2018 IT Channels and Alliances Predictions

IDC WW Channels and Alliances Team

IDC Web Conference
February 1, 2018

Webcast Logistics

- Both the presentation and audio will be delivered via the console - there is not a separate dial-in number. Please be sure to adjust the volume on your device accordingly.
- Questions may be asked at any time during the live presentation by clicking on the “Ask a Question” tab in the console.
- Today’s presentation can be downloaded from the “Attachments” tab in the console.
- An on-demand replay of this Web conference will be available within a few hours and can be accessed via the IDC channel in BrightTALK.
- Questions about today’s presentation or any other IDC Web Conference can be sent to webconferences@idc.com.

Today's Agenda

- Introductions – IDC WW Channels Team & Research Focus
- 2017 Channels and Alliances Predictions Review
- 2018 Channels and Alliances Predictions
- Q & A

IDC Channels & Alliances

Program VP Channels & Alliances

Steve White
swhite@idc.com
@whiterope

Software Channels Research

Paul Edwards
Research Director
pedwards@idc.com
@pauledwards_idc

Infrastructure Channels Research

Pam Miller
Research Director
pmiller@idc.com
@pamelamil

Strategic Alliances Research

Chris Webber
Research Director
cwebber@idc.com
@CCW34654364

X-Partnering Research & Data

Brendan Rouse
Research Analyst
brouse@idc.com

Partnering Custom Research

Daniel O'Boyle Kelly
Consulting Director
dobk@idc.com

European Channels and Alliances

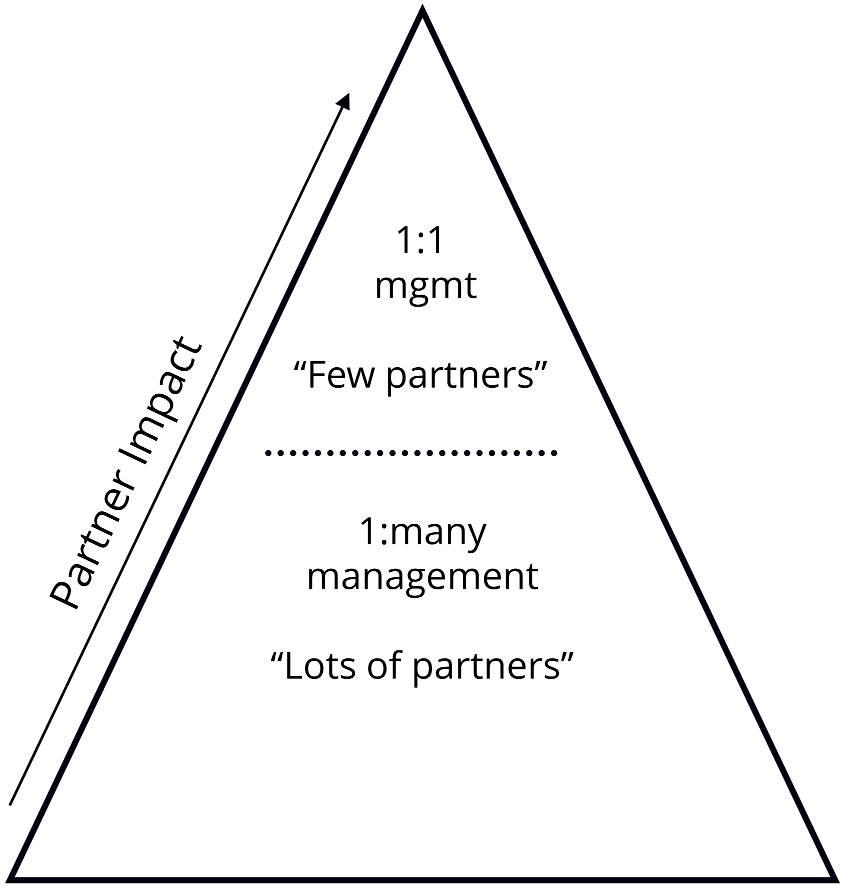
Margaret Adam
Program Director
madam@idc.com
@madam_idc

