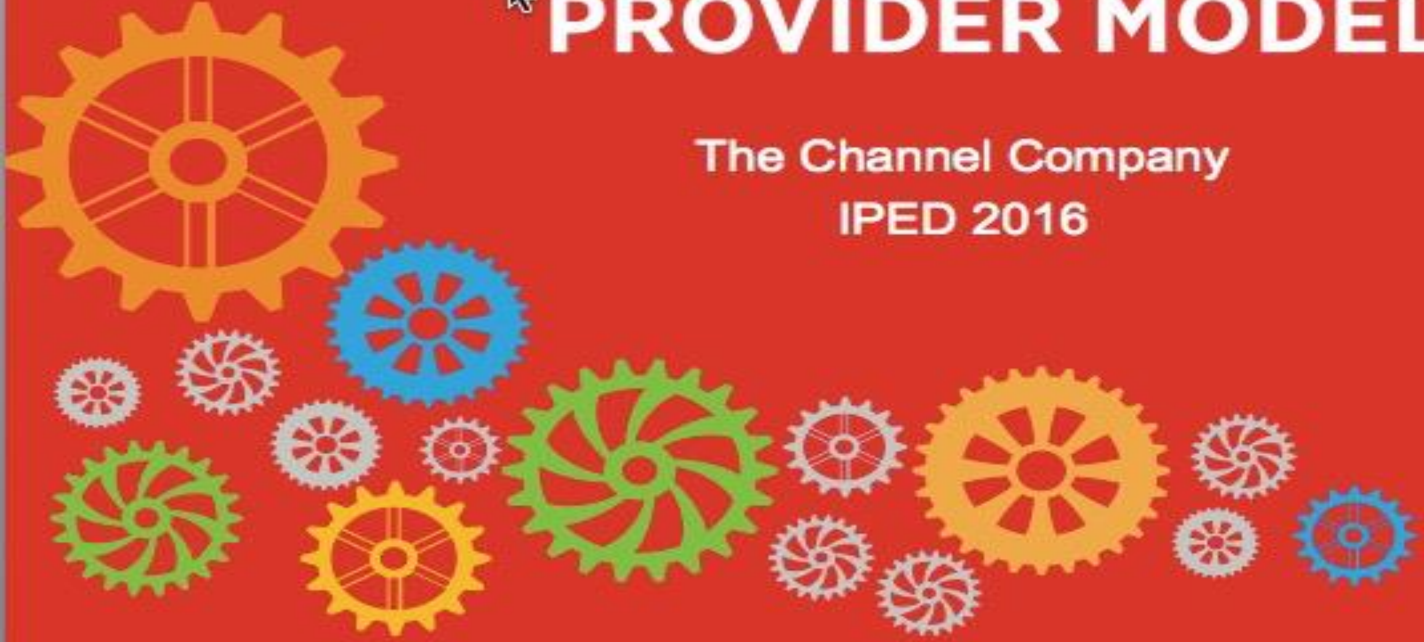
Surviving & Managing The Shift To The

STRATEGIC SERVICE PROVIDER MODEL

The Channel Company

IPED 2016



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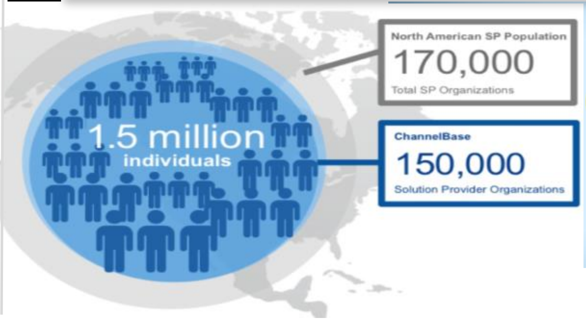
IPED 2016 Channel Census Overview

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

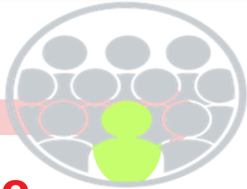
Methodology

- Leverage ***The Channel Company*** solution provider database and the ***CRN Channel Intelligence Council***
- On-line survey fielded in ***January 2016***
- Approximately ***600*** completed responses
- Data cleansed and normalized for outliers; data represents means unless otherwise noted
- Selected ***partner interviews*** to clarify responses



The “Solution Provider” Evolves: “Strategic Service Provider”

Reseller — VAR — Solution Provider — **Strategic Service Provider**



#1

Represents the ***aspirational capabilities*** of partners 3 - 5 years into the future

#2

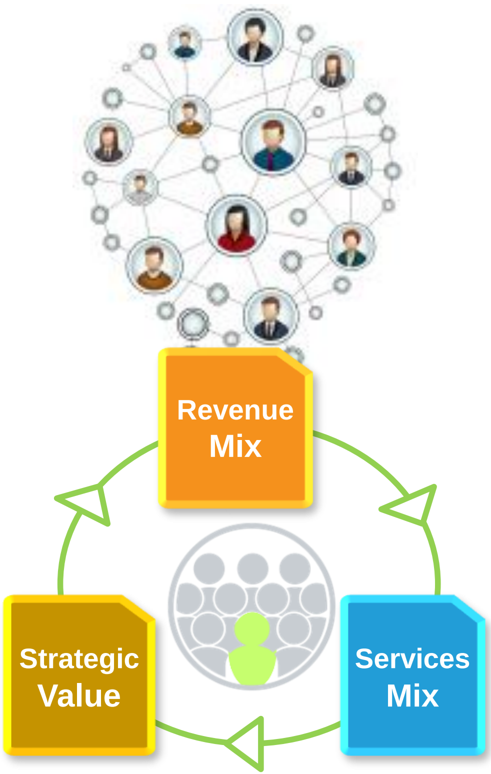
Captures the ability of the partner to be the ***trusted advisor to the customer***

