

THE CHANNEL IN™  
**2020**



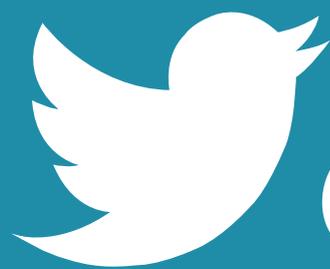
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# THE CHANNEL IN 2020 MARKET REPORT #6

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**COLLABORATION**



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# THE CHANNEL IN 2020

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## COLLABORATION BY AGILITAS

**C**ollaboration is nothing new in the IT channel, for businesses of any size. Whether it's the delivery of admin and financial support, a logistics relationship or a 24/7 partnership to provide an end-to-end solution, companies working alongside each other has, and always will be, commonplace.

Organisations simply cannot thrive in the marketplace as a one-stop-shop for all services and solutions. They must identify the core services they can continue to deliver for current customers, while also looking at those solutions that will need to be outsourced to strategic partners. Having these partnerships in place will ultimately help these businesses to provide an increasingly rounded solution for their customers, so why wouldn't you embrace collaboration as a positive concept?

With this backdrop, I'm delighted to introduce our sixth market report in the 'Channel in 2020' series, exploring the impact that collaboration will have in the channel by the end of the decade. With all of these factors remaining relevant in the next two years, the channel is already identifying the ways in which it can increase collaborative partnerships with other channel companies, ultimately offering an enhanced service for its customers.

I believe the research summarises the overall positivity in the channel from VARs, MSPs, vendors, technology providers and distributors to embrace collaborative working. Our research has established that a quarter of the revenue in a channel business is generated through the utilisation of skills from, and partnering with, other companies.

As a result, the channel's appetite to increase this percentage has never been stronger, with 61% of channel businesses surveyed looking for new companies to partner with between now and 2020.

It is for this reason why I'm expecting the frequency of collaborative partnerships to only increase, which is reflective of the channel's glass-half-full approach towards ultimately delivering an enhanced service for the end-user.

I sincerely hope you enjoy reading our sixth report, and it inspires you to be creative and innovative in servicing your customers of today and the future.

**Shaun Lynn, CEO, Agilitas**



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# THE FINANCIAL BENEFITS OF COLLABORATIVE WORKING

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Trying to shape a company into one that is entirely self-sufficient and singular in its approach to collaborative working rarely works. The significant strain that this places on an organisation's time, resources and finance, to name a few has resulted in businesses proactively looking to enter into partnerships with their peers, simply because of the huge benefits it can provide to all parties.

Perhaps there was previously some scepticism for companies to enter into one or multiple collaborations with other organisations. The customer-sensitive and protective nature of the IT channel meant that closely working together could foster a competitive streak between two or more companies who were always looking to deliver more services under its remit, ultimately making its overall proposition more attractive.

For larger IT channel players, the level of collaboration with partners that offer a bespoke, proven and experienced solution - which the channel company did not have under its remit - has evolved considerably. As revenue from other streams of the business has increased, so has the appetite for acquisitions. In recent times, channel businesses have increasingly grown into a position of acquiring specialist companies and subsequently rebranding them, utilising the existing skills and essence of the company and offering it under a larger umbrella of services.

Yes, the competitive spirit of the channel is still healthy and strong - after all, this pushes companies to continue to innovate for their customers in order to remain relevant - but regardless of size and from a financial and strategic point of view, adding more strings to an organisation's bow makes complete sense.



Whether the strategic objectives of a partnership is to utilise an existing skill set, offer more services and solutions or introduce new revenue streams, the financial benefits are clear. Our research revealed that on average, over £121,000 of a channel business's revenue comes as a result of utilising skills from partnerships with other companies. From those channel providers surveyed, this equates to a quarter of all services revenue, on average.

When scaled up and down, this represents a significant portion of a company's overall earnings. Clearly, without a degree of collaboration with other companies, businesses would struggle to survive, let alone continue to grow and prosper. Our research reflects the growing significance that businesses entering into collaborative partnerships have, with 61% of channel businesses looking for new companies to partner with, between now and 2020.

Furthermore, 49% of channel leaders claimed that they entered into partnerships because it was more cost efficient, further emphasising the benefits to channel organisations of white labeling their services or entirely outsourcing solutions to third-party providers. This is all-the-more important in the current financial climate, where margins are being squeezed ever tighter and overheads are creeping upwards.

