
Surviving & Managing The Shift To The
STRATEGIC SERVICE PROVIDER MODEL
The Channel Company
IPED 2016

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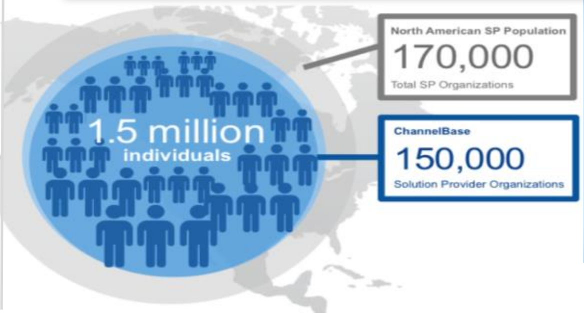
IPED 2016 Channel Census Overview

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



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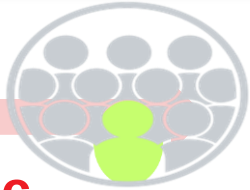
The "Solution Provider" Evolves: "Strategic Service Provider"

Reseller

VAR

Solution Provider

Strategic Service Provider



#1

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

#2

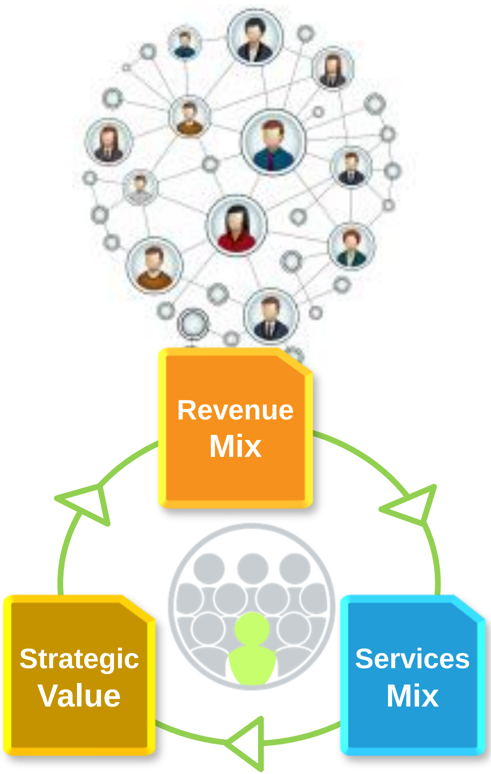
Captures the ability of the partner to be the ***trusted advisor to the customer***

