

Kickoff Workshop Pre-requisite Foundational Material

Partner Business Model Definitions & Partner Financial Basics

© 2017 IPED – The Channel Company

© Permission granted for attendees of the October 2017 Channel Masters class to reproduce this material for their personal and educational use or to share within the attendee's sponsoring company only. Copying or sharing beyond these parties is strictly prohibited.

THE **CHANNEL** CO.®

CRN®

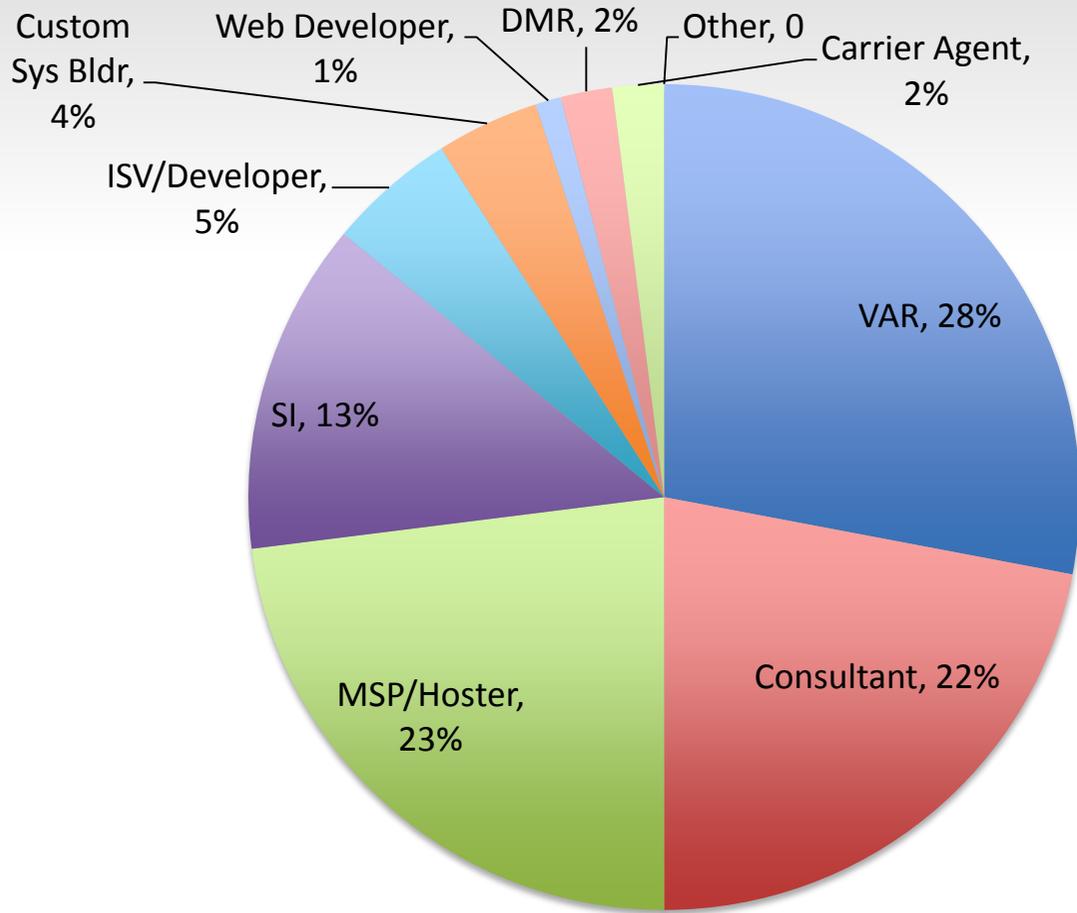
XChange®

IPED® Consulting

PartnerDemand® Services



The North American Solution Provider Universe



Based on selection of primary business model

IPED 2016 Census

Q: Which of the following best describes your current primary business model?

