



THE CHANNEL IN™
2020

THE CHANNEL IN 2020
MARKET REPORT

RELEVANCE



AGILITAS®
PASSION TO INNOVATE

INTRODUCTION

SHAUN LYNN
CEO OF AGILITAS IT SOLUTIONS

The old adage, 'the customer is always right', is particularly relevant in the global IT channel, although many other industries are moving away from personalised products and services, towards mass-scale roll-outs. However, in the IT channel, nothing could be further from the truth. The customer is king, and channel businesses that are successful and growing not only acknowledge this fact, but embrace it.

In conducting the research for our previous report on the Globalisation of the IT Channel, and indeed the six key topics of our 'Channel in 2020' campaign before that (People, Finance, Technology, Disruption, Innovation and Collaboration), we found that there was another overarching theme critical to the success of all this, that kept coming up: Relevance. Indeed, technology, disruption, innovation and collaboration are all meaningless if they are not relevant for the customer.

Rather, the needs and desires of the customer must be taken into account. Without this, how will a company know that it is remaining aligned to the needs of the market? The future of the channel is those companies that adopt a customer-centric approach to business, listening to what their customers want and need, and moving their businesses in the same direction that their customers are going in.

For many channel companies, relevance takes the shape of the development of new, customer-centric services and products - often bespoke for specific customers.

Having recognised the need to remain relevant and customer-centric in today's world, many companies have undergone, or are currently undergoing, a transformational shift to align with their customer requirements. For some organisations, this may involve a complete internal transformation, reflective of the cultural shift that many businesses have undertaken, to meet the needs of their customers and channel partners. For others, the transformation comes in the form of mergers and acquisitions. We will explore this further in our upcoming report on Transformation in the Global IT Channel.

The need for companies to remain relevant and focused on their customers will be unsurprising to many. After all, this is an undeniably competitive sector to do business in.

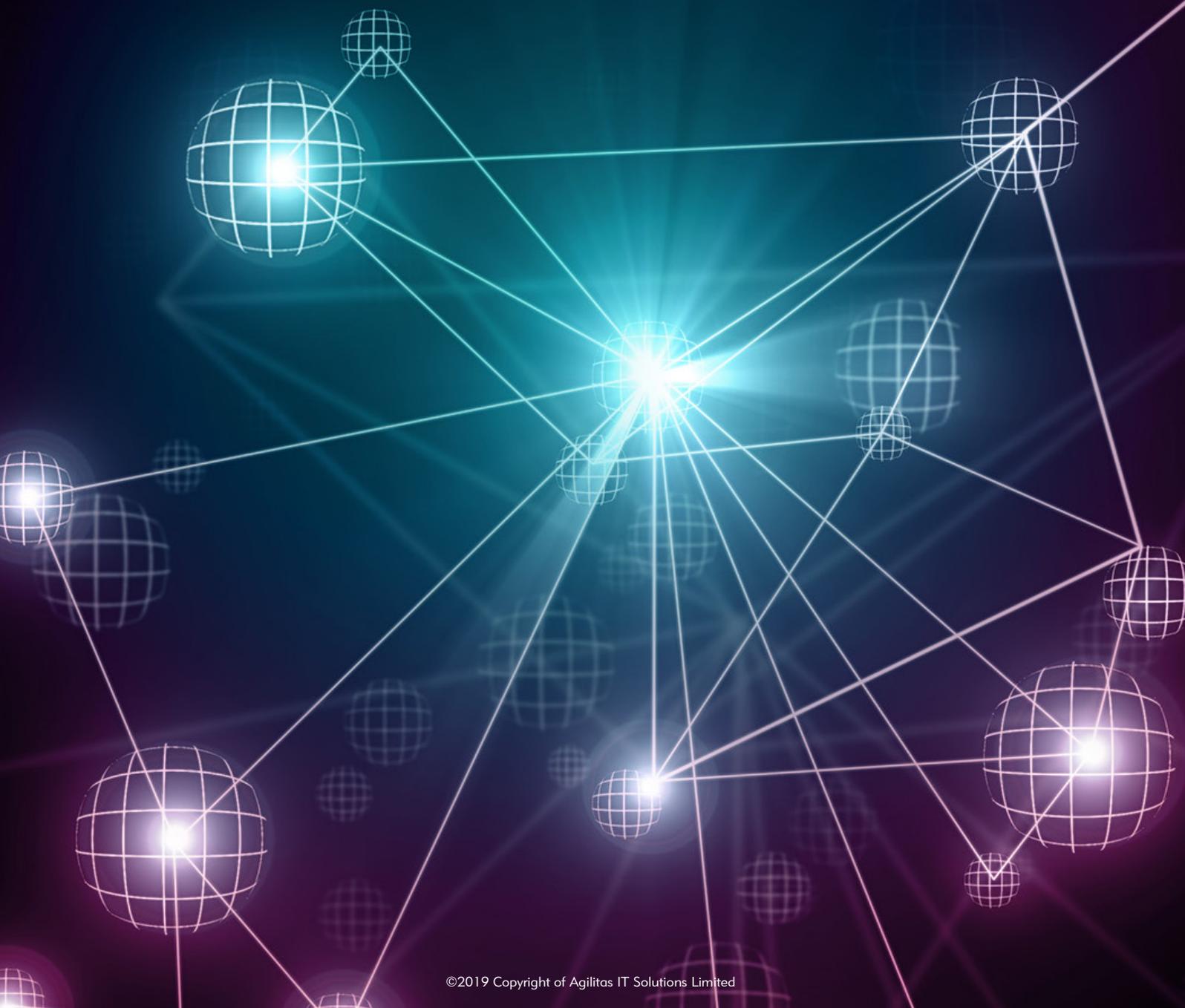
Companies that do not consider their customers' demands when deciding on their own business plans will soon find themselves losing custom to competitors with a more customer-centric outlook.