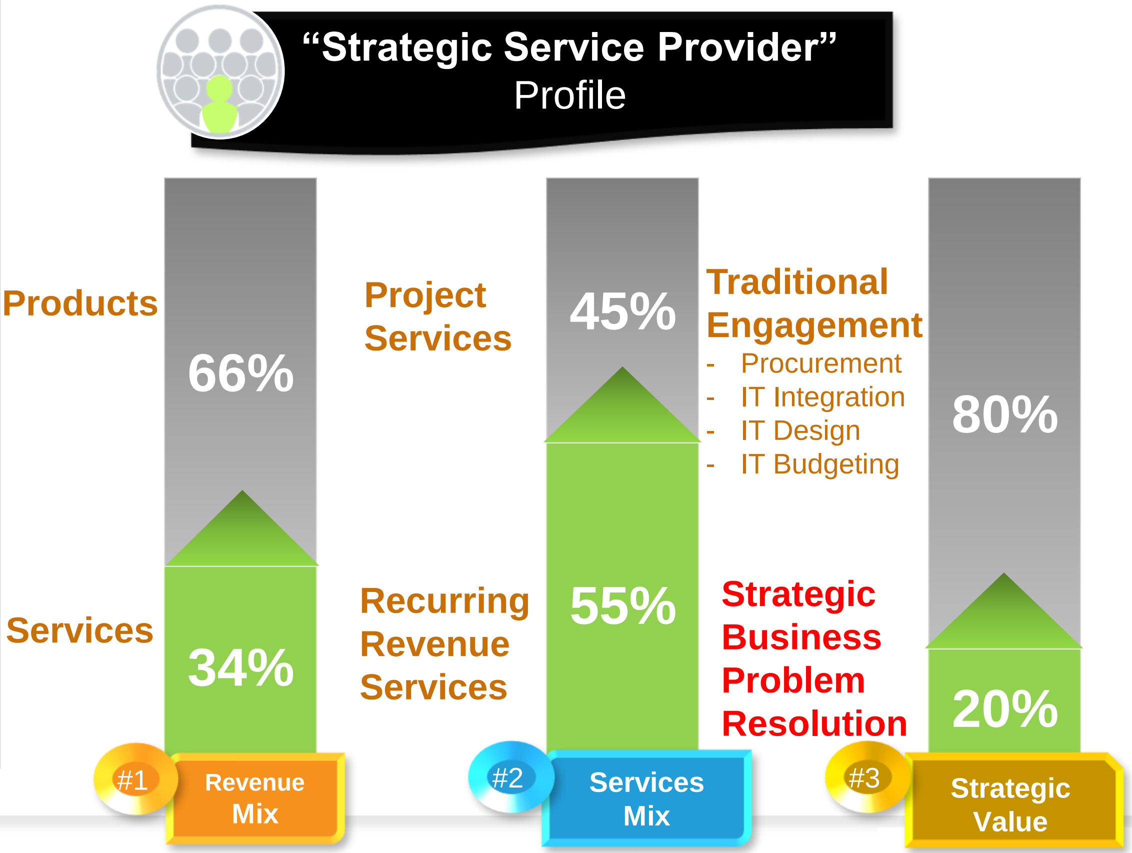
#3

Represents ***cloud brokerage*** capabilities around IaaS, PaaS, SaaS, and other managed services

The term does not 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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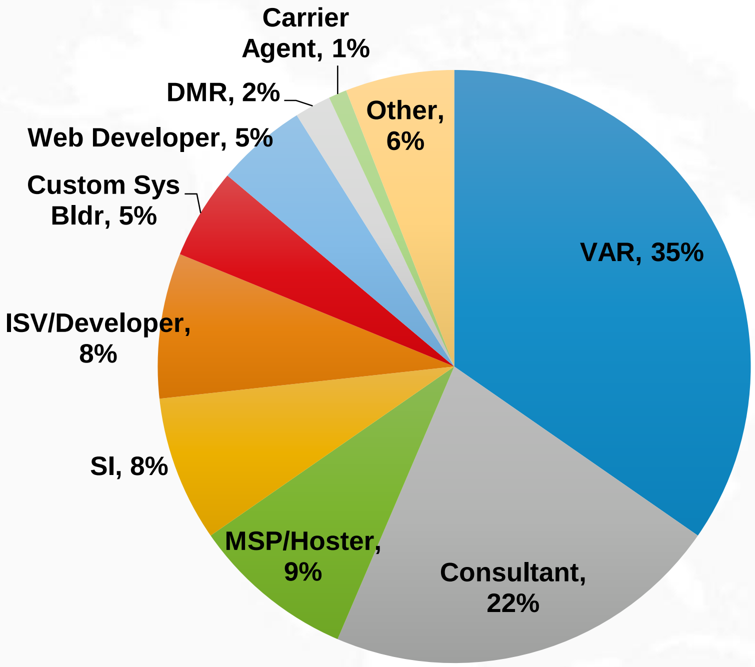
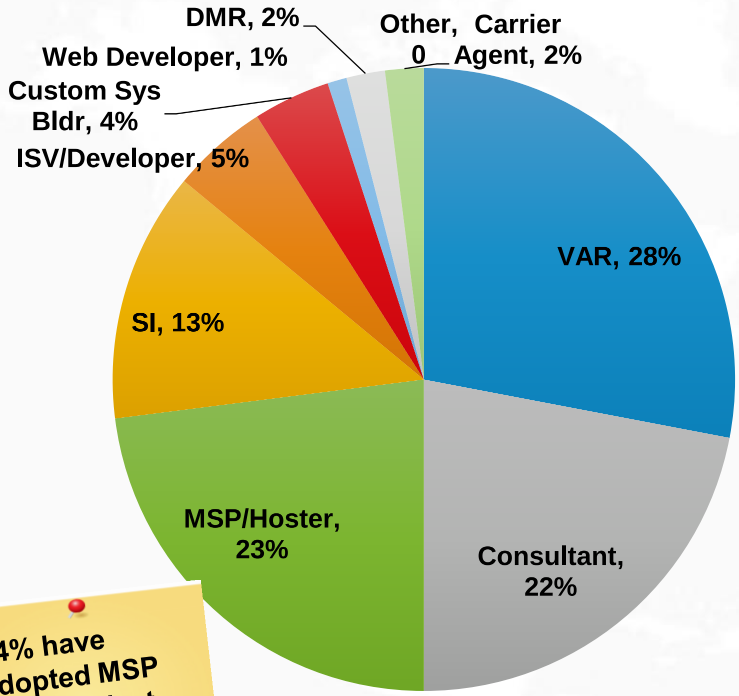
The N. American Solution Provider Universe