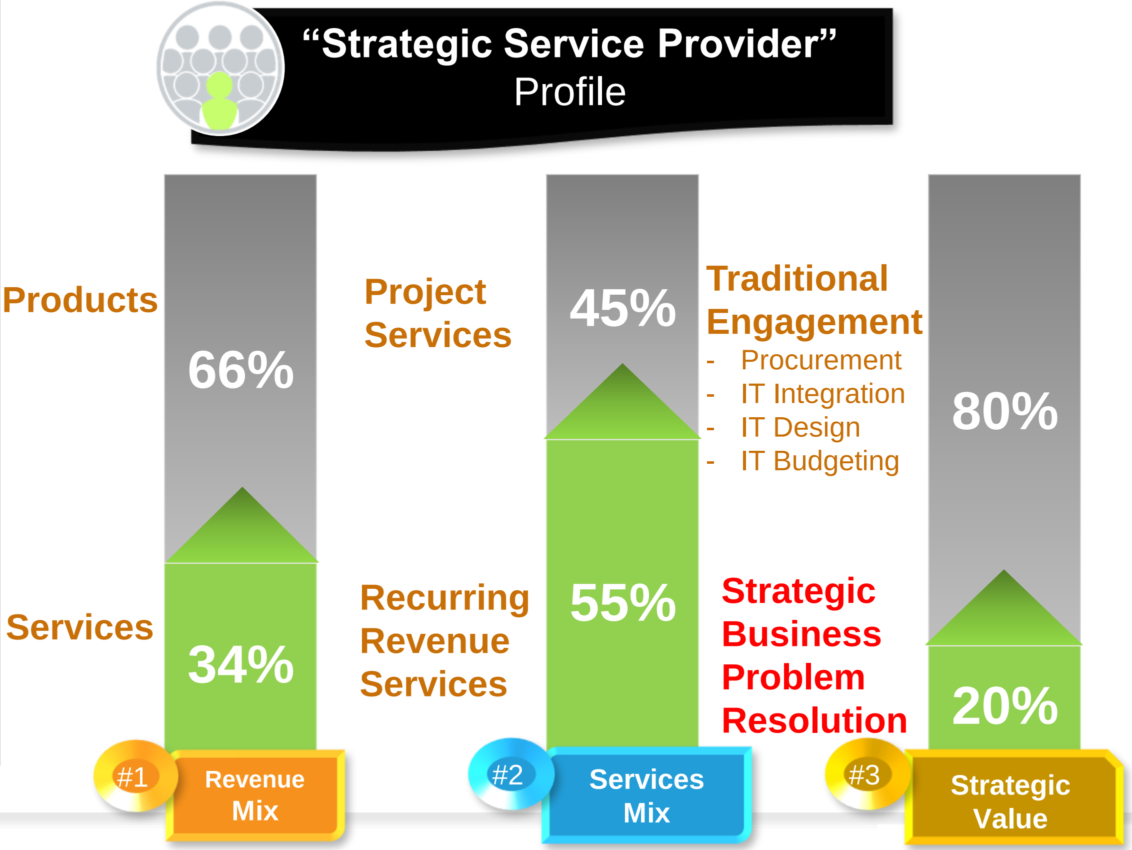
#3

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 represents Best in Class of these business models as well as the continued transformation of the ***VAR heritage solution provider***

The “Solution Provider” Evolves: “Strategic Service Provider”





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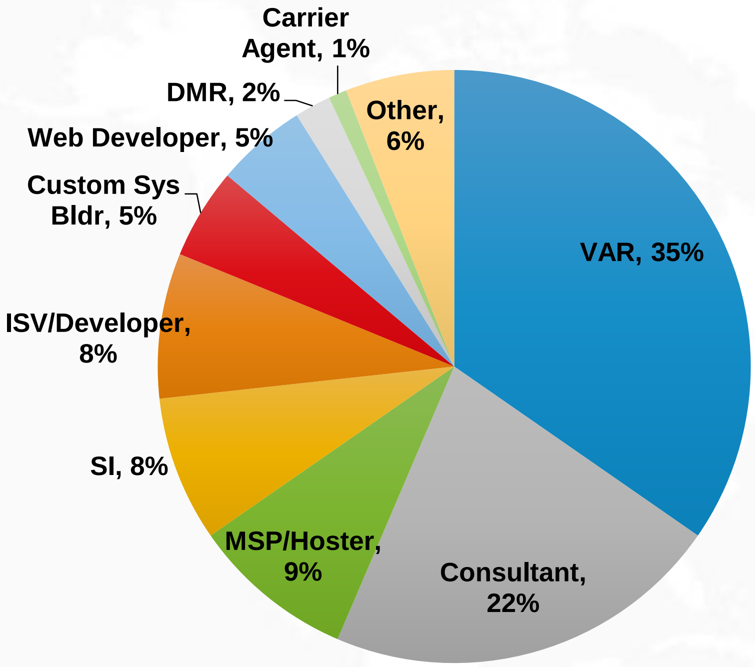
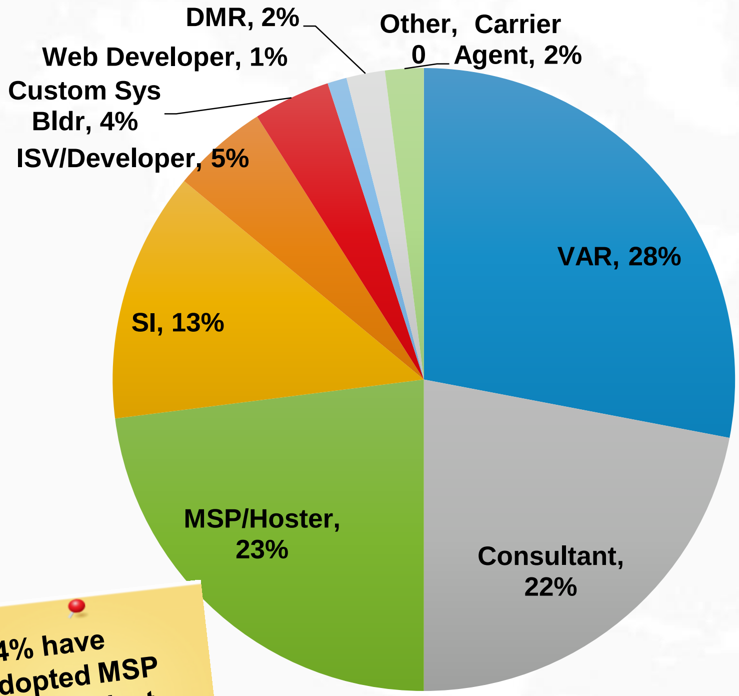
The N. American Solution Provider Universe



Based on selection of primary business model

2013 Data Used in 2014



24% have adopted MSP model in last 12-18 mos.

Typical Annual Revenues: $3.4M

2016 Census

Q: Which of the following best describes your current primary business model? (that which contributed the highest % of your revenues?)