Yet many will not have anticipated quite how widespread the shift towards relevance and customer-centricity is in the global channel today. To discover how and why companies are adopting Relevance as a key value in their businesses, we surveyed over 100 decision makers from leading channel businesses, including Managed Service Providers, IT resellers, and channel service companies. The findings discussed in this report are a result of this commissioned research, carried out in partnership with OnePoll in June 2018.

@AgiliasIT
#Channelin2020



“ COMPANIES TACKLE MANY CHALLENGES IN ORDER TO TAKE THEIR BUSINESS GLOBAL, THAT PREVIOUSLY WOULD HAVE BEEN SEEN AS TOO COMPLEX AND DIFFICULT ”



TOWARDS A MORE RELEVANT FUTURE

As we covered in much more detail in our previous Globalisation report, the world we live in is, in many ways, becoming smaller every day, as more and more companies expand internationally to become a global business. Although this clearly has many advantages, one challenge that this trend towards globalisation poses is that it makes the channel even more competitive.

Another side-effect of this is that complexity is becoming the norm - companies tackle many challenges in order to take their business global, that previously would have been seen as too complex and difficult.

All this means that expectations are becoming higher, and customers are demanding more and more from channel partners. The need for relevance from channel businesses has never been higher: how else can they hope to remain competitive in this market?

It will come as no surprise, therefore, that 85% of companies surveyed have recognised the need to remain relevant and to move towards a customer-centric model, delivering their products and services in line with their customers' requirements.

In fact, 40% of companies describe themselves as already being "fully customer-centric", developing products and services in line with customer requirements.

A further 23% of companies are currently in the process of moving to a customer-centric model, and 22% are planning to move to a customer-centric model in the next 12 months.

Surprisingly, though, 4% of businesses do not currently have a customer-centric approach to business, and have no plans to implement such a model in the next 12 months. These companies will likely struggle to stay competitive, and may well find it difficult to retain customers - particularly since the vast majority of channel businesses either are already, or are moving towards, focusing on their customers' needs.

Perhaps even more significantly, 11% of decision-makers said that they did not know to what extent their business was customer-centric. This could indicate one of two things: either the companies are focused on their customers, and the decision-makers surveyed were not aware of such a model; or there is no customer-centric approach in place at these companies. Either way, it is clear that these companies and their management teams have failed to recognise the importance of relevance and taking a customer-centric approach.

However, most channel companies by far have recognised the need to remain relevant and customer-centric.

As such, many companies have undergone, or are undergoing, a transformational shift to align with their customers' requirements.

According to our research, 15% of companies have already undergone a transformational shift to become more customer-centric. 28% of businesses are in the process of such a shift, and 33% have started to look at areas in which efficiencies can be improved.

85%
OF COMPANIES SURVEYED HAVE RECOGNISED THE NEED TO REMAIN RELEVANT AND TO MOVE TOWARDS A CUSTOMER-CENTRIC MODEL

FROM THEORY TO REALITY: HOW CHANNEL BUSINESSES LEVERAGE RELEVANCE

Clearly, there is a widespread understanding among the IT channel of the need to be increasingly relevant to customers' requirements. As well as undertaking large-scale transformation, another way that channel companies are embracing the need for relevance is by turning to innovation. This is demonstrated further by the fact that 82% of channel businesses develop bespoke, relevant products or services for customers.

At the extreme end of the scale, almost a quarter (24%) of companies develop only bespoke, relevant products or services for customers, offering no generic or 'off the shelf' services or products. This approach is surprisingly popular, especially given the challenges that customer-centric development brings to businesses, and the resource-intensive nature of such development.