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

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

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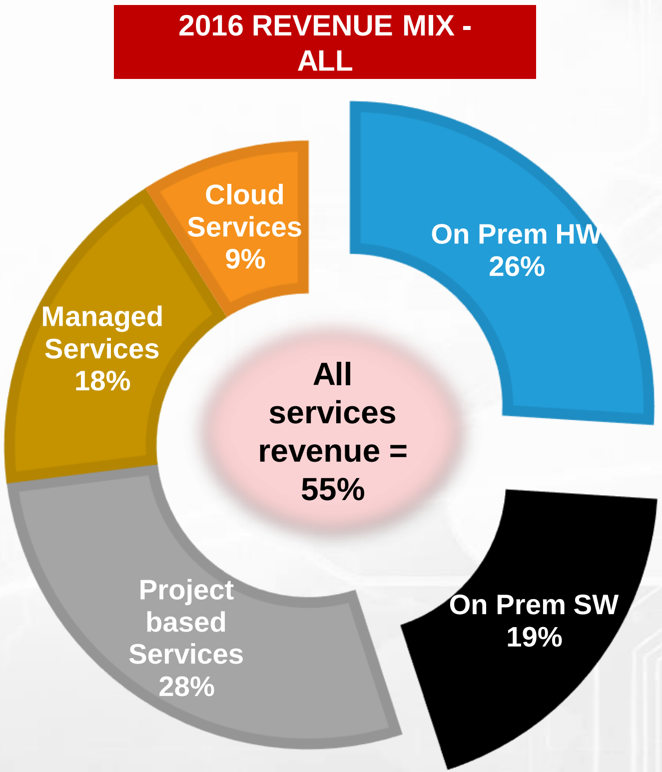
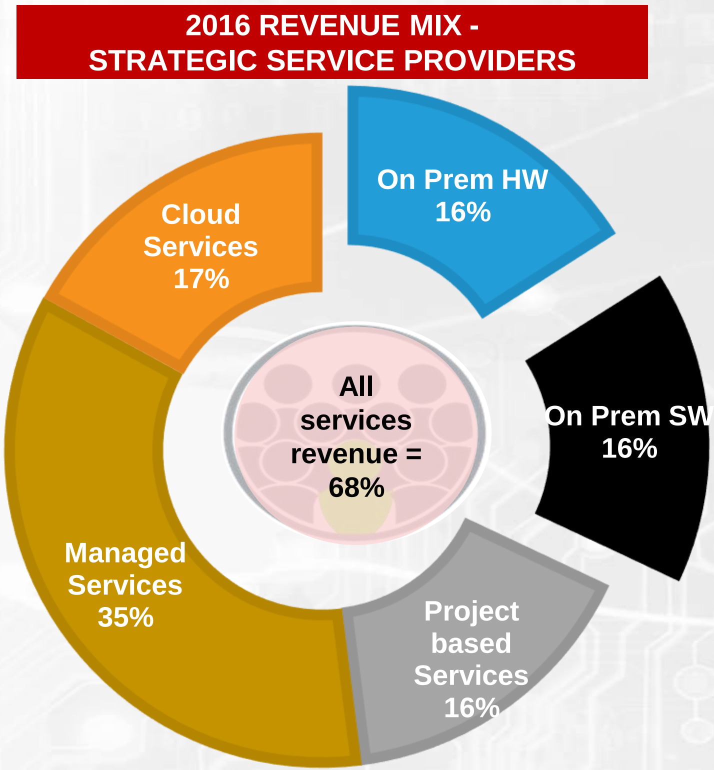
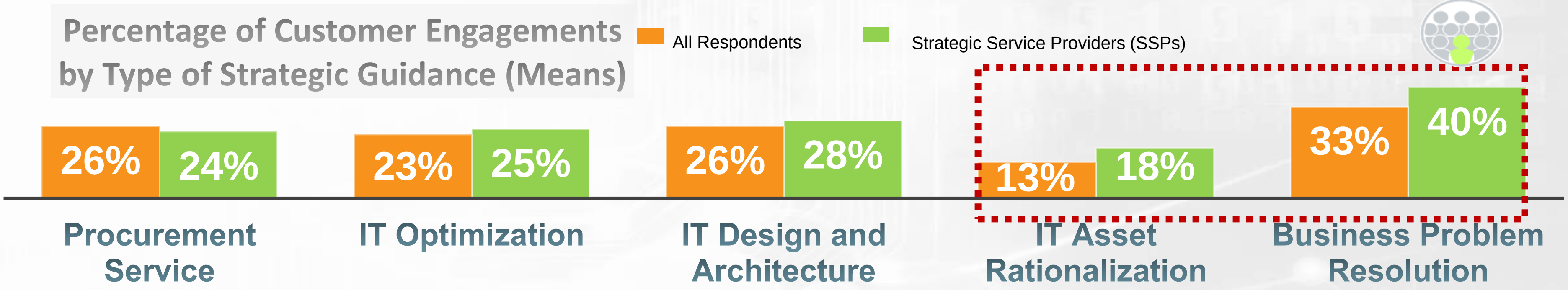
On Premise HW And SW Revenues Represent Less Than 50% Of Overall Revenues; Recurring Revenue Services Are Still Less Than 30%