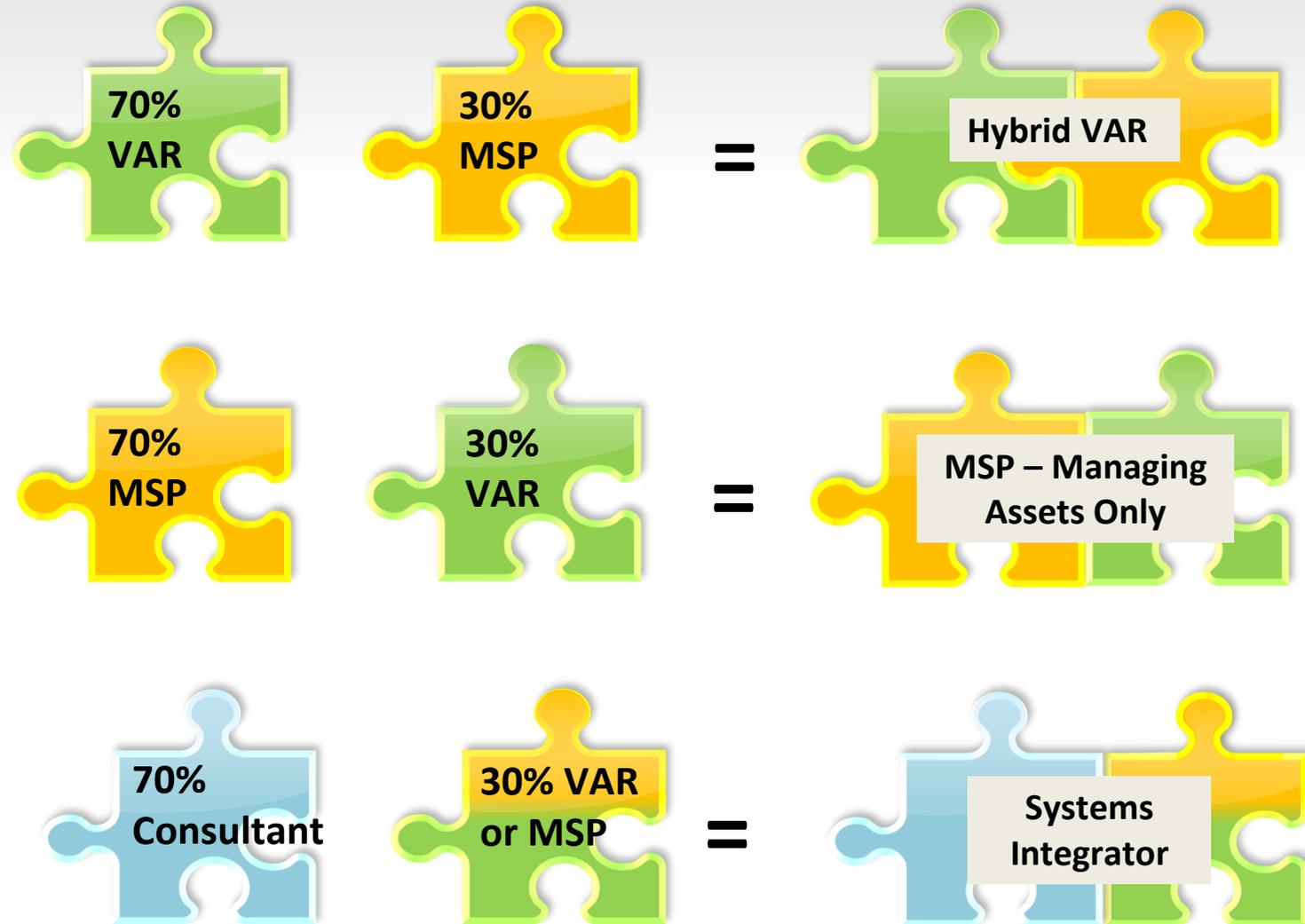


Primary Business Models Matter, but there are few “Pure Play” Partners

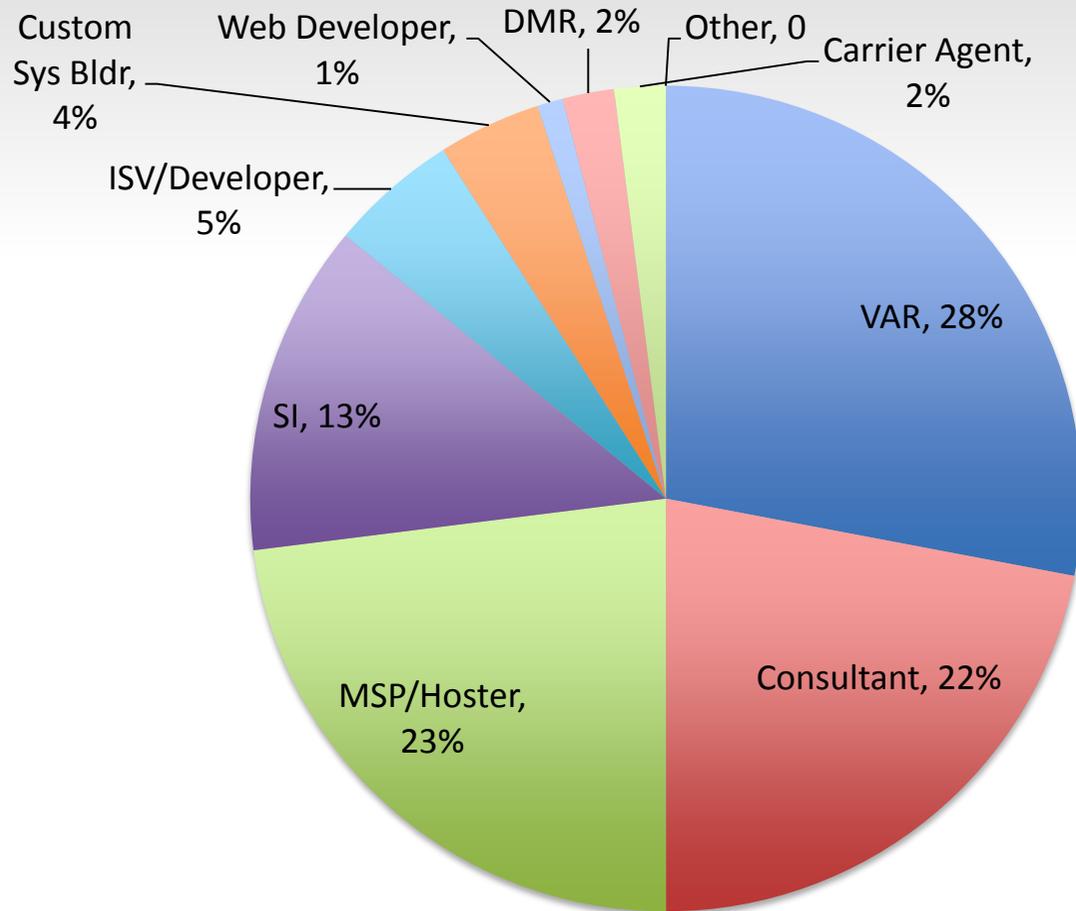
How to Use These Models:

- Dissect your ideal Partner Profile
- Typically multiple roles are played
- VAR, MSP and Consultant models represent the three pure roles
- Factor in the correct percentage of the secondary business model to achieve a representative ideal partner profile
- Then benchmark partner needs to your program. See IPED Profitability Study for more info.

- Illustrative -



The North American Solution Provider Universe



IPED 2016 Census

Based on selection of primary business model

Q: Which of the following best describes your current primary business model?



- » Roughly estimated to be a population of 160,000
- » “VAR/reseller” model on slow and steady decline as primary business models to MSP/Hoster and Systems Integrator (SI)
- » MSP segment includes any managed service, e.g. desktop, mobility, UC, servers/storage, print, etc.
- » Carrier Agent business model is small, specialized around wired, wireless and internet, this has doubled in 3 years reflecting the telephony channel integration

Solution Provider Business Models: Definitions

Solution Provider/ VAR

Your company delivers a broad footprint of technologies and solutions to several different verticals with no specific end customer focus. **Your company's revenue (>50%)** comes predominantly from integrating and selling hardware, software and services, including cloud services. You generally take title to resell product.

Consultant

Your **company revenues (>90%+)** come predominantly from business process and strategy services combined with IT strategy and design consulting. You rarely take title to IT products. Your value comes from your ability to determine business strategy and link that to IT designs. You often recommend IT technologies and brands but may not perform any IT integration or implementation services. Your company may have been born-in-the-cloud indicated by a relationship with Salesforce.com, Google, etc. and without a previous consulting business addressing on-premise IT solutions.

ISV

Your **company's revenue (>85%)** comes predominantly from the development of proprietary software solutions or applications. You have expertise in standard market platforms (Windows, UNIX, Linux, and Mac operating systems) and large business software solutions.

Solution Provider Business Models: Definitions

Direct Market Reseller (DMR)

The **majority (80%+) of your revenues** come from reselling hardware, software and associated support contracts to end customers primarily through call centers and online marketing. **Less than 20% of your revenue** is derived from professional or managed services.

Systems Integrator

Your company traditionally realizes **70%+ of revenue** from pre- and post-sales consulting, integration and implementation services. You have significant expertise in a technology segment and/or a vertical market, your integration skills are either information technology (IT), telephony (voice, data, internet) or operational technologies (OT) based. You are different from an IT consultant in that you **also take title to product to resell or provide managed services**. Enhanced this wording to include OT capabilities.

Custom Systems Builder

At least 50% of your revenue comes from designing, building and delivering your own brand of hardware infrastructure such as "white box" or custom systems often optimized for specialty uses like gaming, healthcare, etc.

Solution Provider Business Models: Definitions

Managed Services Provider

Your **company's revenue (>50%)** comes predominantly from delivering IT recurring services provided on a contractual basis to maintain your end-users' computers, networks or software. They can be delivered either on-site at the end-user's data center, remotely by you in your data center, or a data center to which you have negotiated access. Note: includes desktop, application, security, VOIP, print or other capabilities.

