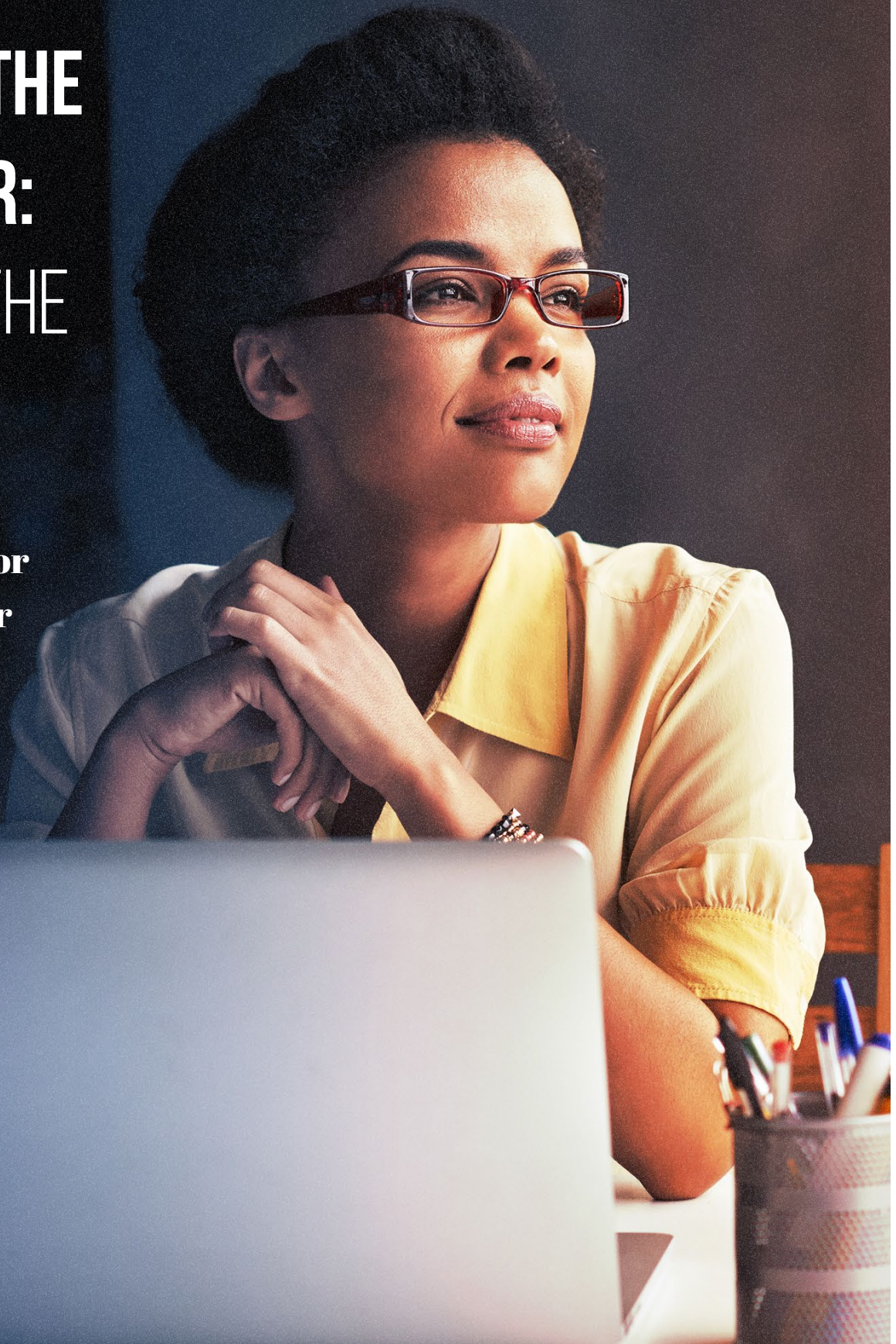


Westcon  Comstor

  
**VOICE OF THE CUSTOMER**

# VOICE OF THE CUSTOMER: CLOUD IN THE CHANNEL

**Analysis of  
Westcon-Comstor  
Channel Partner  
Cloud Maturity  
Survey**

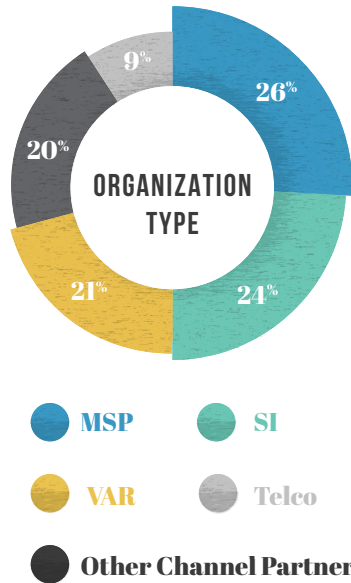




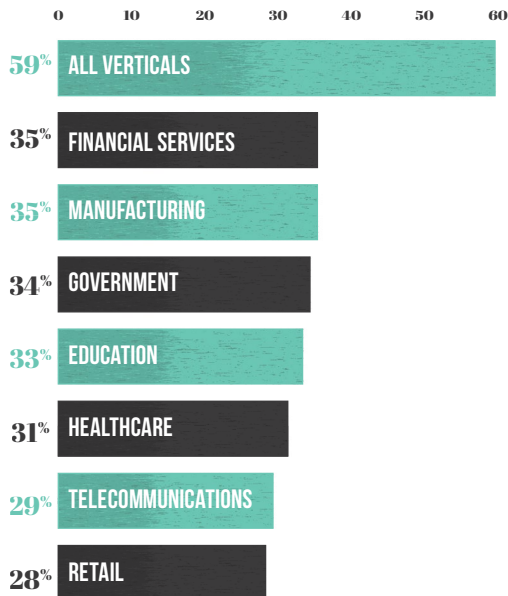
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## SURVEY DEMOGRAPHICS



## VERTICALS SERVED



# EXECUTIVE SUMMARY

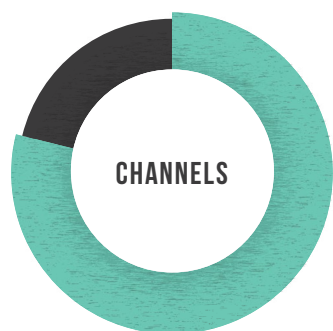
Westcon-Comstor conducted a global Cloud in the Channel survey of 522 Managed Service Providers (MSPs), Value-Added Resellers (VARs), Systems Integrators (SIs), Telecommunication Providers (Telcos) and other channel partners, to better understand cloud adoption drivers, challenges, gaps and the relative maturity of the channel. The following report highlights key findings from our survey results.

Respondents were not limited to Westcon-Comstor customers; all channel partners were invited to participate. Survey respondents reported that they serve customers across a wide variety of vertical industries, company sizes and regions around the world. As such, in some sections of the report, our findings have been generalized to a worldwide view to highlight larger market trends, while other findings are focused on identifying unique trends within specific demographics.