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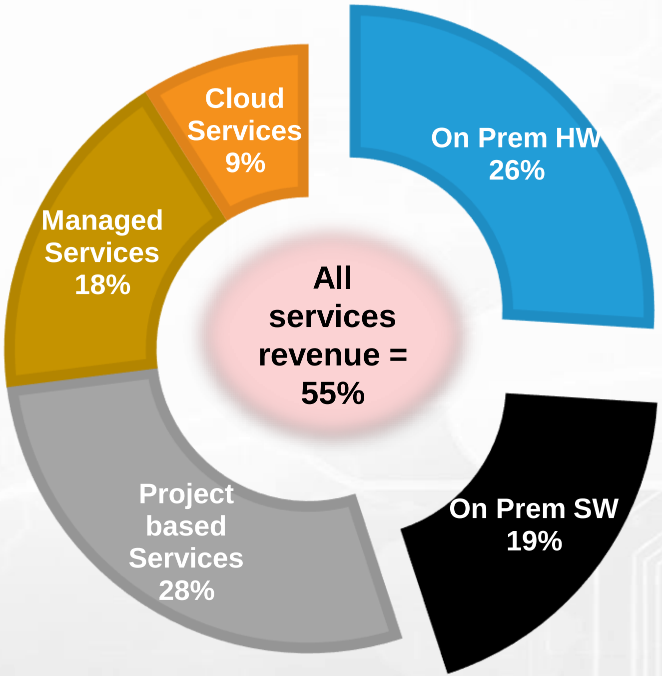
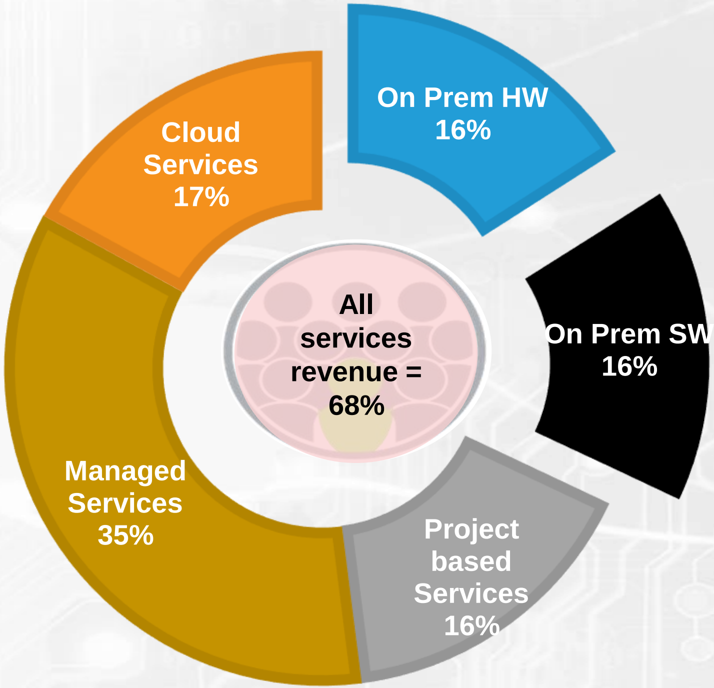
On Premise HW And SW Revenues Represent Less Than 50% Of Overall Revenues; Recurring Revenue Services Are Still Less Than 30%

2016 REVENUE MIX - ALL

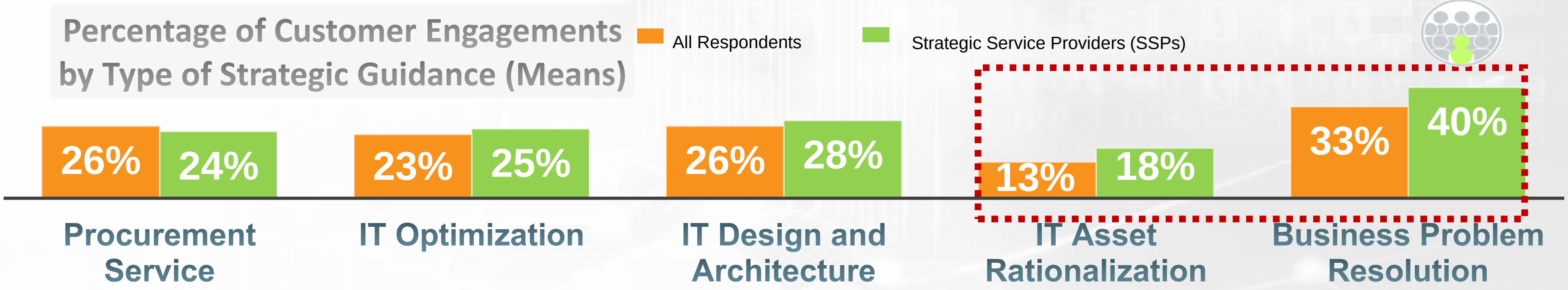


2016 REVENUE MIX - STRATEGIC SERVICE PROVIDERS



Q: What was your estimated mix of revenue in 2015, among the following major product/service categories? (n=411)

Strategic Service Providers Have A Much Higher Percentage Of Customer Engagements Coming From Business Problem Resolution



Sell Technology	*Integrate Technology*	*Optimize Technology*	*Create Strategy for Tech Investment*	*Solve Business Problems with Technology*
Focus:	**Focus:**	**Focus:**	**Focus:**	**Focus:**
▪ Configuration ▪ Licensing models ▪ Pricing and special promos ▪ Procurement	▪ Speed and/or price performance ▪ Short-term capacity planning ▪ Integration services	▪ Long-term capacity planning ▪ Application/ infrastructure modernization ▪ Transition from on-premise to managed or cloud services	▪ Overall IT spend ▪ ROI metrics on IT investment ▪ Business & financial planning around outsourcing or cloud mgmt.	▪ Explore & address business problems with technology ▪ Position IT as a competitive asset ▪ Redesign business process

Q: As you think about the strategic guidance your company offered to customers in 2015, to what percentage of your customer engagements did you offer each of the following types of strategic guidance? (n=597)

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Many Managed Service Providers Hesitant To Build Their Own Datacenter, In Fear Of Larger Competitors' Assets; Focus On Customer Owned Or Partner Managed Services

Nearly 2/3 of respondents' MSP revenue comes from pure management services of the customers' own physical gear

21%	33%	28%	18%
Resale	**Customer Owned**	**Partner Managed**	**Partner Owned & Managed**
•Resold another supplier or service providers' managed services	•Offered managed services for a customer's physical equipment on their premise	•Offered your own managed services across a variety of operating environments *(on customer premise, at someone else's datacenter or on a public cloud)*	•Offered your own hosting services on your own data center and managed for a customer

"We will NEVER have our own datacenters. We don't want to compete with Microsoft and Amazon. Having your own datacenter was a great model about 10 years ago."