Hosting Services Provider

Your **company's revenue (typically >85%)** comes predominantly from shared, dedicated, or virtual private server hosting (a hybrid of the first two) of services to end-users. Hosting services can be provided for managed servers, dedicated servers, virtualization, clouds, co-location, mobile applications, email hosting, application hosting or domain hosting services. Note: less likely to include application or BYOD capabilities.

Application Developer

Your **company's revenue comes predominantly (>50%)** from development of applications for an end user in a *custom development, non-commercially available basis*. The applications may leverage DevOps skills, and may be written for Windows, Linux, iOS, Android, an IoT platform or any other on-premise, cloud, mobile or edge platform.

Solution Provider Business Models: Definitions

Cloud Broker

The **majority of your company's revenue's (>50%)** comes from the administration of public cloud services on behalf of a customer. Your role may include provisioning licenses, user additions, deletions, changes, access as well as security designations, license compliance management and reporting via a central portal access, ongoing billing and central help desk support. It may also include private-labeling of these applications or services. You may also act as a sales agent, receiving commissions for selling cloud services, or as a full reseller, providing contract and billing services.

Service Provider Agent

Your **company's revenue comes predominantly** from recommending carrier-based high-speed data access, digital cable, high speed online and digital phone services to end-users.

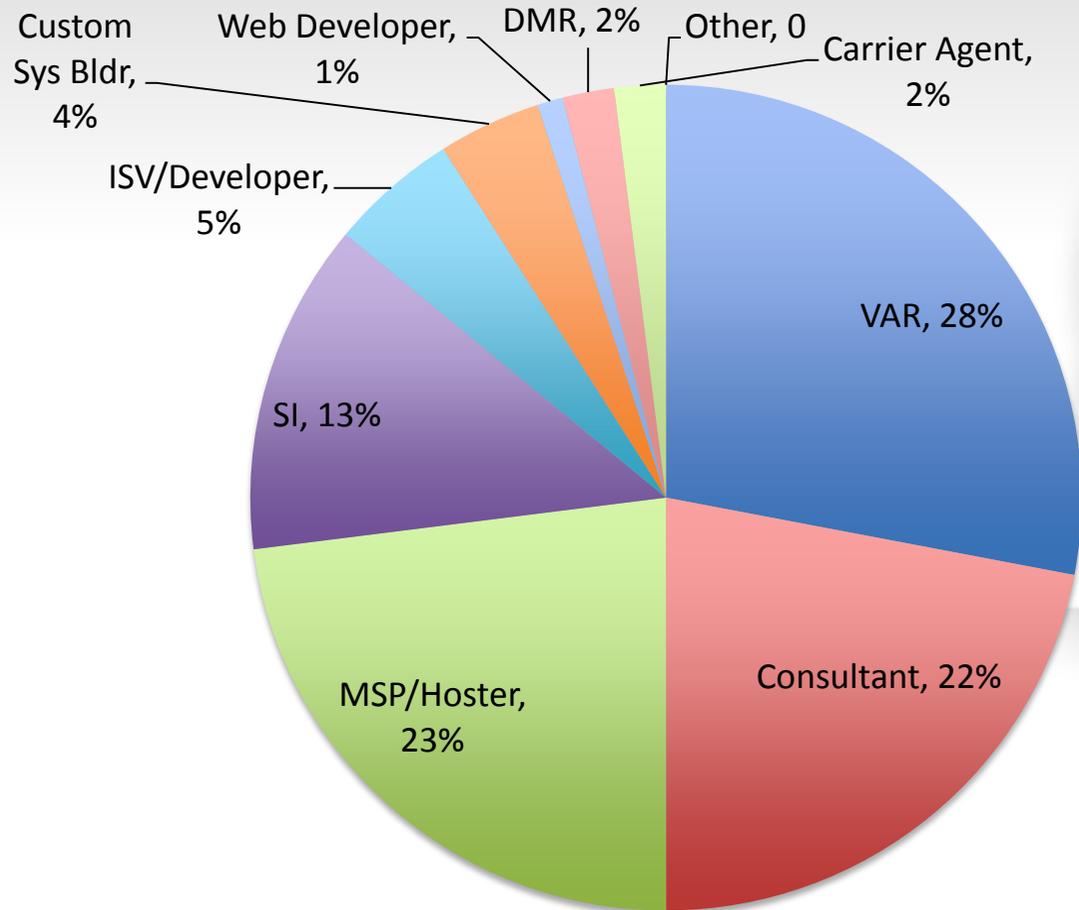
IT Distributor

You **resell products and services to various types of solution providers** (resellers, VAR, Integrators, etc.) and provide associated recruitment, training and demand generation assistance services on behalf of the vendors' product lines you support.

OT Distributor

You represent **operational technology (OT) products** from suppliers such as Siemens, Bosh, GE Digital, Schneider Electric and Honeywell. You either sell directly to end-users and/or to OT systems integrators. You provide pricing, configuration and training to OT system integrators and soon also to IT integrators looking to participate in IoT. Your vendor relationship may (or may not) be based on a defined geographic area with some level of exclusivity.

The N. American Solution Provider Universe



“Our Managed Services offering builds trust with our clients. Since we’re looking at their IT operations every day and solving problems together they’re a lot more inclined to listen to us when we bring a new technology to invest in.”

**President and COO,
\$40m MSP and Microsoft/Cisco VAR**

“Building recurring revenue streams is the most important issue for us in terms of our future investment in ANY technology area.”