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."

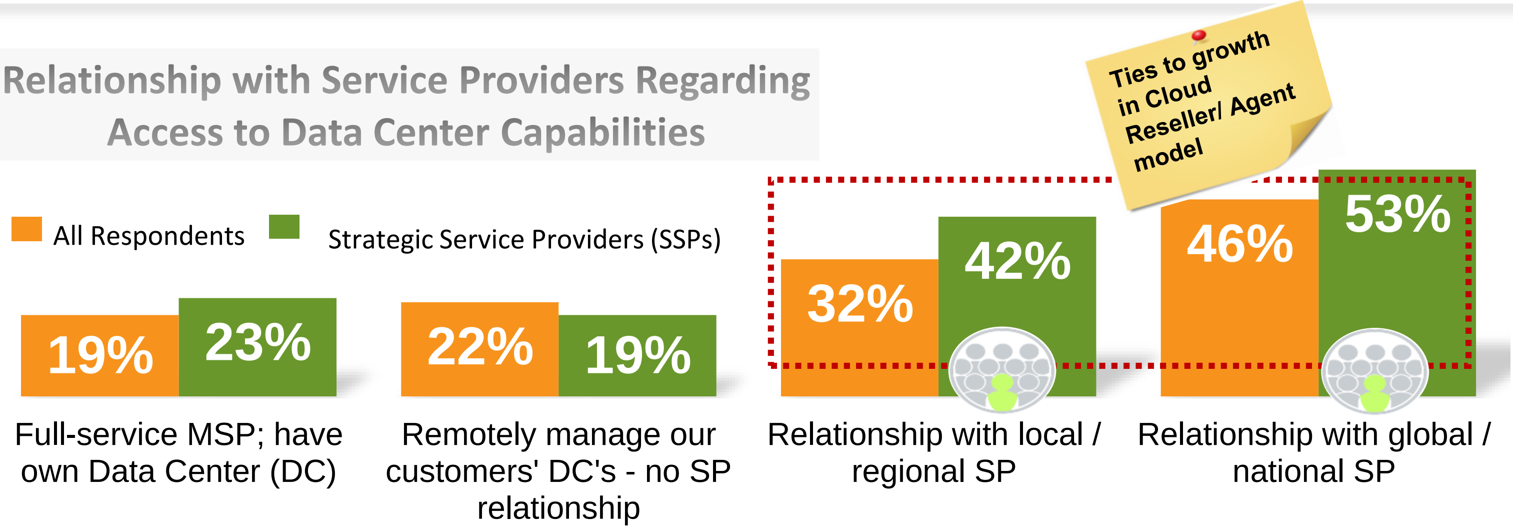
\- $15M MSP

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 not 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