The majority (58%) of businesses offer a mix of bespoke and 'off the shelf' services and products to customers, thereby satisfying customers' demands for relevance, but not to the extent of ceasing to offer 'standard' solutions.

Unsurprisingly, given the general understanding of the importance of relevance, only a small proportion (12%) of businesses offer only 'off the shelf' services and products, developing no bespoke services or products that are specifically created to be relevant to customers.

When asked what the key factors are that are evaluated when developing new products and services, the majority (53%) of channel companies said that their customers' ultimate objectives is a key factor for them. Clearly, this shows that a high level of consideration is given to customers and how to remain relevant for them.

However, 41% of decision makers said that they also considered how the final product would be marketed to a wider audience, and 45% said that they focus on whether the product or service would bring them recurring revenue opportunities. This shows that as well as being focused on customers and their aims, companies are also looking to create services and

products that will be desirable for others. This explains the mix of bespoke and 'off the shelf' services and products that companies develop, as well as suggesting that perhaps the 'off the shelf' developments may be created bespoke for one particular client and then rolled out more widely, therefore not necessarily indicating a lack of relevance.

Our research has found that due to the increasing requirement for relevance today, 76% of channel businesses have introduced new customer-facing products and services in the last 12 months.

There is a clear recognition in the channel that there needs to be a balance between introducing solutions to the market quickly to ensure that the offering is still relevant, and taking the time to be sure that services and products are tailored to customer needs. For 38% of companies, time to market was a key challenge in implementing a customer-centric model.

We have found that it takes companies an average of 5½ months to introduce a new service or product to the market, with over half of companies saying that it takes between 1-5 months to do so - which could demonstrate the companies are taking customers' objectives into consideration and thinking carefully about a new product and service, rather than rolling it out quickly.

For 28% of companies, it took them 9 months or more to introduce a new service or product to the market - at such a slow pace, companies risk the solution becoming less relevant by the time it is complete.

Unsurprisingly, not one single company that took part in our research said it took them 2 weeks to take a new service or product to market.

The time to market will clearly have a direct impact on the number of new solutions a company can implement. As such, in the last 12 months, 37% of businesses introduced 1-5 new products or services, and 16% introduced 6-10 new products.

Only 8% of companies did not introduce any new products or services to market in the last 12 months. This could be because those companies were tailoring existing services or products to customers' needs, or it could indicate that those companies are struggling to remain relevant and understand what their customers desire.

On average, businesses surveyed introduced 7.6 new services or products in the last 12 months. Surprisingly, nearly one tenth (9%) of companies surveyed implemented 21 or more new products or services - that is, three times the average number. This fast rate of introducing new services might suggest how business outcome-based requirements are driving the need for choice in order to build 'as-a-solution' propositions.

It is clear that the channel is split when it comes to the deployment of Agile/DevOps philosophies in developing products and services, with 43% of companies having implemented such a philosophy, and 40% not having done so. Surprisingly, 17% of decision-makers did not know whether their company had implemented an Agile/DevOps philosophy, and of

those who had, almost half did not know how much money their company had invested in this approach.

For the 82% of businesses that are developing or have developed customer-bespoke products or services, these are spread among different categories. 60% of companies develop bespoke technology products, 47% develop bespoke solutions, 45% develop professional services/installations, 35% develop service contracts specifically for customers, 25% work on bespoke training, 15% develop logistics, and 5% sales.

Our research has discovered that channel companies believe their customers will want bespoke services or products developed for them in the future in almost exactly the same distribution as those that they are developing now. 52% expect customers to require bespoke technology products, 39% predict that professional services/installations will be desired, 38% expect customers to want bespoke service contracts, 33% think they will want agile commercial solutions, 18% expect training to be required, 15% logistics, and 5% sales.

38%

**EXPECT
CUSTOMERS TO
WANT BESPOKE
SERVICE
CONTRACTS**



CHALLENGES OF EMBRACING RELEVANCE

As with any change in business model, there are a range of challenges associated with moving to a customer-centric approach, which may be behind the 4% of companies that are not planning to move to such a model.

Over half of those companies surveyed found it difficult to fully understand their customers' needs - a critical challenge when it comes to deploying a customer-centric business strategy. Arguably, though, the best way for a business to fully understand its customers' needs is by adopting an approach focused on the customers, and becoming better informed by centering the business on customers themselves.

Employees seem to be a large challenge for companies in moving to a customer-centric model, with 36% of decision makers saying that the training and development of existing employees was a key challenge, and 30% responding that recruiting new employees would be a challenge.

In fact, 61% of channel businesses said that they thought moving to a customer-centric model would have some impact on their recruitment strategies, with 23% considering this to be a big impact, and 38% anticipating a small impact on recruitment. Nearly a quarter said that moving to a customer-centric model would have no impact on recruitment, however.