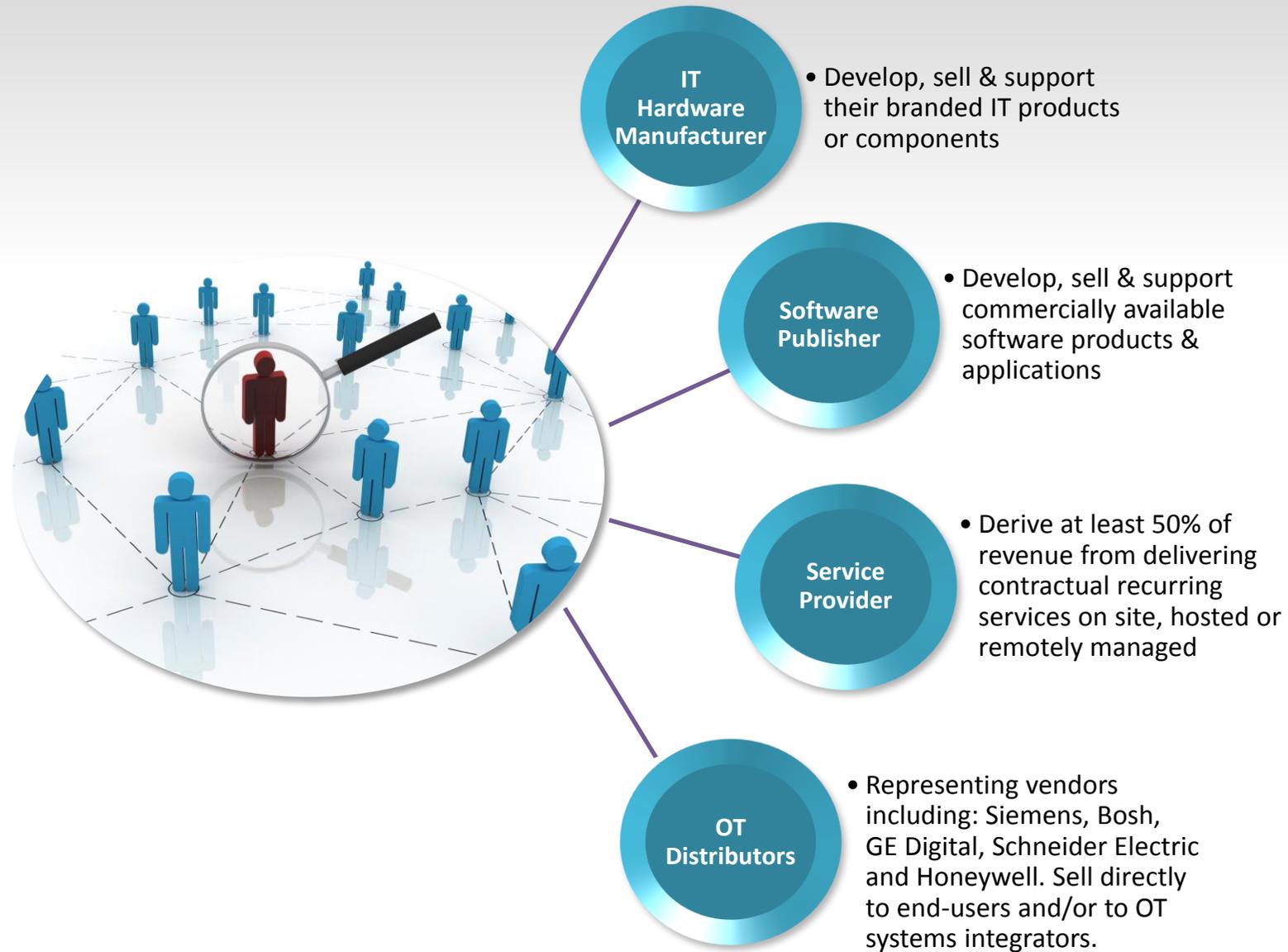
**President and COO,
\$220m SI, VAR and Cloud Integrator**

IPED 2016 Census

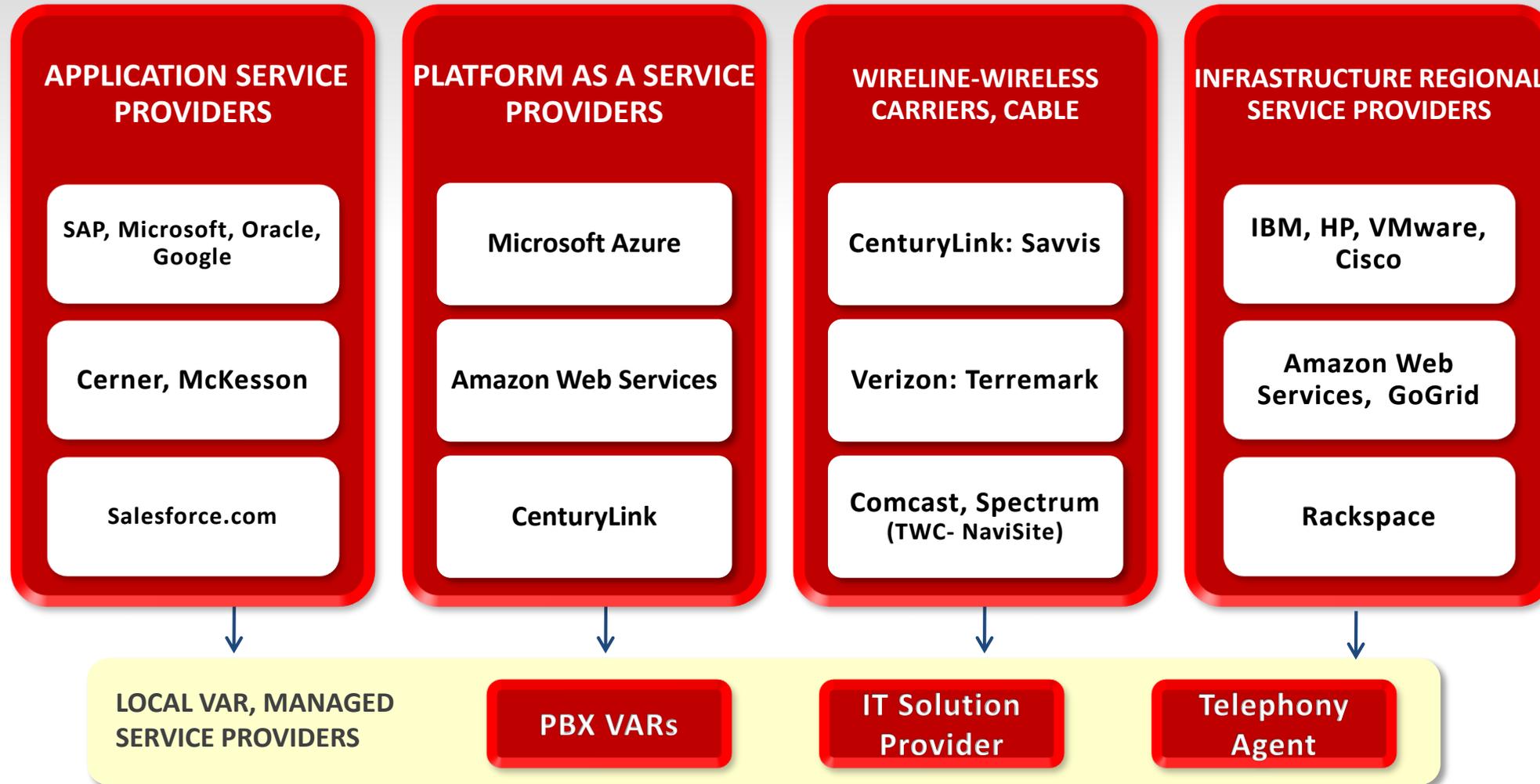
Based on selection of primary business model

Q: Which of the following best describes your current primary business model?

IT Ecosystem Now Includes Four Vendor Types



Service Providers Are New IT Vendors. All Are Recruiting Your Partners!!



Changes in the Telephony Infrastructure as a Service Space

CenturyLink Purchases Saavis and Renames as CenturyLink Technology Services

CENTURYLINK, COLOCATION, DATA CENTER STRATEGIES, FEATURED

Why CenturyLink Doesn't Want to Own Data Centers

BY YEVGENIY SVERDLIK ON NOVEMBER 5, 2015

1 COMMENT

63 Likes | Tweet | 670 Shares | 12 G+1

Story updated with comments by CenturyLink spokesperson

CenturyLink's colocation business, the business whose seeds were sown primarily four years ago with the [\\$2.5 billion acquisition of Savvis](#), is not doing well. Colo revenue is not growing, and the telecommunications giant is looking for ways to avoid investing more capital in the segment.