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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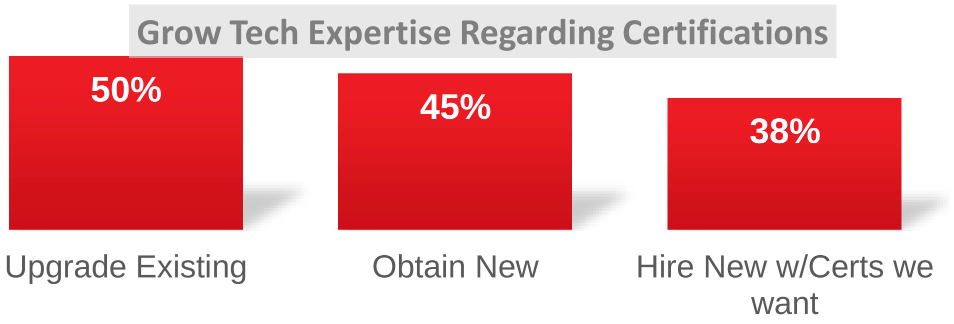
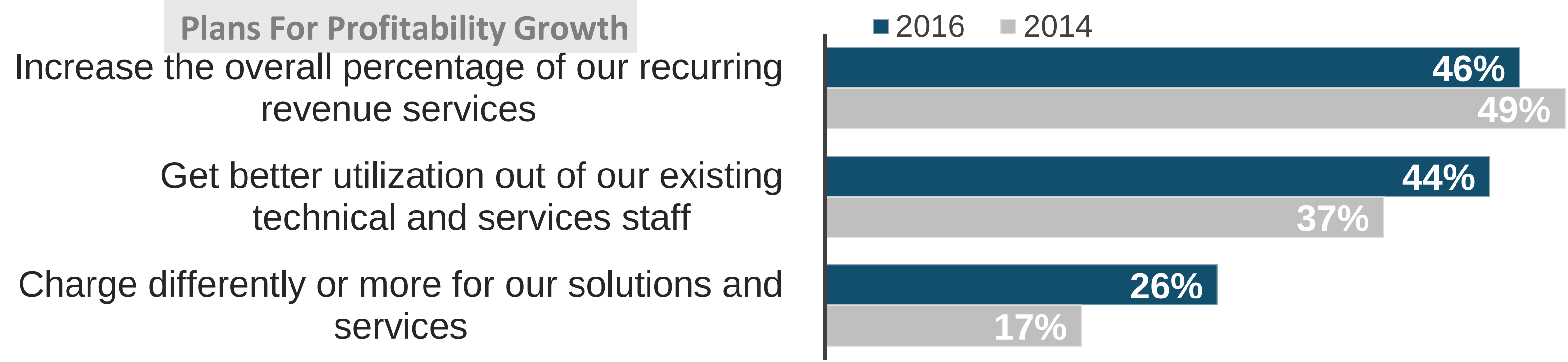
2016 Plans

36%

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





Sales & operating efficiency top priority

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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

Implementation & Integration

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

Data & Analytics Engineering

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

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

Cisco Certified Business Specialist | amazon web services Certified Solutions Architect - Associate

hp Accredited Technical Professional | vmware Certified Implementation Expert

sas | EMC² where information lives

Data Scientists

Microsoft Certified Solutions Associate Office 365 | Oracle Certified Associate Oracle Database 10g Administrator