Hannah Breeze
Sr Research Analyst
hbreeze@idc.com
@hkbreeze

APeJ Channels and Alliances

Chris Morris
Vice President
cmorris@idc.com

Channels vs. Alliances



Partner Ecosystem

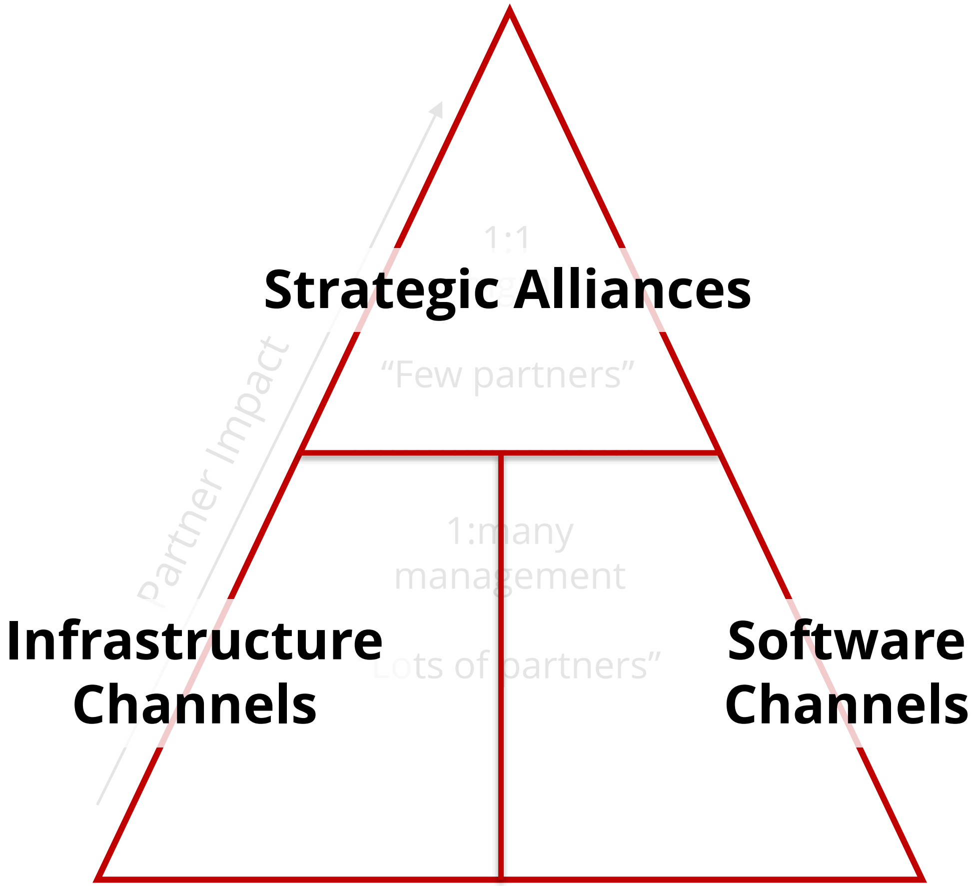
Alliances

- **1:1 relationships** between vendors and partners
- **"Strategic Alliances"**
- E.g. HP + Microsoft, Oracle + Accenture, VCE, etc.

Channels

- **1:many relationships** between vendors and partners
- Value-added resellers (**VAR**), independent software vendors (**ISV**), regional systems integrators (**RSI**)
- **Distributors** very often involved
- **Partner Program** is the main management tool