Following Verizon's 2011 Purchase of IaaS Provider Terremark

COLOCATION, DEALS, FEATURED, VERIZON

Who May Buy Verizon's Data Centers?

BY YEVGENIY SVERDLIK ON JANUARY 11, 2016

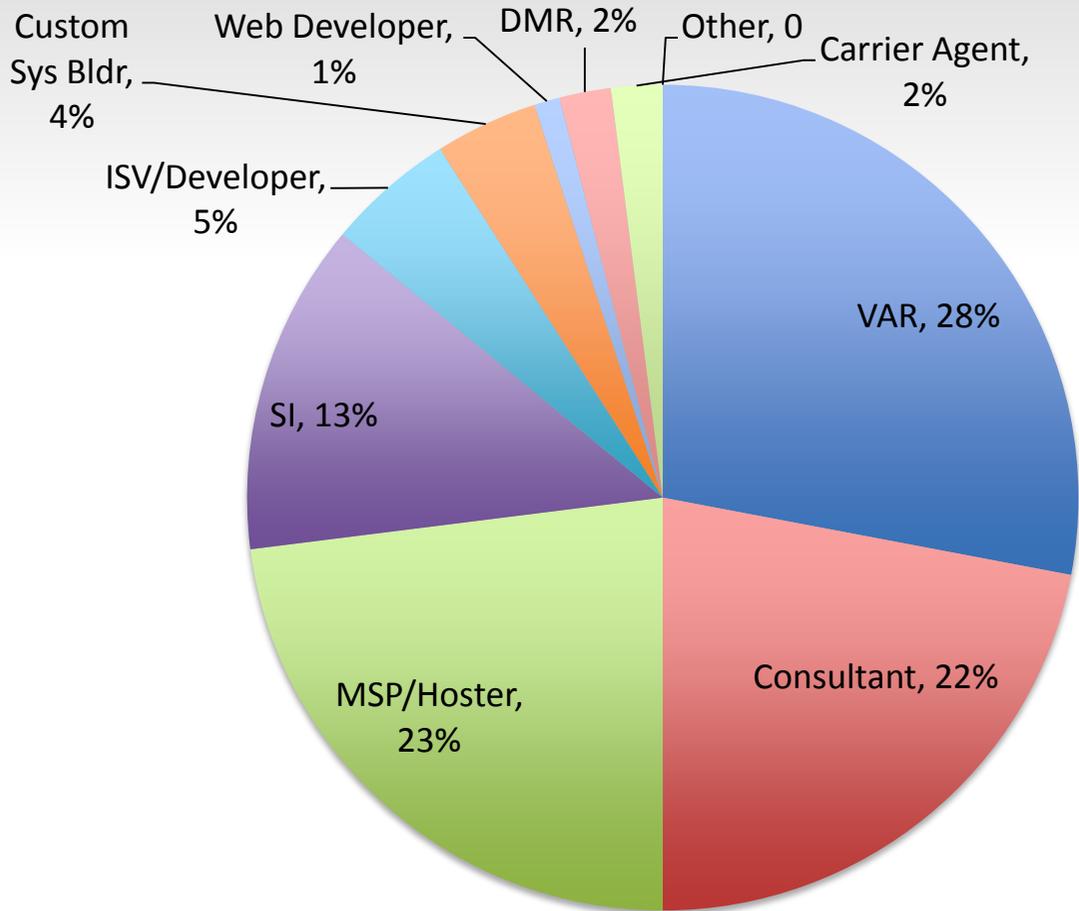
ADD YOUR COMMENTS

47 Likes | Tweet | 812 Shares | 15 G+1

While officially Verizon remains quiet about the alleged auction for its massive data center portfolio, the report that it is [looking to offload some \\$2.5 billion worth of data centers](#) isn't far-fetched.

Source: Data Center Knowledge Magazine

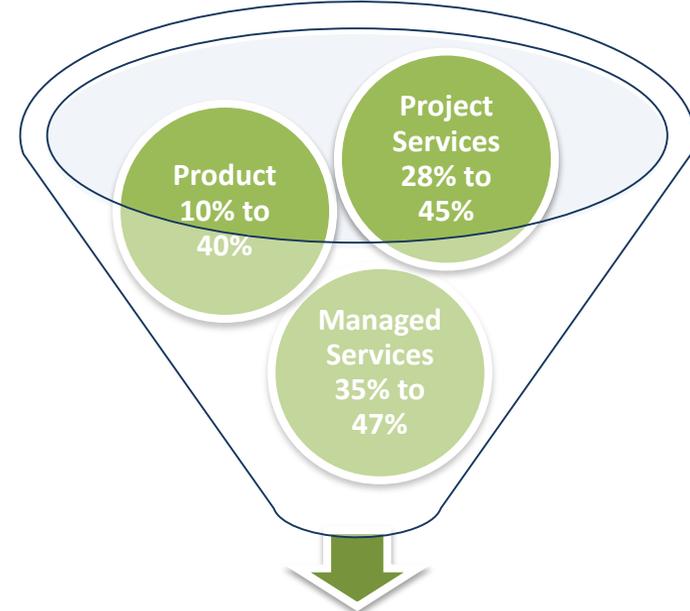
The N. American Solution Provider Universe



Based on selection of primary business model

Q: Which of the following best describes your current primary business model?