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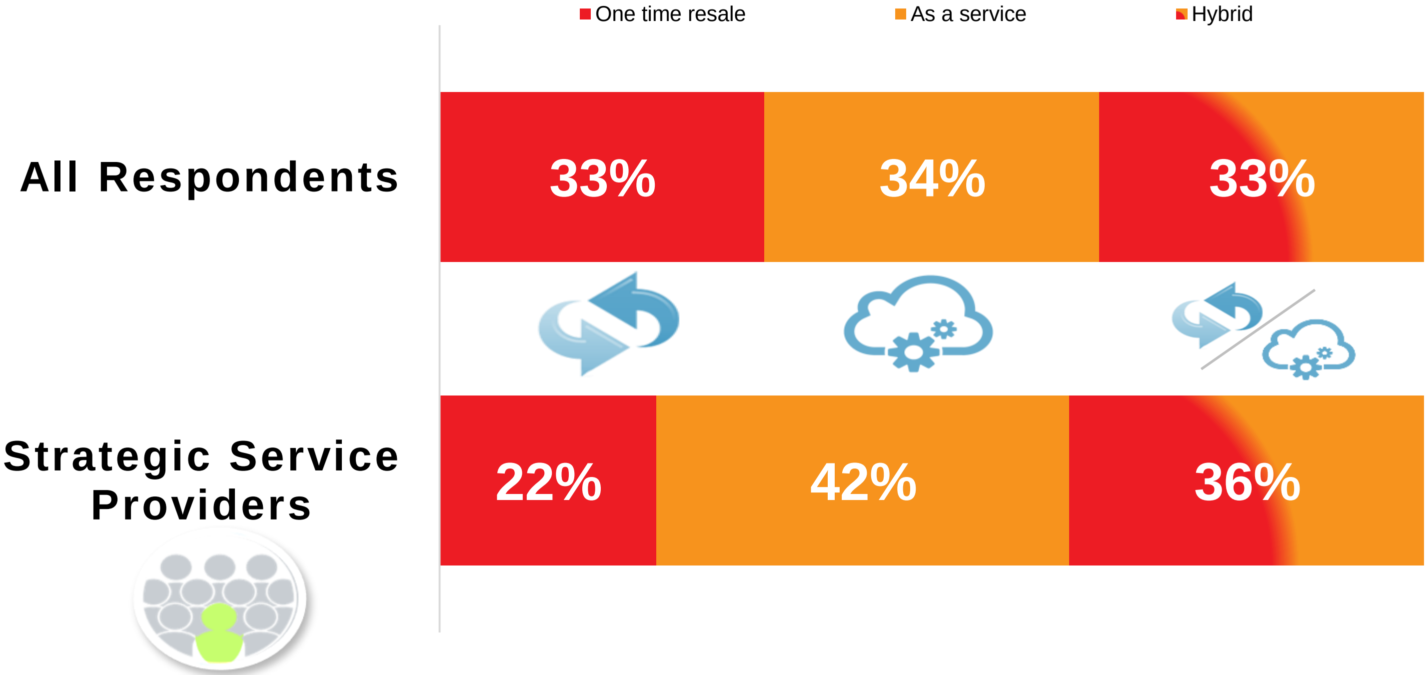
Utility Based (As-a-service) Consumption Models Now Used By 34% Of Solution Providers With Leading IT Suppliers; As-a-service Model Nearly Double Resale For Ssps

- 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 strategic guidance to your customers' business challenges in 2016? (min. 1, max 5)*