Channels vs. Alliances Research



Partner Ecosystem

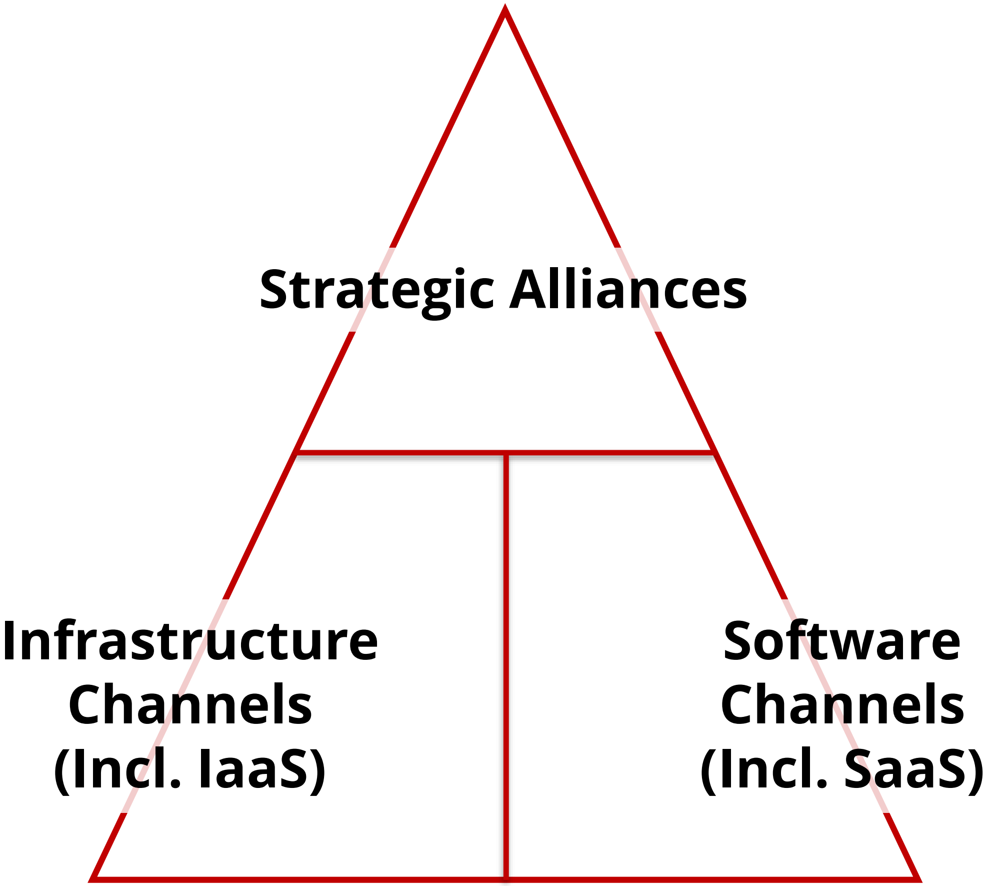
Alliances

- **1:1 relationships** between vendors and partners
- **"Strategic Alliances"**
- E.g. HP + Microsoft, Oracle + Accenture, VCE, etc.

Channels

- **1:many relationships** between vendors and partners
- Value-added resellers (**VAR**), independent software vendors (**ISV**), regional systems integrators (**RSI**)
- **Distributors** very often involved
- **Partner Program** is the main management tool