IPED 2016 Census

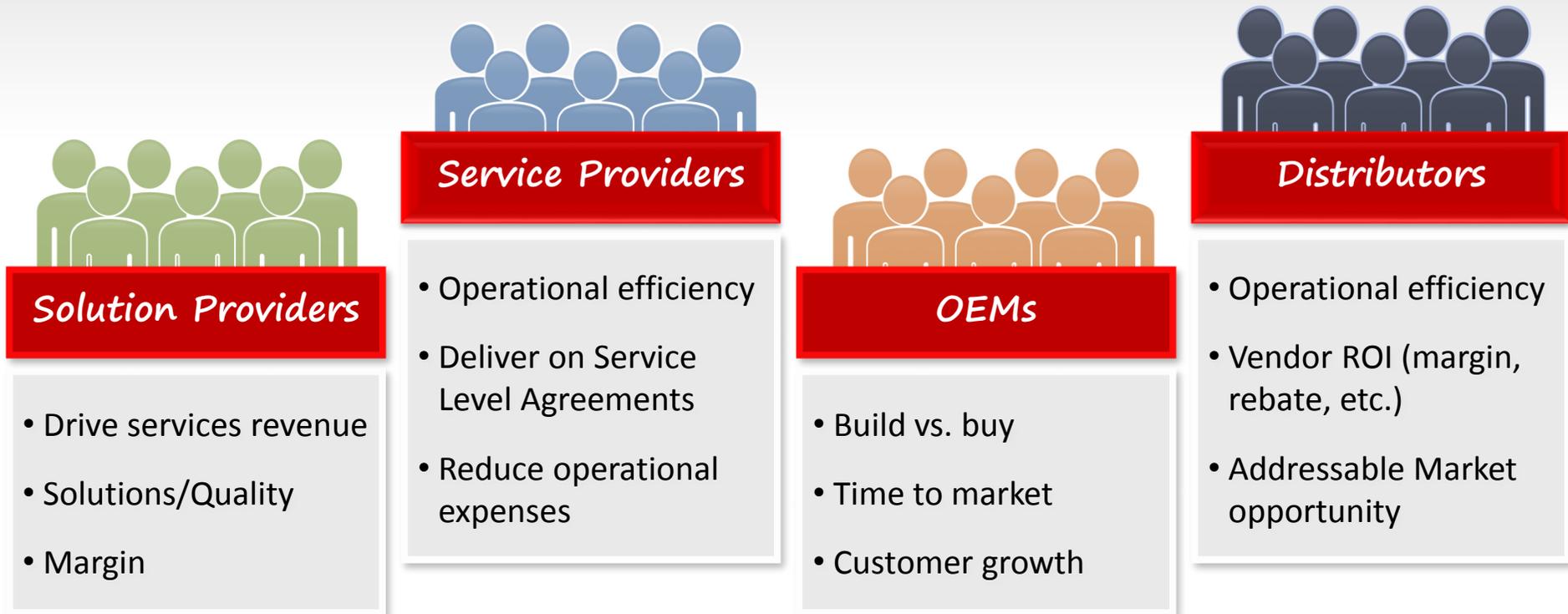


Technology Line of Business
or Company

Sample Average Gross Margins*

What Partners Primarily Care About

To effectively develop material for partners, we must be able to position our solutions from the partner's point of view.

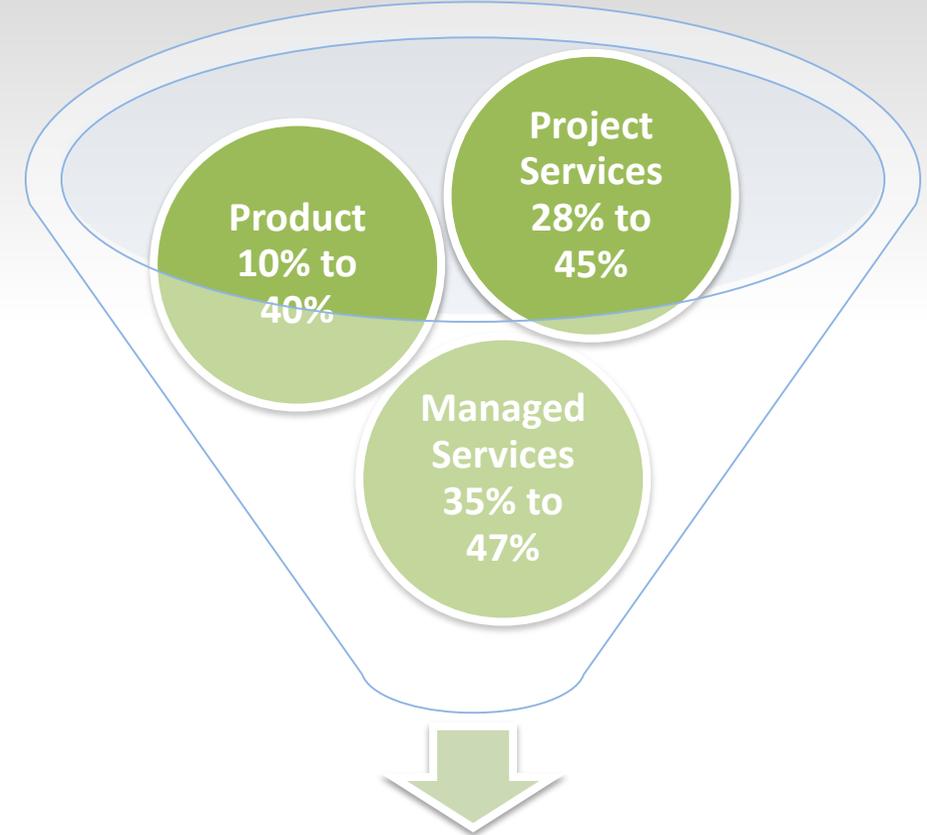
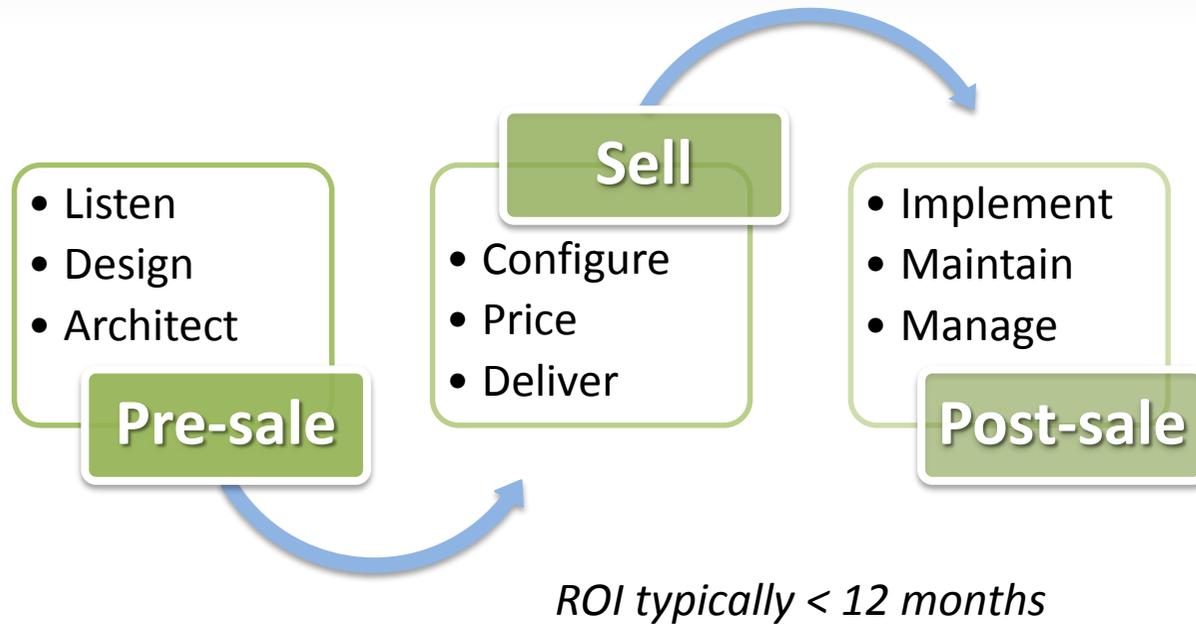


We must look at the world through "Partner" glasses



What They Do to Make Money

The mix of what they do at the corresponding gross margin dictates profitability.