Help Grow Recurring Revenue Services

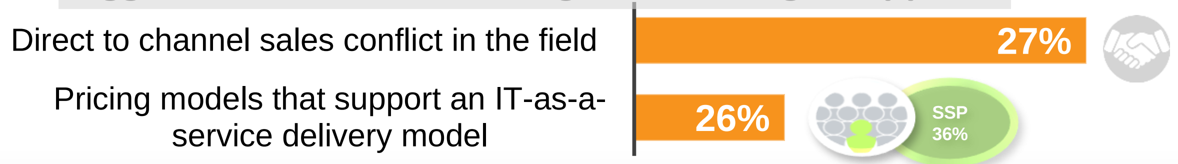
Based on most rankings as #1

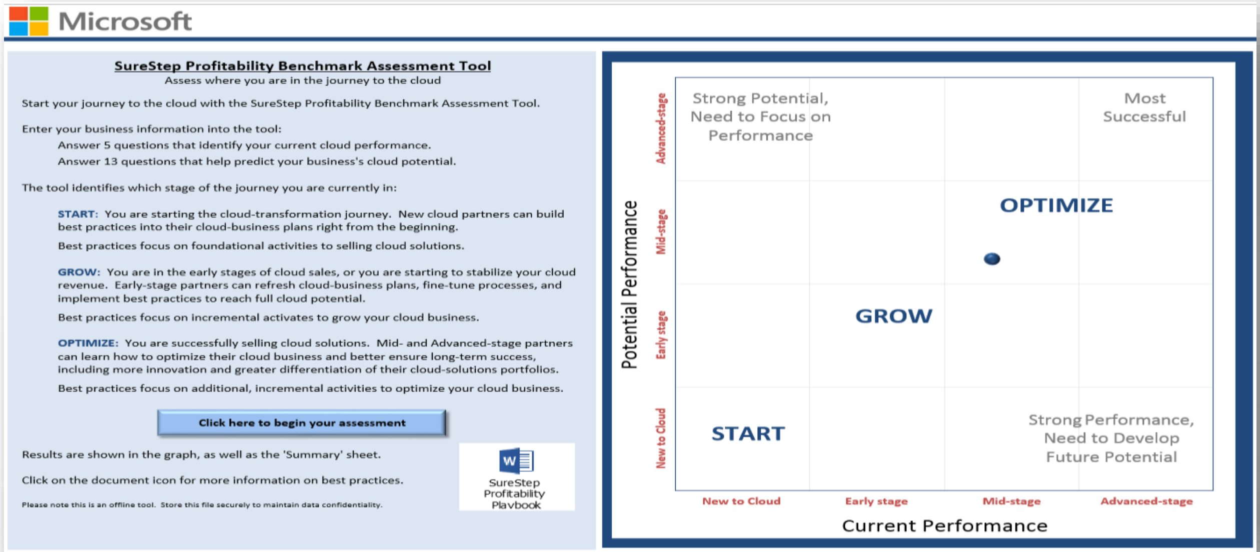
Rank	All	Strategic Service Provider
1	Microsoft	Microsoft
2	cisco	vmware
3	Hewlett Packard Enterprise vmware (tied)	cisco
4	Dell	Hewlett Packard Enterprise
5	amazon web services	amazon web services

*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 managed or recurring revenue services during 2016? (choose top 5)*

Your Transformations Are as Important as Your Partners’

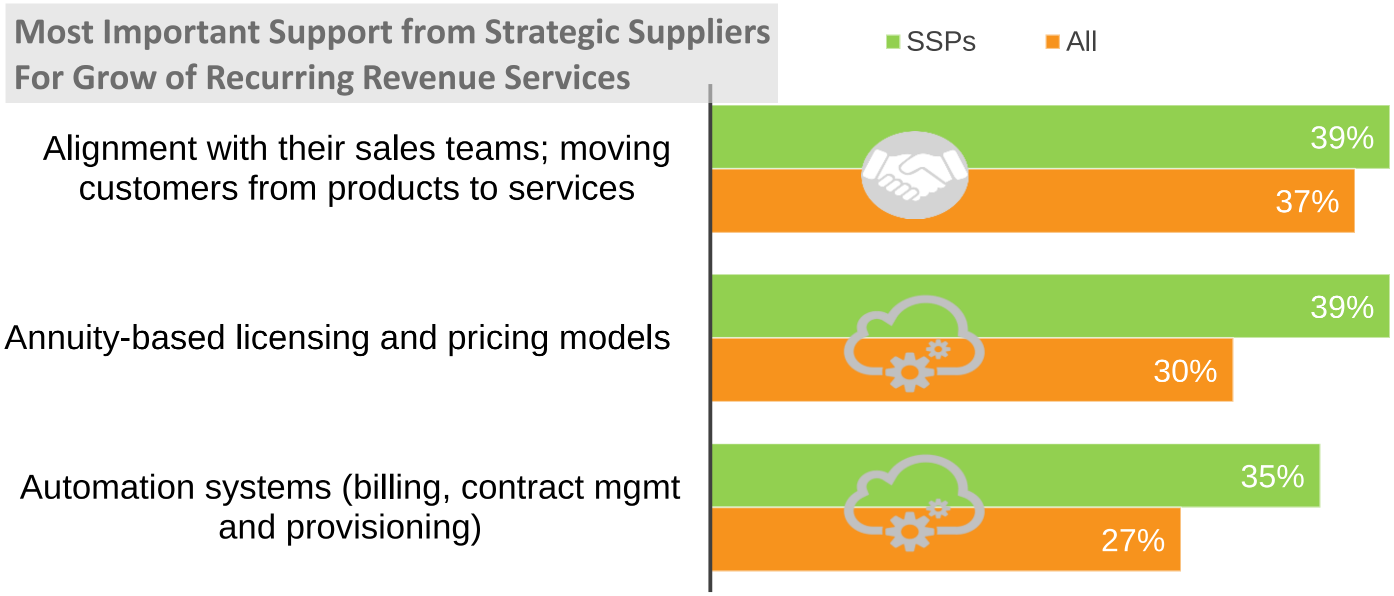
Biggest Obstacles In Working with Strategic Suppliers