Channels vs. Alliances



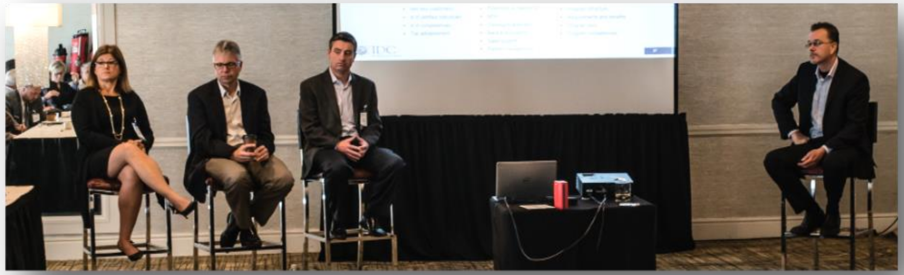
Partner Ecosystem

Channels and Alliances Research Programs

1. Research

2. Analyst Inquiry

3. Leadership Councils



4. Custom Research/Projects

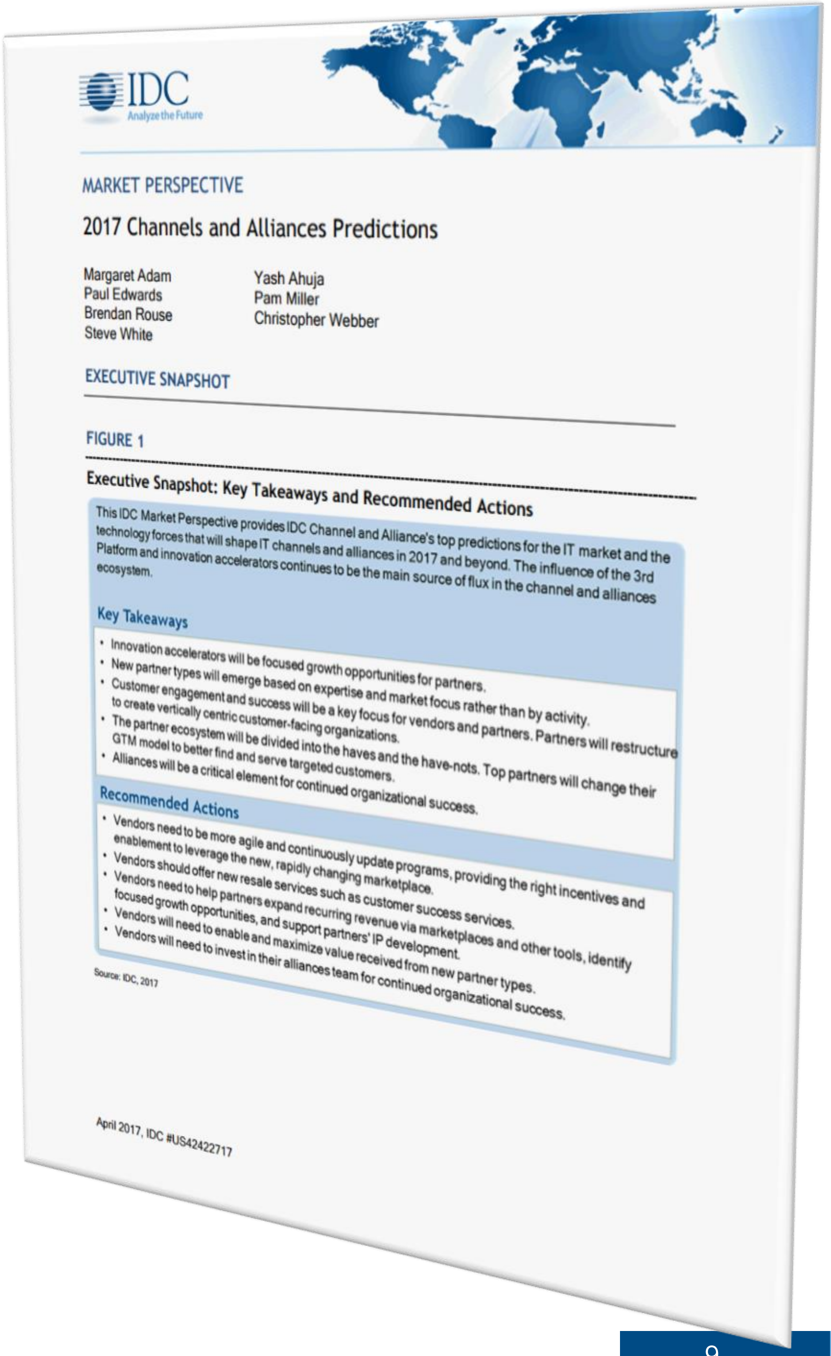
IDC Trends and Predictions

IDC Predictions… Now FutureScapes

- Teams across IDC all make predictions – macro and micro, horizontal, vertical, geographical and role based
- 1100 analysts worldwide involved
- Published December thru February (see idc.com)

Channels and Alliances Predictions

- Document available to clients of:
  - Software Channels and Ecosystems Research
  - Infrastructure Channels and Ecosystems Research
  - Strategic Alliances Research
  - European Channels and Alliances Research
  - Asia/Pacific Cloud Partnership Opportunities



IDC Analyze the Future

MARKET PERSPECTIVE

2017 Channels and Alliances Predictions

Margaret Adam, Paul Edwards, Brendan Rouse, Steve White, Yash Ahuja, Pam Miller, Christopher Webber

EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Key Takeaways and Recommended Actions

This IDC Market Perspective provides IDC Channel and Alliance's top predictions for the IT market and the technology forces that will shape IT channels and alliances in 2017 and beyond. The influence of the 3rd Platform and innovation accelerators continues to be the main source of flux in the channel and alliances ecosystem.

Key Takeaways

- Innovation accelerators will be focused growth opportunities for partners.
- New partner types will emerge based on expertise and market focus rather than by activity.
- Customer engagement and success will be a key focus for vendors and partners. Partners will restructure to create vertically centric customer-facing organizations.
- The partner ecosystem will be divided into the haves and the have-nots. Top partners will change their GTM model to better find and serve targeted customers.
- Alliances will be a critical element for continued organizational success.

Recommended Actions

- Vendors need to be more agile and continuously update programs, providing the right incentives and enablement to leverage the new, rapidly changing marketplace.
- Vendors should offer new resale services such as customer success services.
- Vendors need to help partners expand recurring revenue via marketplaces and other tools, identify focused growth opportunities, and support partners' IP development.
- Vendors will need to enable and maximize value received from new partner types.
- Vendors will need to invest in their alliances team for continued organizational success.

Source: IDC, 2017

April 2017, IDC #US42422717

2017 Channels and Alliances Predictions Review

Were we right about 2017?

1. Digital Transformation & Innovation Accelerators

Digital Transformation accepted by customers, becomes a **bedrock** for partners.

2. Partner Ecosystem Transformation

By 2021, **30%** of the channel will have transformed, adopting **new business models**.