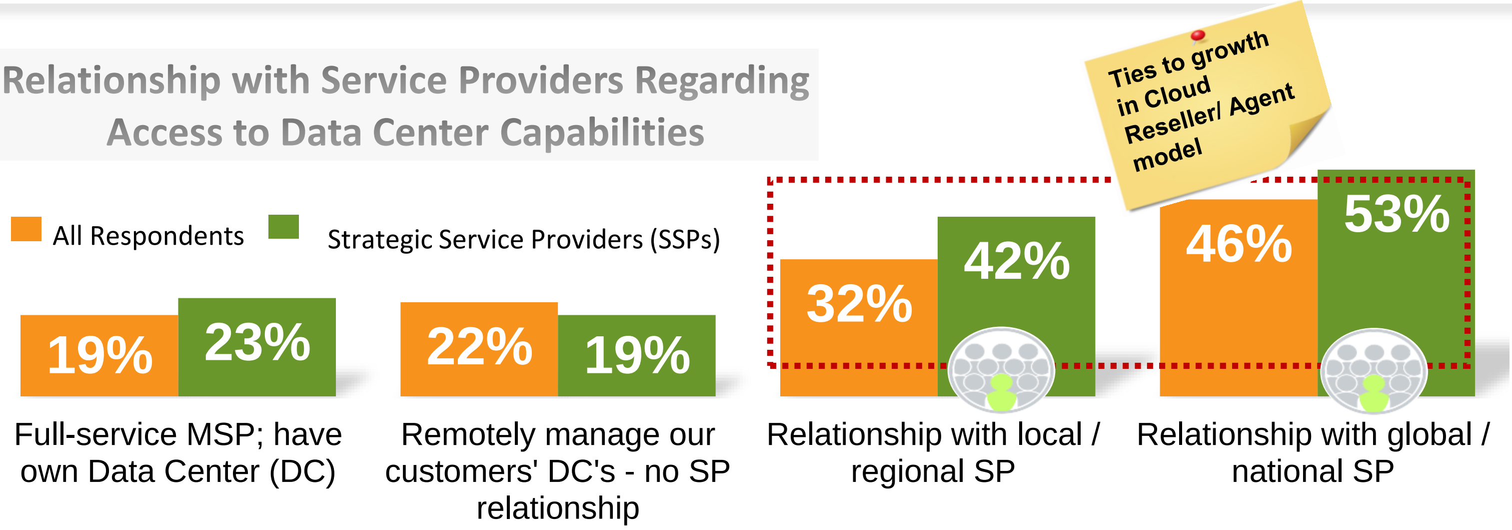
\- $15M MSP

Q: Thinking specifically about your Managed Services business in 2015, what % of your total managed services revenue came from each of the following types of services? (n=207)

Build versus Buy Service Provider Capabilities

- Increasingly, recurring revenue services-focused partners are <u>not</u> building their own datacenters
- Fewest are doing remote monitoring of their customers' DC's with no SP relationship
- Teaming with SPs size/scale varies; some want scale and price, others regional high-touch or vertical expertise

Relationship with Service Providers Regarding Access to Data Center Capabilities



SINGLEHOP

POMEROY infrastructure. optimized.

ClearDATA HEALTHCARE · COMPLIANT · CLOUD

MARKLEY

amazon webservices

Dedalus

Q: What is your company's relationship with the major regional, national or global service providers regarding having access to data center capabilities? (n=597)

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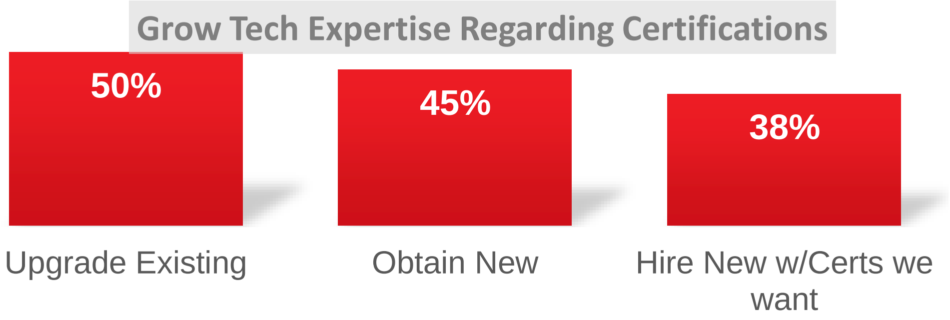
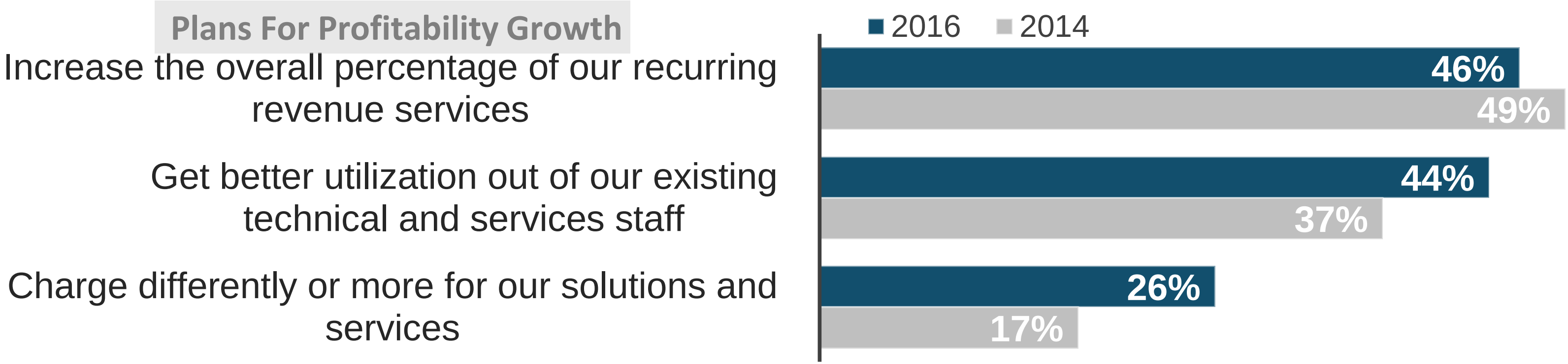
2016 Plans

36%

Need to enhance sales methodology or approach to drive top line sales growth





Sales & operating efficiency top priority

Selling Services Forces Technical Roles To Diversify, Making Demands On Vendor Training And Certification Curriculum