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# DELIVERING AN OUTCOME-BASED SERVICE THROUGH COLLABORATION

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Entering into collaborative partnerships represents the ideal opportunity to look at how channel businesses can achieve sustained growth by assessing how they deliver services for their end user customers. Those customers require business outcome solutions in order to deliver their own growth aspirations.

As a result, the need for channel firms to provide an increasingly flexible on-demand environment for its customers, adapting to the ways in which they want to consume services, has never been so important. Businesses no longer want to be tied into long-term, fixed contracts with little options for scaling up and down, dependent on their requirements. This has largely been facilitated through an outcome-based service delivery business model.

With both existing and new-to-market providers needing to assess how they adapt and operate, 'traditional' vendors must develop their proposition. This could be changing the way in which they deliver in-house developed services, or reaching out to potential partners.

Achieving this change and growth may leave channel businesses with no option than to enter into partnerships. However, there is some scepticism in the channel to embrace this. Our research reveals that only 27% of companies currently in partnership with another services provider are comfortable with informing their customers that some services are being delivered by a third-party partner.

This could be due to a number of factors, such as a fear of appearing weak or uninfluential in the IT channel, or not being able to keep up with the demands of the customer. Furthermore, only 39% of channel operators occasionally inform customers that their services are delivered through 'white labelling' and by another provider, depending on the nature of the partnership and the customer.

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# “ THE AGILITAS APPROACH IS ONE OF COMPLETE TRANSPARENCY IN THE MARKET... ”

The Agilitas approach is one of complete transparency in the market. The IT channel in 2018 realises that to fulfil its agreed Service Level Agreements (SLAs), organisations must enter into multiple-vendor partnerships. Strategically, it's wiser to utilise the existing skills within another company; customers will always recognise the advantages of doing so and how it enhances its attitude and positioning in the market.

Furthermore, if the 'outsourced' solution is an area in which the core IT channel partner has never operated, this will only make them more advantageous for retaining and securing new business.

This has been strongly echoed in the results of our research. Over half (57%) of the IT channel leaders surveyed believe that their customers would be happy with channel suppliers partnering to deliver services, as long as SLAs are met. Additionally, over three quarters (81%) of those surveyed believe it would be viewed positively in the channel, reflecting the growing appetite for an increase in collaborative channel support-based services.

Although businesses would always pride themselves on developing a solution in-house, this type of flexible service delivery model is becoming increasingly commonplace. After all, in-house doesn't always mean better.



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# COLLABORATE TO INNOVATE

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The aforementioned financial and logistical challenge of developing current solutions and skills in-house, to compete with other market leaders, can be extremely difficult for channel companies. When analysing the five previous pieces of IT channel research that Agilitas has conducted on People, Finance, Technology, Innovation, and Disruption, every aspect looks at the importance of collaboration.

In previous reports, our research has revealed that the main areas which require innovation investment are, unsurprisingly, technology and solutions, and business analytics. For example, with the complexity of IT systems only increasing, the requirement for delivery of more spare parts, coupled with the expensive requirement of storing and delivering these components, has placed an emphasis on outsourcing to external providers, freeing up resources for businesses to innovate and focus on their core competencies.

The 24/7x365 nature of this approach not only reflects the move from a capital expenditure-based (CAPEX) model to an operating expenditure-based one (OPEX), but to an increasingly on-demand offering. This is best demonstrated through an increase in cloud reliance, as the cost of maintaining data in this way, versus physically storing it looks increasingly attractive.

Furthermore, should customer requirements increase, so could their need to purchase more hardware, relocate data centres and migrate from physical servers to cloud-based platforms, all of which could prove prohibitively expensive. As a result, there has never been a better time to ensure the management of cloud solutions are as seamless as possible.

The knowledge and skills required to maintain this increasingly complicated hardware and software landscape has placed extra pressures on the skills gap in the IT channel. With businesses needing to ensure their main area of expertise is a priority, their ability to train existing and new technicians, to the level the technology now operates at, is becoming increasingly difficult. Adding to this headache is the inability for businesses to temporarily pull their employees from current customer contracts to attend further training.

This is an area in which forming technical and training partnerships with other channel companies can prove cost-effective. Our research has demonstrated that nearly a third (29%) of the sector looks to collaborate with their peers to plug the skills gap, whether this is in onboarding new employees or training existing ones. With the latter arguably quicker and more effective to implement, on-the-job training can be managed through a third-party, helping to increase engineer utilisation and ultimately, satisfaction levels with customers.