Financial considerations was another key factor that companies said would be a challenge in moving to a customer-centric model. It is unsurprising that this is considered an important factor, as finance is arguably the ultimate driver of all business decisions.

Interestingly, with 30% of businesses citing this as a key challenge, financial considerations is a larger issue in moving to a customer-centric model than it is in going global - we found in our previous report on Globalisation that 20% of decision-makers cited financial issues as the main barrier towards expanding.

Identifying and building a relevant partner network was given as a challenge to moving towards a customer-centric, 'as-a-solution' model by almost a quarter (24%) of businesses surveyed. This challenge can be easily tackled by collaboration, and working together with other channel businesses.

A quarter of companies said that businesses' current product development strategy was a challenge in moving towards a customer-centric model, perhaps because this was something that would have to change. In adopting an approach that is focused on customers, the strategy that companies use to develop new services and products would have to change.

Interestingly, one fifth of channel companies see no challenges associated with moving to a customer-centric model. This could explain why so many businesses have already made that move to focus on their customers' requirements by taking a partner-led collaborative approach.

61%

OF CHANNEL BUSINESSES SAID THAT THEY THOUGHT MOVING TO A CUSTOMER-CENTRIC MODEL WOULD HAVE SOME IMPACT ON THEIR RECRUITMENT STRATEGIES



30%

**OF DECISION-MAKERS
CITED FINANCIAL ISSUES AS
THE MAIN BARRIER TOWARDS
MOVING TO A
CUSTOMER-CENTRIC
MODEL**

BUSINESS IMPACT OF MOVING TO A CUSTOMER-CENTRIC MODEL

For those companies that are already operating a customer-centric model, 43% of businesses said that this move to focusing on their customers had increased their sales, with almost all of these assessing the impact as being an increase of up to 20%.

Surprisingly, 5% of companies said that they had seen their sales reduced by more than 20% after moving to a customer-centric model. However, three times as many companies said that moving to a customer-centric model had resulted in an increase in sales for them as said it had brought about a decrease in sales.

Almost all channel companies said that they saw significant advantages for companies in moving to an outcome-based philosophy and a customer-centric model. 65% of respondents saw business growth and increased sales as a key advantage.

42% said that a key advantage of such a model is the added value to the customer - this highlights the customer-centric outlook of these companies, as they cited something that is largely a benefit to the customer as an advantage to their own company.

This could be explained by the fact that for nearly half of companies surveyed, increased customer loyalty was a key advantage of having a customer-centric approach, and ensuring that the services and products offered are relevant for customers.

42%

**SAID THAT A KEY
ADVANTAGE OF SUCH
A MODEL IS THE
ADDED VALUE TO THE
CUSTOMER**



CONCLUSION

Overall, it is clear to see that the attitude towards having a relevant and customer-centric business model is overwhelmingly positive, more so than ever before. The large majority of channel companies are moving towards, or have already adopted, a customer-centric, as-a-solution approach.

In today's changing landscape, as channel companies expand across the world, and continue to embrace collaboration and innovation, retaining a focus on customers has never been more critical to retain and grow wallet share.

We are increasingly going to see these growing trends leading to important business change, as channel businesses develop new business models to allow for this critical focus on relevance and globalisation. Agilitas will explore this theme further in our upcoming report on Transformation, which will complete our series of reports on the Channel in 2020.

**“ IN TODAY'S CHANGING LANDSCAPE
RETAINING A FOCUS ON CUSTOMERS HAS
NEVER BEEN MORE CRITICAL ”**

KEY GLOBALISATION TAKEAWAYS AT A GLANCE

1

CHANNEL BUSINESSES UNDERSTAND THE NEED FOR RELEVANCE

85% of companies have recognised the need to remain relevant and to move towards a customer-centric model. 40% of companies are already “fully customer-centric”.

2

RELEVANCE IS A BIG STEP FOR MANY

A transformational shift is necessary in order to adopt a relevant, customer-centric approach. 15% of companies have already undergone a transformational shift to become more customer-centric, 28% are in the process of such a shift, and 33% are beginning to embark on this.

3

IT'S NOT JUST EMPTY WORDS - RELEVANCE EXTENDS BEYOND JUST GOOD INTENTIONS

82% of channel businesses develop bespoke, relevant services or products for customers, with most of these offering both bespoke and ‘off the shelf’ services and products.

4

COLLABORATION AND FINANCE ARE KEY

Finding partners to collaborate with, and financial considerations, are both a challenge and an opportunity for companies looking to become more relevant.

5

ADD VALUE BY LISTENING TO WHAT YOUR CUSTOMERS WANT

Many companies said that a key advantage for them in becoming more relevant was the added value they brought to their customers by listening and ensuring their propositions remain aligned to their ever-changing needs.