### Our goal in producing this study is to help channel partners:

- Better understand cloud markets and customer buying trends and preferences
- Benchmark their cloud readiness against other channel partners
- Identify common challenges in moving to cloud and how to overcome them
- Examine and understand how to develop key capabilities required to succeed in the cloud

## SURVEY DEMOGRAPHICS

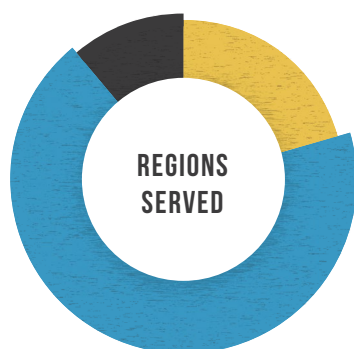


79%

Buy cloud services  
through one or  
more distributors

21%

Buy cloud services  
direct



68%

Serve a single region

21%

Have a global presence

11%

Serve two or more regions

## Key Takeaways

Transformation in the channel is underway and will persist for the foreseeable future.

Cloud-focused channel partners are significantly more likely to report revenue increases than those not selling cloud solutions.

Channel partners are looking ahead at mobility and IoT to help drive digital transformation.

Distributors can help channel partners better foster an ecosystem of vendors and other channel partners to address technical and business challenges on the digital transformation journey.