Technology Line of Business
or Company
Sample Average Gross Margins*

*IPED Profitability Study and SME: data directionally correct

Basic Partner Business Model Structure

**Target
Audience**

WHO THEY SELL TO ...

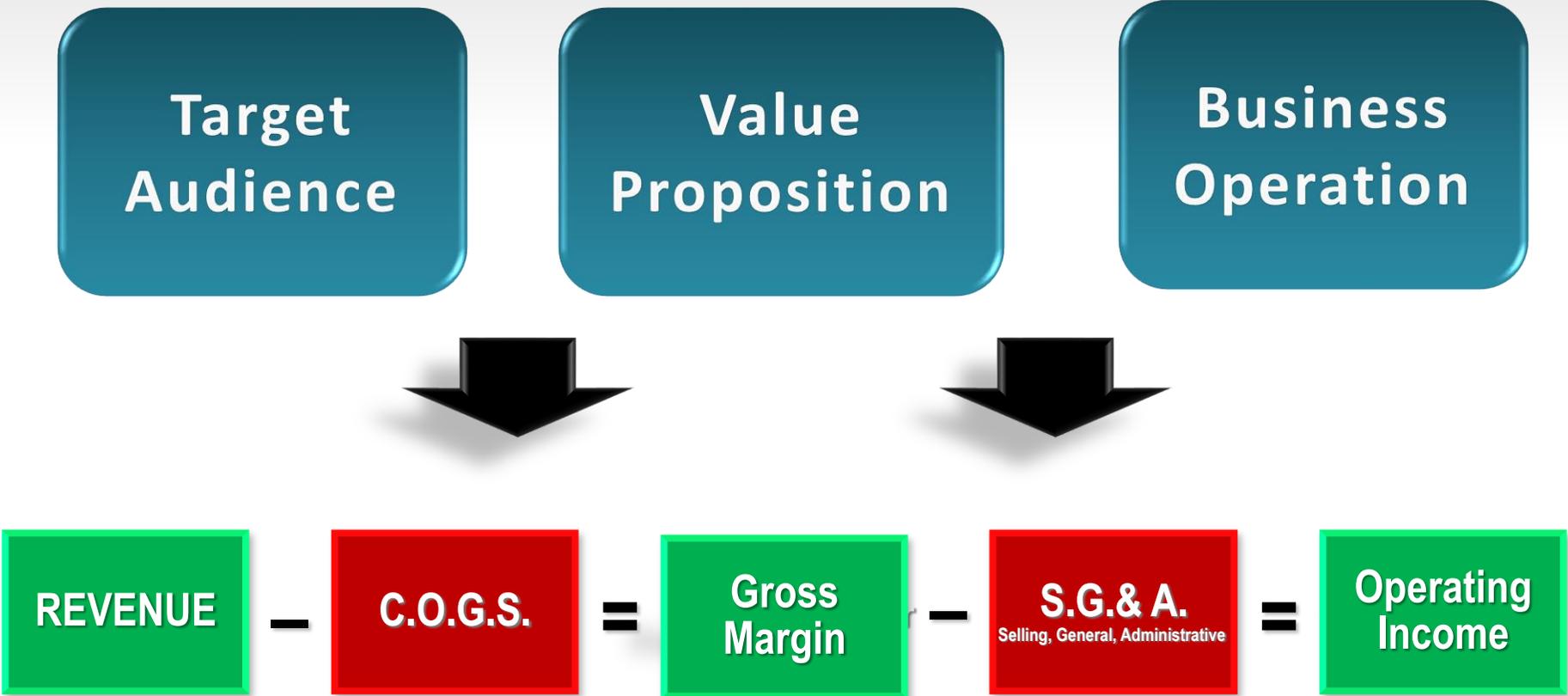
**Value
Proposition**

WHAT THEY SELL ...

**Business
Operation**

HOW THEY DELIVER ...

Basic Partner Business Model Structure



A Business Owner or Department Leader in a Larger Business Thinks Profit & Loss



PARTNERS THINK IN GROSS MARGIN % AND \$...
THEY TYPICALLY PAY SALES REPS ON GROSS MARGIN GOALS...
MANAGEMENT THEN CONTROLS SG&A...

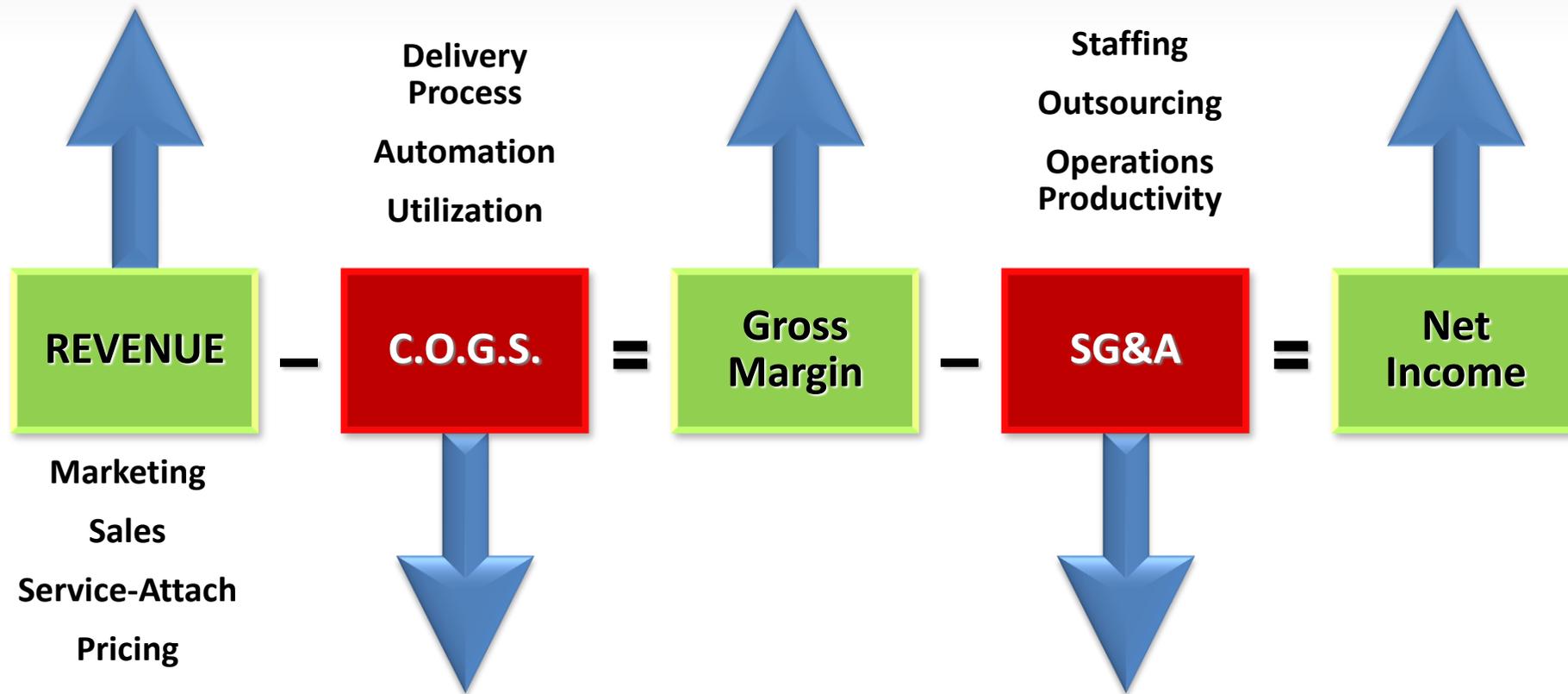


HOW DO CHANNEL REPS USUALLY ENGAGE PARTNERS?