Partners Want Alignment With Key Vendors On Process/Urgency For Moving Customers From Products To Services; Annuity-based Licensing Models High On The List Of Most Desired RRS Support

- Partners want to go through IT as a service transformation *with* their leading suppliers; focus on field synergy & teaming
- Strategic Service Providers have a greater need for annuity-based pricing models and automation
- Appetite for business model transformation help waning



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

Generally Speaking…IoT in Crayola

The Definition is Different by Person… Legacy Business Biases Each View

IoT Edge Devices

Things with Sensors, Data

Edge Hubs, Gateways

Secure Transport of Data, Fog Computing Logic

Cloud Logic, Analysis

amazon web services

Microsoft Azure

IoT Platform, Logic, Analysis (BI), Data Storage

Data Center (Processing)

sas

COGNOS

IoT Platform, Analysis (BI), Data Storage

IP/MPLS Network

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Source: IPED Secondary Research & Interviews

IoT Platforms: Collect or Receive Data, Introduce Logic, Analyses, Decisions or Dashboards, etc.

If a Partner's IoT play is Application driven, rather than in IoT Infrastructure, this is where the Partner starts.

IoT Edge Devices	Edge Hubs, Gateways	Cloud Logic, Analysis	Data Center (Processing)
		amazon web services Microsoft Azure	sas COGNOS 
Things with Sensors, Data	Secure Transport of Data, Fog Computing Logic	IoT Platform, Logic, Analysis (BI), Data Storage	IoT Platform, Analysis (BI), Data Storage

IP/MPLS Network

Azure IoT Suite

ThingWorx A PTC Business

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Source: IPED Secondary Research & Interviews

Infrastructure Opportunity: "Deployment of Red Hat to the Edge eliminates one of the biggest inhibitors by introducing enterprise level security where we had great risk."

IoT Edge Devices	Edge Hubs, Gateways	Cloud Logic, Analysis	Data Center (Processing)
		amazon web services; Microsoft Azure	sas; COGNOS 
Things with Sensors, Data	Secure Transport of Data, Fog Computing Logic	IoT Platform, Logic, Analysis (BI), Data Storage	IoT Platform, Analysis (BI), Data Storage
KMC CONTROLS	redhat	Azure IoT Suite	ThingWorx A PTC Business

"Further, Edge Security (Red Hat) then allows us to bring more application logic, intelligence to the Edge which translates to higher value to the customer."

Jaspa

IP/MPLS Network

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Source: IPED Secondary Research & Interviews

Microsoft Partners: Build IoT applications in the Cloud on Azure…

Range from: Simple, Entry Level to Fortune 500 Complex IoT Solutions

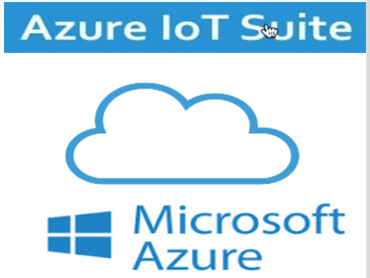
IoT Edge Devices

Things with Sensors, Data

Edge Hubs, Gateways

Secure Transport of Data

Cloud Logic, Analysis



IoT Platform, Logic, Analysis (BI), Data Storage

- May or may not transmit data to Data Center for further BI/Big Data analysis, storage or processing
- At least one Partner is still building their own IoT Platform to collect, manage data and application logic

- No logic, analysis or analytics
- Simple API data collection

- All logic, analysis or analytics
- Transmits action back to Edge with network latency
- Time dependent decisions, e.g. water level/alarm/shutdown, not appropriate

- Remember when Partners built DB, App Servers, Dev Tools?
- Microsoft's giving internal production level access to the IoT Suite to drive adoption

IP/MPLS Network

Source: IPED Secondary Research & Interviews

Traditional Data Center Partners are Investing in Big Data Infrastructure with an Emphasis on Data Storage and in some cases Business Intelligence (BI)

IoT Edge Devices

Things with Sensors, Data

Edge Hubs, Gateways

Secure Transport of Data, Fog Computing Logic

Data Center (Processing)

sas

COGNOS

IoT Platform, Analysis (BI), Data Storage

So IoT Means Different Things to Different People

IP/MPLS Network

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Source: IPED Secondary Research & Interviews

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