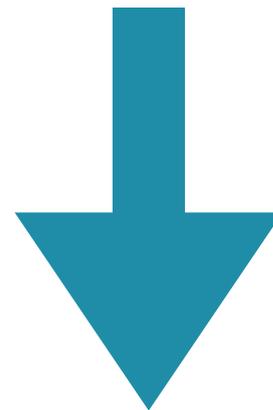
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This appetite of talent development amongst industry leaders is reflected in approximately two thirds of IT channel business viewing the training of existing staff as key to reducing the skills gap by 2020.

It's important to consider that while inter-channel collaboration is to be encouraged, this may be increasingly difficult for new-to-market companies that are making a name of themselves within the channel and do not have the necessary profile and financial standing to immediately enter into partnerships. However, this is countered by those companies having a fresh perspective of the channel landscape that will allow them to quickly tailor their proposition for their customers and the market as a whole, making potential future partnerships more attractive.

Entering into a new partnership may help to minimise the financial burdens of all parties involved, but it goes without saying that one of the main advantages is the possibility of increased business with the an organisation's peers. As a result, new revenue streams can be explored, opening up opportunities that were perhaps never previously explored.

This may lead channel organisations to evaluate the services that they currently offer and how to develop new, long-term solutions, should the demand exist within the market. This will be achieved through significant investment in innovative technologies and business models, which channel businesses are willing to do, as detailed in our previous reports.



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# AN INCREASE IN COLLABORATIVE PARTNERSHIPS WILL ONLY CONTINUE

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Further collaboration between IT channel companies is set to increase between now and 2020, largely in part to the financial and service delivery benefits it brings, but also by a change in who is making those decisions.

Unburdened by an historical way of working, the rise of millennials in senior management positions, recognising the advantages of strategic partnerships, would introduce new collaborative ways of working. This will help foster the creation of new revenue streams and provide a more stable financial environment for all parties. This is supported by nearly a quarter (23%) of the IT channel claiming that they look to create new partnerships to reduce the level of risk within an organisation.

Because of the changing way in which customers want to consume their services, collaboration should be perceived as an opportunity to form new partnerships and working relationships, ultimately creating a larger entity that can offer businesses everything they need.

Changing channel attitudes, as well as disappearing legacy and on-premise-based systems now means that this all-in-one package doesn't necessarily have to be offered under one roof.

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# CONCLUSION

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In such a crowded IT channel, standing out from your competitors and going that extra mile to exceed customer expectations is crucial. With more companies offering an increasing range of services, it may seem as if the opportunity for your business to introduce new skills and solutions that differentiate it from its competition, is limited.

This should be circumnavigated through forming of collaborative partnerships, working with your peers to improve both an organisation's primary and secondary capabilities. The majority of channel businesses may not have the resource or capabilities to invest in these solutions or skills internally. If the customer appetite demands these, simply standing still is not an option.

As long as these partnerships are strategically and financially viable, your customers will react positively. Developing this all-in-one package will assure your customers that added value is being provided and SLAs are comfortably being met, enabling them to deliver a superior service for their end-customer.

As we reach the sixth report in this on-going series on how the European IT Channel will look by 2020, one theme is clear. To move forward and innovate for the future, whether this is upskilling staff, investing in innovative technology, reacting positively to the numerous disruptive factors or overcoming financial challenges, collaboration will be at the heart of the IT channel's ability to prosper.

“ **COLLABORATION**  
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# KEY TAKEAWAYS

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## COLLABORATE TO INNOVATE

Developing collaborative partnerships with specialist partners provides your customers with a wider remit of innovative services and solutions, which they'll thank you for.

## IT IS CRUCIAL TO DELIVER AN OUTCOME-BASED BUSINESS MODEL

The IT channel is having to rapidly adapt to how customers want to consume services; forming partnerships can facilitate a hassle-free way to do this.

## COLLABORATION CAN FOSTER GROWTH AND OPEN UP NEW REVENUE STREAMS

Forming new partnerships, while initially time consuming and expensive, can reward IT channel organisations with opportunities to work with new companies, or develop a new service or solution that can plug an existing gap in the market.

## COLLABORATIVE PARTNERSHIPS ARE DRIVEN BY FINANCIAL PRESSURES

The current economic climate requires heavy scrutiny of a company's bottom line. With a quarter of service revenue in channel businesses, on average, coming from partnering with other companies, collaboration is crucial to survival.

## NEW AND COLLABORATIVE WAYS OF WORKING WILL BE INTRODUCED BY MILLENNIALS IN THE WORKPLACE

Unburdened by an historical way of working, the rise of millennials in senior management positions, recognising the advantages of strategic partnerships, would introduce new, collaborative ways of working.



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