Pre-sales Discovery & Architecture

- ✓ Matching business strategies to IT needs
- ✓ Re-design of traditional architectures, where appropriate
- ✓ Introduce cloud or MSP outsourcing service concepts
- ✓ Understand complex & diverse environments

CISCO CERTIFIED BUSINESS SPECIALIST

amazon web services Certified Solutions Architect - Associate

Implementation & Integration

- ✓ Installation skills
- ✓ Integration of hardware and software into existing environment
- ✓ Upgrades and data migration
- ✓ Capacity and throughput testing

hp Accredited Technical Professional

vmware CERTIFIED IMPLEMENTATION EXPERT

Data & Analytics Engineering

- ✓ Understand use-cases and cross functional needs for the data
- ✓ Deep analysis skills
- ✓ Modeling expertise
- ✓ Ability to manage & analyze unstructured data

sas EMC² where information lives

Data Scientists

Systems Operations

- ✓ Systems management expertise
- ✓ Load balancing and performance testing
- ✓ Trouble-shooting and Help Desk diagnostic skills
- ✓ Predict and analyze application load, capacity and security issues

Microsoft CERTIFIED Solutions Associate Office 365

ORACLE Certified Associate Oracle Database 10g Administrator

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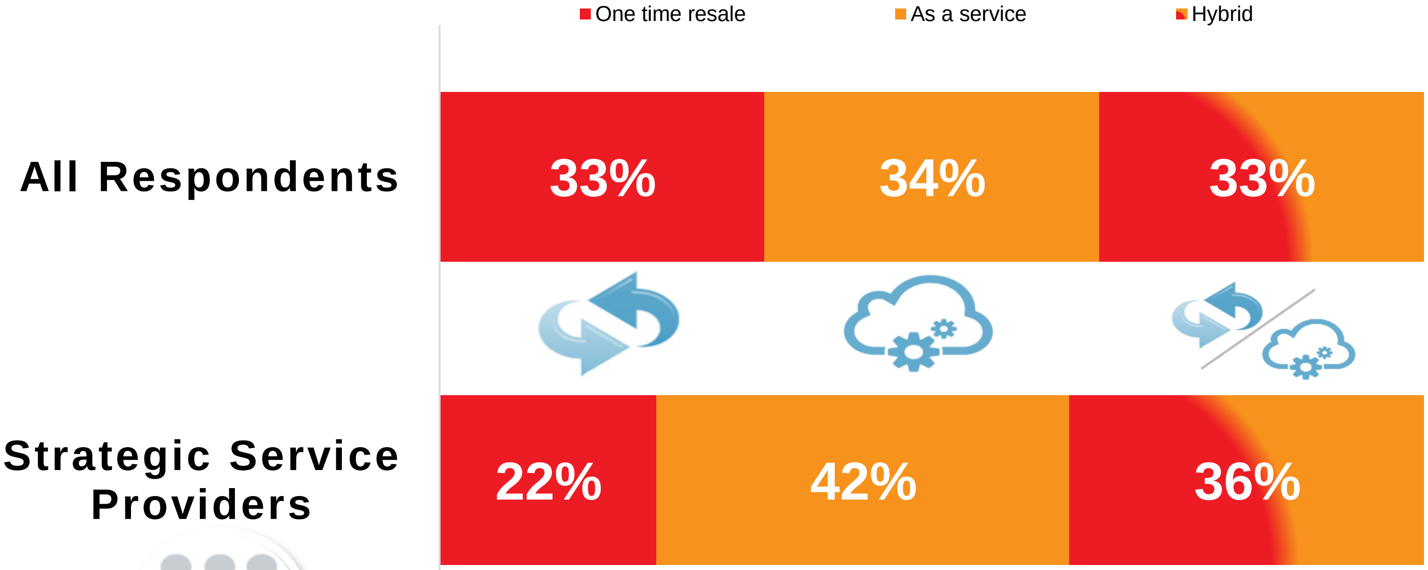
Utility Based (As-a-service) Consumption Models Now Used By 34% Of Solution Providers With Leading IT Suppliers; As-a-service Model Nearly Double Resale For Ssps

- Traditional resale pricing from vendor to solution provider still dominates
- Emerging utility-based pricing models used by leading vendors; more commonly adopted by Strategic Service Providers
- In the absence of vendor utility pricing, partners forced to absorb the capital expense of licenses and gear up front



Q: What was the primary consumption model from your IT technology suppliers for each category you chose?

**Note: Low Base Size. Please use data with caution.*

A Look Back to the IPED 2014 Study Shows Critical Vendors

Critical Vendor Relationships (2014)

Rank	VAR	Consultant	SI	MSP / Hoster
1	VMware	Microsoft	EMC²	Microsoft
2	Microsoft	IBM	Microsoft	VMware
3	HP	VMware	VMware	Cisco
4	IBM	Intel	Intel	Dell
5	Oracle	Cisco	NetApp	IBM

Based on top 10 mentions in general, then ratings of "critical"

The Current 2016 View Shows Public Service Providers Captured Minds

Help Provide Customers Strategic Guidance

Based on most rankings as #1

Rank	*All*	*Strategic Service Provider*
1	Microsoft	Microsoft
2	Hewlett Packard Enterprise	cisco
3	cisco	Hewlett Packard Enterprise
4	DELL	vmware
5	vmware	amazon web services

*Q: Please identify the **top five (5)** IT Technology Suppliers that will be most important to your company's ability to provide <u>strategic guidance to your customers' business challenges</u> in 2016? (min. 1, max 5)*

