or Alliance Manager	Territory Sales Manager	Field Marketing Managers	Partner Recruiters	Technical or Sales SEs	Phone Based Technical Support	Inside Sales CAM	Partner Help Desk	Portal Based Coverage *(On-line only)*
Emphasize*	74%	57%	39%	30%	83%	30%	70%	30%	43%
De-emphasize	4%	4%	13%	9%	0%	17%	4%	22%	9%
No change/ Maintain	22%	13%	26%	22%	13%	26%	13%	17%	13%
Not applicable	0%	26%	22%	48%	4%	26%	13%	30%	35%

* **"Emphasize"** here is defined as increasing staffing, elevating compensation plans or job grades, or providing additional support, training & tools to increase effectiveness

Q: Which of these positions do you plan to emphasize or deemphasize in the next 12 months? (n=23; Under 5K=14; Over 5k=9)
Note: Data not cut by vendor size due to low sample size

For additional information:

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