Mastering The Levers of PROFITABILITY

How Do You Use Your PROGRAM BENEFITS TO CAUSE ROI?



IS THERE A BETTER WAY TO ENGAGE PARTNERS?



*“And How Can I Help You Achieve That?” ... OR ...
“Let Me Show You How I Can Help With That.”*



Profit and Loss (P&L) Income Statement

A Very Simple View



Sales Revenue	+
Cost of Goods	-
Gross Profit	
Operating Expenses	-
Sales and Marketing	-
General and Administrative	-
Total Operating Expense	
Income (EBITA)	
Depreciation, Interest, Taxes	-
Net Profit	

Defining The Factors of a Partner P&L

REVENUE



- ❖ **Hardware sales ...**
- ❖ **Software sales ...**
- ❖ **Technical Services sales ...**
- ❖ **Professional Services sales ...**
- ❖ **Managed Services sales ...**
- ❖ **Consulting Services sales ...**
- ❖ **Warranty / Maintenance add-ons ...**
- ❖ **Programs / Incentives / Rebates / etc. ...**

... TRANSACTION SIZE

... TRANSACTION QUANTITY

... TRANSACTION VELOCITY

C.O.G.S.



- ❖ **Hardware & Software Product costs ...**
- ❖ **Delivery Personnel, Time & Materials costs**
- ❖ **Data Center or NOC costs (MSP) ...**
- ❖ **IP Development costs ...**
- ❖ **Technical Training / Skills Development costs ...**

Defining The Factors of a Partner P&L



- ❖ **Sales Salary & Commissions & Costs ...**
- ❖ **Operational Tools ...**
- ❖ **Marketing Costs ...**
- ❖ **Business Operations (Rent, Utilities, IT) ...**
- ❖ **R&D, Demo & Briefing Center expenses ...**
- ❖ **Other Management ...**

FINANCING



- ❖ **Interest Charges on Loans & Lines of Credit ...**
- ❖ **Aging of Receivables ...**
- ❖ **Bad Debt Charge-offs ...**
- ❖ **Amortization of Assets (partial) ...**
- ❖ **Opportunity Cost ...**
- ❖ **Asset Intensity / Risk Factors ...**

Very Simple P&L View

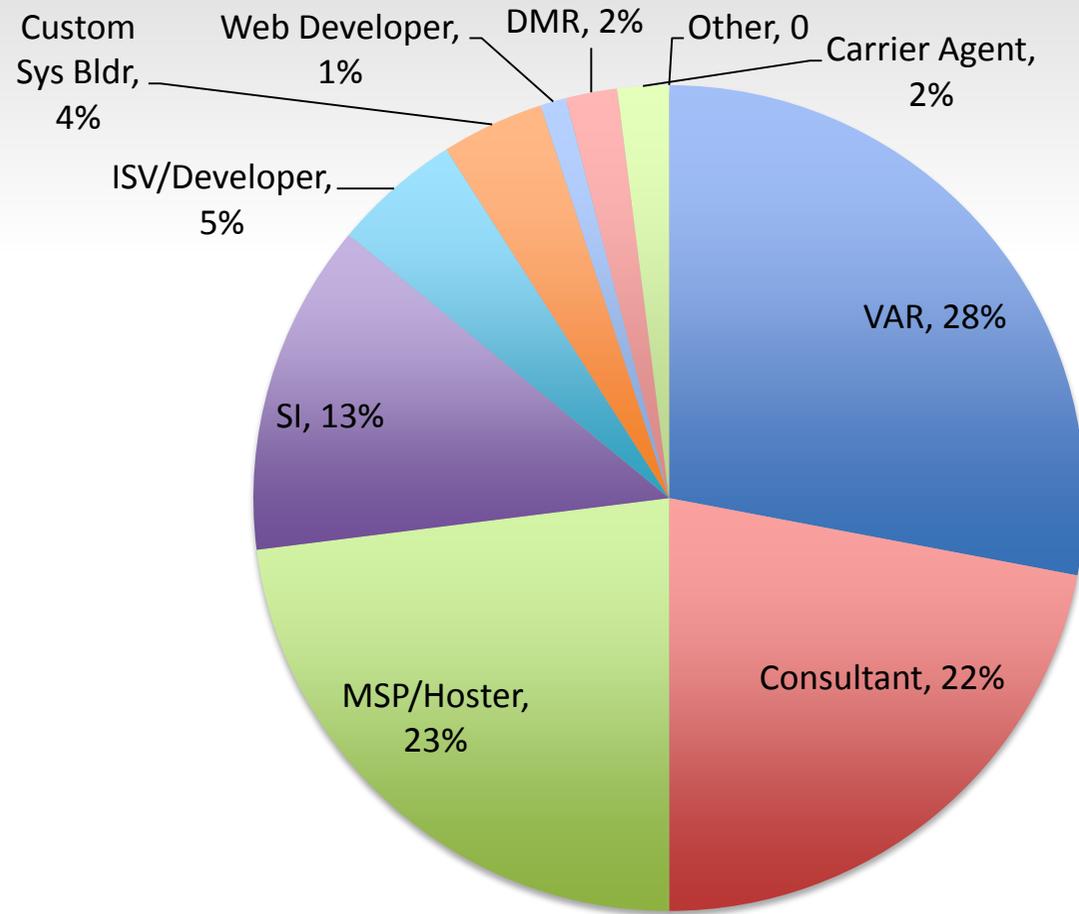


Sales Revenue	+
Cost of Goods	-
Gross Profit	
Operating Expenses	-
Sales and Marketing	-
General and Administrative	-
Total Operating Expense	
Income (EBITA)	
Depreciation, Interest, Taxes	-
Net Profit	

Cost Drivers

- Purchasing power and credit costs
- Fixed costs:
 - Rent
 - Electricity
 - Telephone bill
 - Etc.
- Variable costs:
 - Salaries
 - Commission
- Professional services utilization rates

The North American Solution Provider Universe



Based on selection of primary business model

IPED 2016 Census

Q: Which of the following best describes your current primary business model?



We look forward to seeing you at the kickoff workshop!



Questions: Please contact
Lisa Sabourin
Director of Engagements
IPED Consulting | Research | Education
C 561.339.5517
lsabourin@thechannelco.com
The Channel Company
thechannelco.com