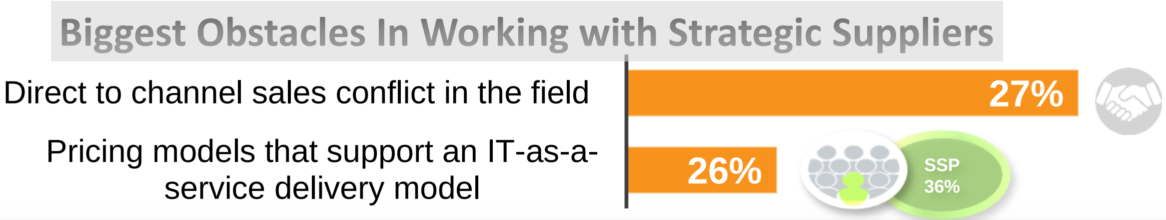
Help Grow Recurring Revenue Services

Based on most rankings as #1

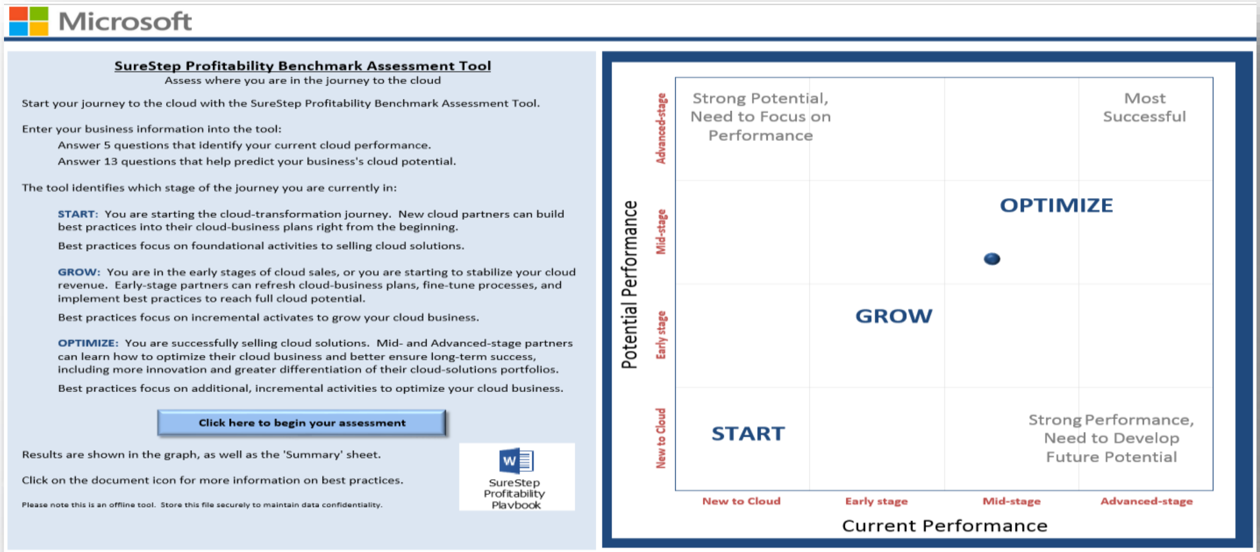
Rank	*All*	*Strategic Service Provider*
1	Microsoft	Microsoft
2	cisco	vmware
3	Hewlett Packard Enterprise vmware (tied)	cisco
4	DELL	Hewlett Packard Enterprise
5	amazon web services	amazon web services

*Q: Please select the **top five (5)** IT Technology Suppliers that you expect to have the largest impact on the growth of your company's <u>managed or recurring revenue services</u> during 2016? (choose top 5)*

Your Transformations Are as Important as Your Partners’



Microsoft



Microsoft

SureStep Profitability Benchmark Assessment Tool

Assess where you are in the journey to the cloud

Start your journey to the cloud with the SureStep Profitability Benchmark Assessment Tool.

Enter your business information into the tool:

Answer 5 questions that identify your current cloud performance.

Answer 13 questions that help predict your business's cloud potential.

The tool identifies which stage of the journey you are currently in:

START: You are starting the cloud-transformation journey. New cloud partners can build best practices into their cloud-business plans right from the beginning.

Best practices focus on foundational activities to selling cloud solutions.

GROW: You are in the early stages of cloud sales, or you are starting to stabilize your cloud revenue. Early-stage partners can refresh cloud-business plans, fine-tune processes, and implement best practices to reach full cloud potential.

Best practices focus on incremental activates to grow your cloud business.

OPTIMIZE: You are successfully selling cloud solutions. Mid- and Advanced-stage partners can learn how to optimize their cloud business and better ensure long-term success, including more innovation and greater differentiation of their cloud-solutions portfolios.

Best practices focus on additional, incremental activities to optimize your cloud business.

Click here to begin your assessment

Results are shown in the graph, as well as the 'Summary' sheet.

Click on the document icon for more information on best practices.

Please note this is an offline tool. Store this file securely to maintain data confidentiality.

SureStep Profitability Playbook

Vendor Key Imperatives

Identify

Strategic Service Provider model
– evangelize and profile for the 3 dimensions

Enable

Provide Strategic Consulting Guidance
- actively package and share business-outcome based consulting methodologies unique to your solutions

Engage

Ensure training supports new service & operational roles and services-led sales pursuits;
Align program and rules of engagement to longer/more complex sales cycles while steering clear of new channel conflict

THE PARTNER'S JOURNEY

Solution Providers Make Big Bets

Big Data

Software-defined Networking

Converged Infrastructure

App Development

Customer Business Resolution

Internet of Things

Hyperconvergence

The Cost of an Incorrect Technology Choice:

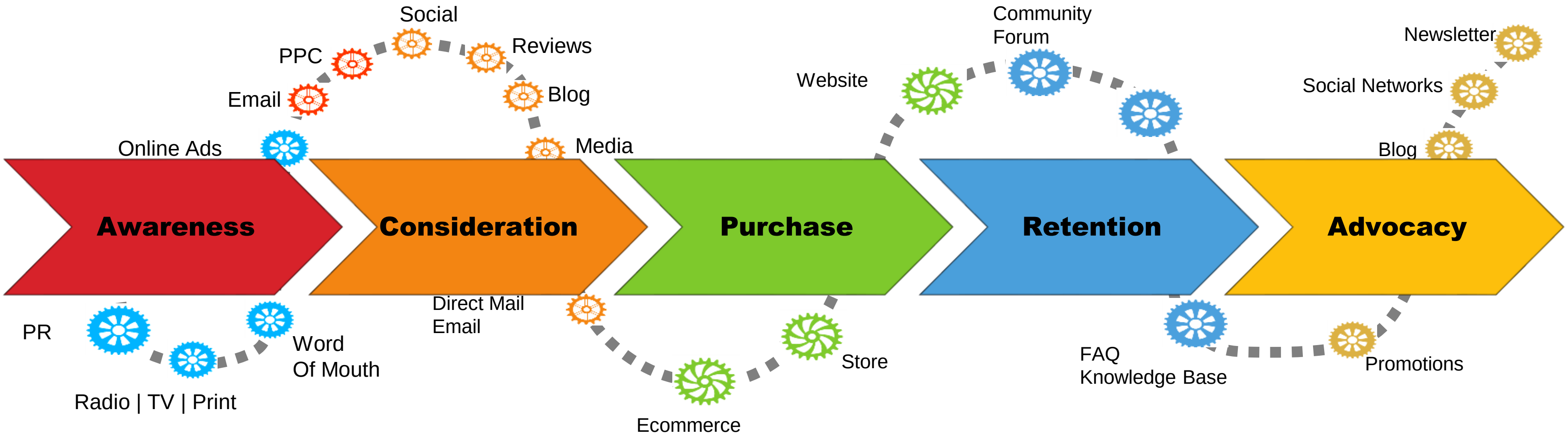
"We brought in a hosted VOIP solution. At the end of the day, we need to reset and bring in another vendor's solution. It's cost me $250,000 so far."
- Networking VAR

69% Cloud Capabilities

24% Want to Partner to create a new set of capabilities

The B2B Buyer's Journey

The addition of new influencers and the demand for readily available content necessitate a more collaborative next generation B2B marketing strategy.