3. Customer Success

Cloud and **recurring revenue** models underpin an increased emphasis on **customer success**.

4. Partner Success

Partner success is being **redefined** in light of partner and market transformations. Vendors & partner programs need to **adapt**.

IDC

2017 Predictions Review

5. Vertical Focus

By 2018, **20%** of partners will have restructured around industry **verticals**.

6. Partner Go-to-Market

By **2018**, the majority of top partners will revise GTM approach, focusing on their **Digital marketing** & leveraging **marketplaces** and "**partner finders**."

7. Alliance Transformation

BY 2020, the Strategic Alliance Organization will become a **trusted CxO advisor**, and relied on **fill capability gaps** for short & long-term initiatives.

2018 Channels and Alliances Predictions

What do we expect for the year(s) ahead?

1. DX Ecosystem Magnifies Value & Behavior

By 2021, 50% of G2000 will form alliances with technology partners and 30% of purchasing will be driven primarily through strategic industry and innovation ecosystems

- New **partnering business models** will emerge, creating the foundation for greater technology innovation and accelerating digital transformation.
- **Mega** customer facing **platforms** with open API access and collaborative data sharing models will be central to these ecosystems. And underpinned by governance, IP and cybersecurity protection, and new GTM efforts.
- **Customer selection criteria** will start to include assessments of the depth, breadth and interconnectedness of the supplier's innovation and industry ecosystems.
- Many participants will establish formal partnerships with **startups** and **independent developer communities**.

2. Partner's Own IP Will Dominate

By 2020, partner IP will define partner business models – it will be the dominant driver of most partners' revenue and profitability

- **All partners** are now performing **all activities**, but it's what they're focusing on in their **own IP** that differentiates them.
- Partners will be defined/**judged** by their **own IP,** but partners will equally define/judge vendors by how they integrate and extend partner IP.
- **Digital transformation** will drive the IP agenda for vendors and partners moving forward across 3 key IP gravity centers.
- The partner ecosystem is already starting to segment by gravity centers.
- Expect partner **requirements of vendors** to differ by partner IP segment.

3. Partner-to-Partner (P2P) Will Finally Come of Age

By 2020, P2P-collaboration-driven initiatives, will account for at least 30% of revenue generated among leading cloud partners

- There will be a distinct segment of partners focused on P2P engagements, and their growth will drastically **outpace** that of **conventional** customer-facing partners.
- By 2021, the ability to partner will be a key indicator of **company value**.
- Legally defensible IP (e.g. code) will become critical partner assets.
- In 2019, one fifth of major vendors will develop formal **best-practice frameworks** and **contracting mechanisms** to support P2P.

4. Distribution Becomes Critical for Success

By 2020, cloud aggregators (including distributors) will touch over half of indirect sales, up from 45%

- As end customers' increasingly demand "proven", cost efficient, **multi vendor solutions**, technology aggregators are best positioned to enable partners.
- Success will be dictated by the aggregators ability to create the **highest demand "integrations"** that partners can leverage to create bespoke solutions for their customers.
- The aggregator must also simplify the **billing** and **ongoing management** of these complex solutions.
- Distributors and other aggregators will become an increasingly integral part of vendors' **go-to-market** strategies.

5. Land Grab for Compliance Partners

By 2020, partners with the necessary IP to manage services in compliance (notably GDPR) will be the preferred go-to-market for ISVs and cloud providers needing local delivery partners. Demand will exceed supply

- Global delivery of services combined with **compliance requirements** mandate tailored **security** solutions that leverage partners' location and IP.
- Delivering **compliance as-a-service** will be a prime partner opportunity, but the investment in IP, process and auditability means that few will step up to this level.
- This will result in increased competition for alignment with industry and local IP specialists. Resultant alliances will provide peer-based services and a basis for delivery of **compliance-centric industry cloud platforms**.

6. Marketplace Value Expanding Exponentially

By 2020 marketplaces will become the de facto ecosystem hub (partner, end-customer, vendor) and technology-buying platform

- Expect vendors to focus efforts on **consolidating** and **marketing marketplaces**.
- Marketplaces will be **developed** across the spectrum of software and cloud services vendors.
- Distributors and other cloud aggregators will both **complement** and **compete** with vendor marketplaces.