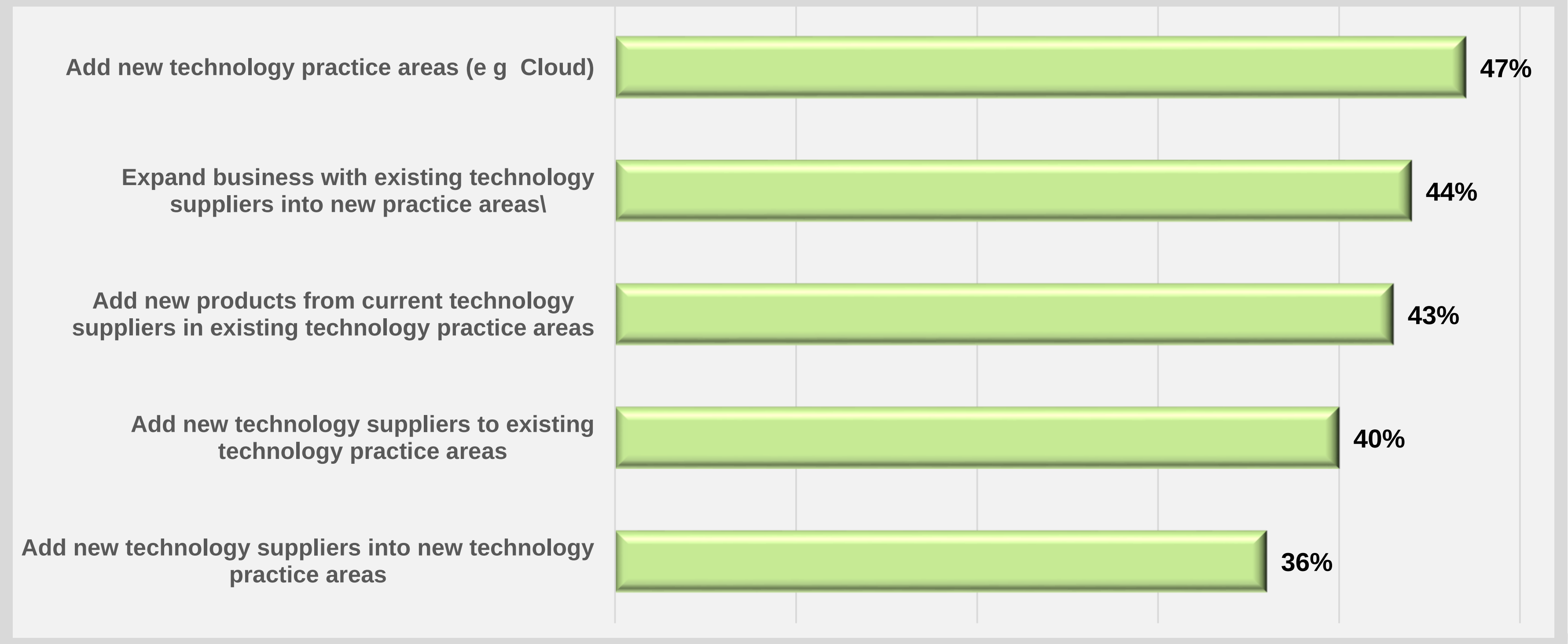
A Buyer's Decision is
70% Complete
Before They Speak to Sales

Prospects Engage with
10 to 15 Pieces of Content
Prior to Making a Purchase

Sources: Forrester and Nielson

2016 Strategy - New Technology Practice Areas

86% of solution providers plan to add either a new technology from an existing supplier or a new vendor relationship in 2016

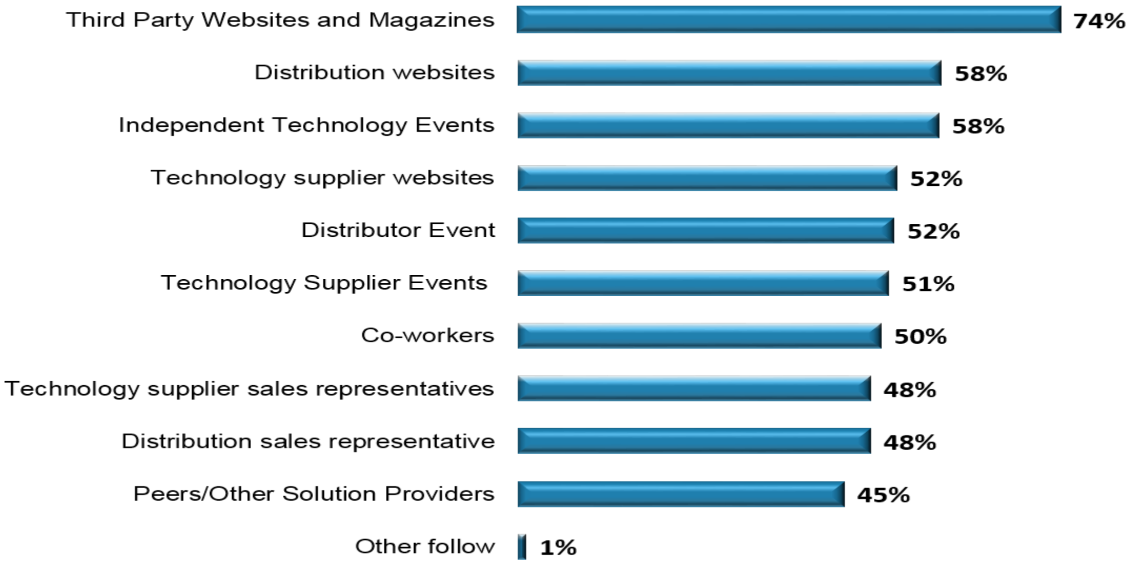


Source: 2016 Media Survey, The Channel Company

Stage 1: Awareness

Partner discovers and explores new technologies, brands or business models.