7. IoT Becomes Traditional Partners' Mainstay

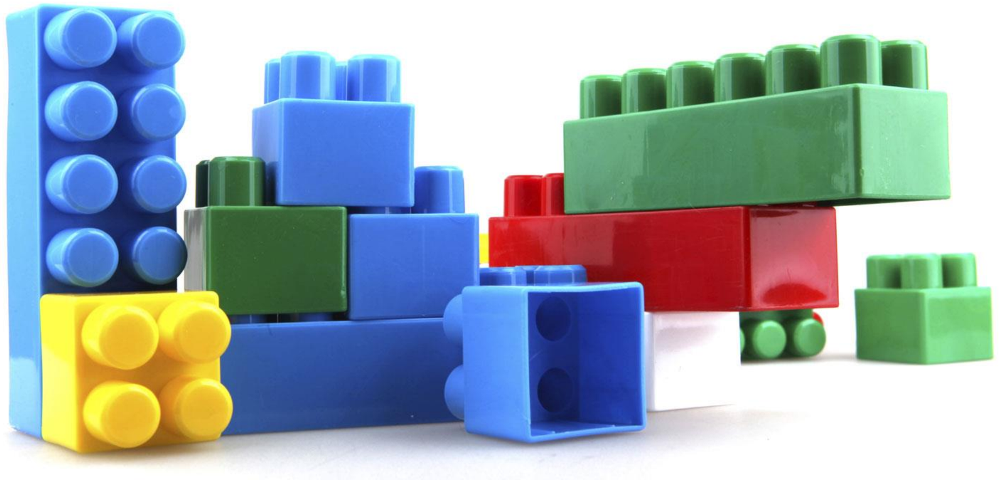
By 2020, more than 70% of infrastructure-centric partners will become involved with **IoT** in **edge deployment**, and over the next 36 months there will be a massive acceleration in formal **alliances and partnerships** between these partners and the **OT providers**

- The scale of IoT is predicted to **dwarf** the traditional data center market, providing **vast opportunity** for all channel players.
- The partnerships between **OT and IT** companies further increases the opportunity, as IoT projects will deploy both at the cloud and the "**Cloud at the edge**."
- Industrial companies will accelerate **partnering initiatives** to link OT and IT partners, with many launching formal partner programs to do this.

8. Solutions Become Central to Customer Success

By end of 2019, new ecosystem solution architectures emerge

- Solutions gain favor as companies realize greater **options**, but struggle to understand and envision **business impact** of emerging technologies and digital transformation.
- By the end of 2018 up to **25%** of channel partners will have a **modular, reusable, solution architecture** that allows rapid and profitable delivery of bespoke, outcome based solutions for their targeted customers.
- Vendor offerings will increasingly become **modular** so partners can more effectively deploy elements without paying for more than is being used.
- New KPIs and success measurements will be adopted as C suite seek new ways to evaluate business impact results of technology.



9. M&A Activity Will Surge in the Channel

Over the next 36 months, there will be a surge in acquisitive activity fundamentally altering the channel landscape

- This will be characterized by 1) **vendors** acquiring partners; 2) **partners** buying other partners, particularly specialist partners; and 3) both vendor and partners acquiring innovative **startups.**
- Vendors will increasingly acquire from their **partner or alliance community**, as they look to bolster their industry- and technology-specific offerings and cloud capabilities.
- Similar M&A activity will be echoed in the **P2P** space, as partners which have worked together in this way in the past, decide to take this further through merger and/or acquisition.
- Many **innovative startups** that have come through incubators, vendor startup programs and those partnering with global systems integrators and consulting firms, will be acquired – particularly those with strong industry solution offerings, cloud-native capabilities, AI and enhanced security capabilities.

Thank You!   Any Questions?

IDC Channels & Alliances

Program VP Channels & Alliances

Steve White
swhite@idc.com
@whiterope

Software Channels Research

Paul Edwards
Research Director
pedwards@idc.com
@pauledwards_idc

Infrastructure Channels Research

Pam Miller
Research Director
pmiller@idc.com
@pamelamil

Strategic Alliances Research

Chris Webber
Research Director
cwebber@idc.com
@CCW34654364

X-Partnering Research & Data

Brendan Rouse
Research Analyst
brouse@idc.com

Partnering Custom Research

Daniel O’Boyle Kelly
Consulting Director
dobk@idc.com

European Channels and Alliances

Margaret Adam
Program Director
madam@idc.com
@madam_idc

Hannah Breeze
Sr Research Analyst
hbreeze@idc.com
@hkbreeze

APeJ Channels and Alliances

Chris Morris
Vice President, IDC Asia/Pacific
cmorris@idc.com