THE PARTNER'S PRIMARY SOURCES IN THIS PHASE:



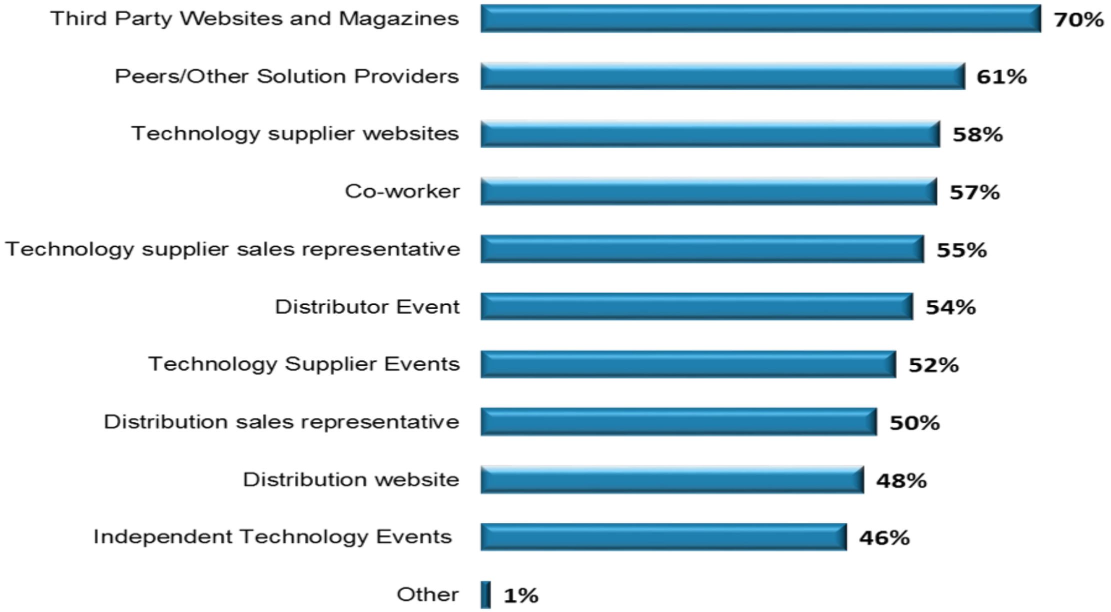
Source: 2016 Media Survey, The Channel Company

Capture Mindshare and Build Brand Awareness:

Stage 2: Consideration

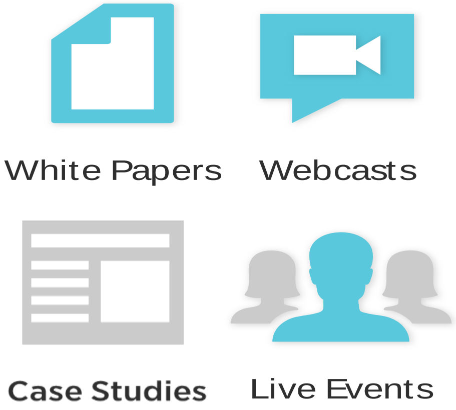
Partner has an interest in a new technology or business model and considers adopting it.

THE PARTNER'S PRIMARY SOURCES IN THIS PHASE:



Source: 2016 Media Survey, The Channel Company

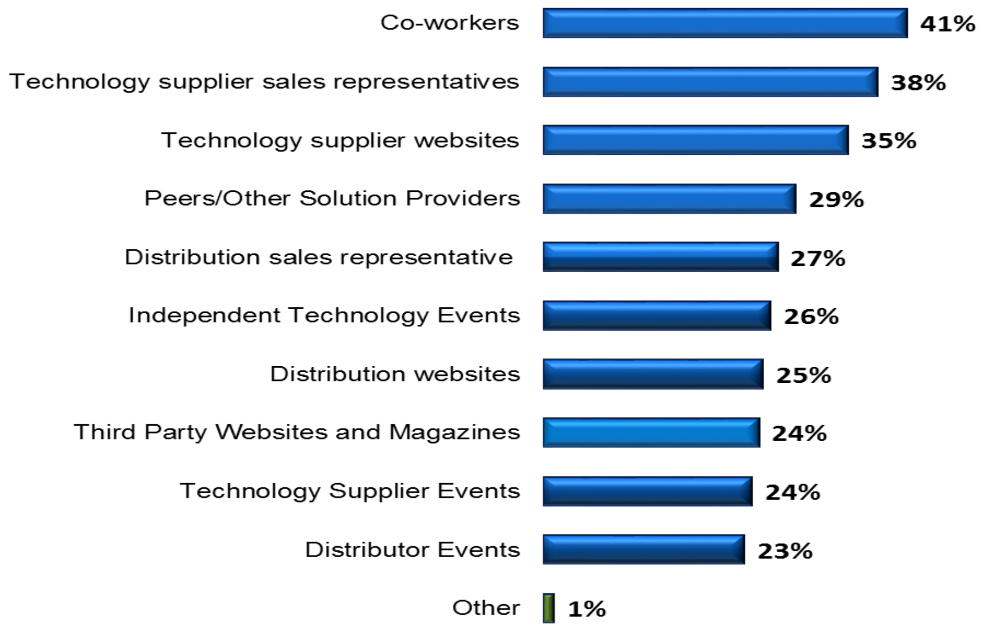
Demonstrate Your Value with In-depth, Educational Content:



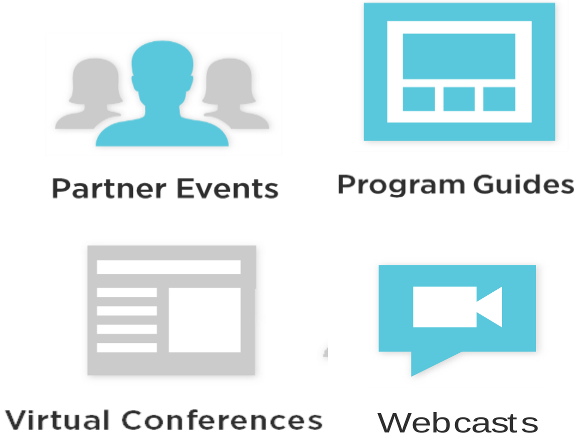
Stage 3: Decision

Partner compiles a short list of possible suppliers.

THE PARTNER'S PRIMARY SOURCES IN THIS PHASE:



Reinforce Your Message:



Source: 2016 Media Survey, The Channel Company

The Bottom Line

Always Be Visible

Reinforce Your Message

Demonstrate Your Value

1.5 MILLION Solution Providers

MAKE CHOICES EVERY DAY