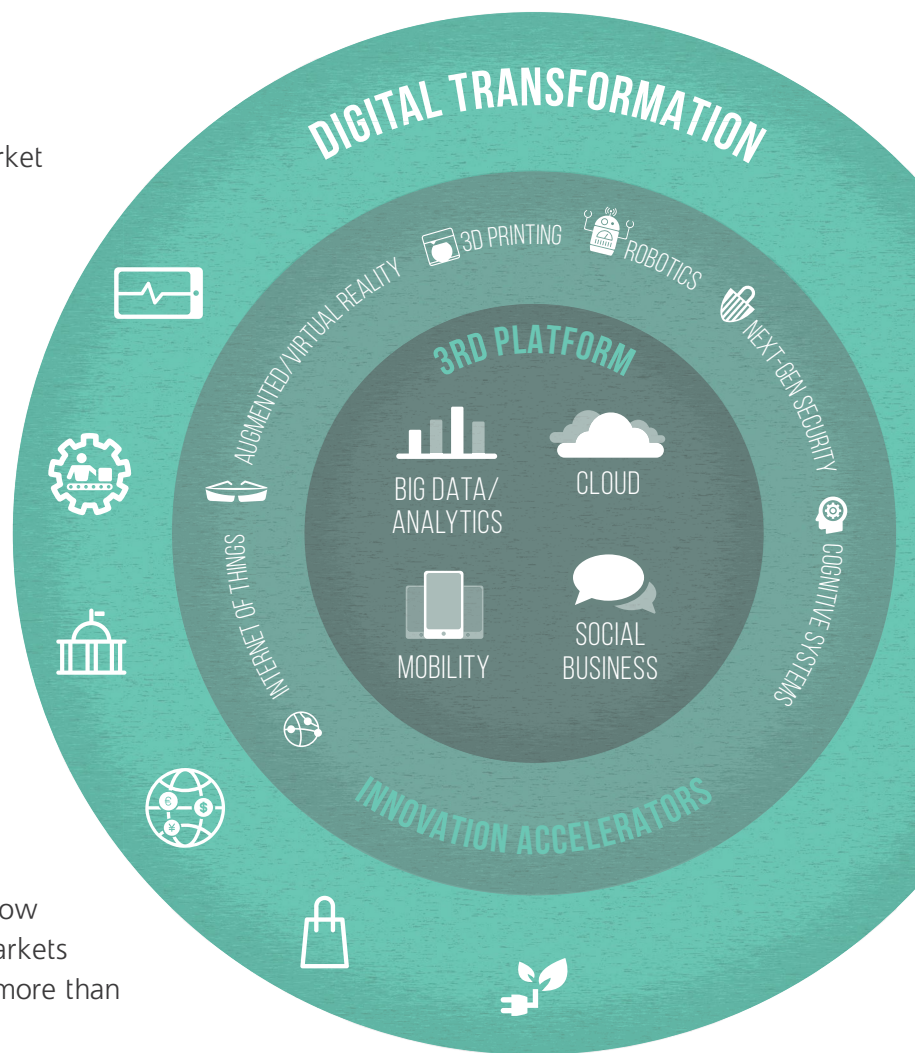
End customers, regardless of size, region or vertical industry, cite cost and agility as primary drivers for cloud adoption and seek cloud solutions, not just point products.

# WHY CLOUD?

End customers — regardless of region, vertical market or company size — are rapidly adopting cloud to lower IT management costs, improve IT agility and scalability, and accelerate their speed to market while shifting IT cost from predominantly CapEx to predominantly OpEx. In fact, IDC stated that “70% of CIOs embraced a cloud-first strategy in 2016”,<sup>1</sup> underscoring just how overwhelmingly end customers are prioritizing cloud over traditional technology solutions. Westcon-Comstor’s survey analysis shows similar adoption trends; over 95% of the channel partners surveyed by Westcon-Comstor indicated that at least some of their end customers are already exploring cloud.

According to IDC market analysis, the “total IT market will grow at only a compound annual growth rate (CAGR) of 5.2% from 2015 to 2020, while the public cloud (SaaS, PaaS and IaaS) will grow at a CAGR of 21.5%”.<sup>2</sup> This means that while IT markets in general may continue to grow, cloud will grow more than four times faster than the total market.

Not only are end customers embracing cloud, but cloud is elemental to IDC’s 3rd Platform, which includes cloud, big data and analytics, social, and mobile technologies that underpin digital transformation opportunities and serve as foundational building blocks for innovation accelerators like IoT, next-gen security, networking and UCC, as well as industry-disrupting vertical solutions. In other words, channel partners will need to be able to leverage cloud IaaS, PaaS and SaaS technologies not only to address current cloud opportunities, but also to build compelling solutions for emerging opportunities like IoT, next-gen security, networking and UCC. To compete in the fastest growing markets, channel partners must address cloud.



## IDC'S 3RD PLATFORM

1 IDC. (2015). *Partner of the Future: 10 Transformations IT Solution Providers Must Make*, IDC #US40585015. Framingham, MA: IDC.

2 IDC. (2016). Part 1: The Booming Cloud Opportunity. In IDC, *The Modern Microsoft Partner Series What Solution Providers Need to Know to Thrive in the Cloud and Beyond* (Vol. 1, p. 28). Framingham, MA: IDC, sponsored by Microsoft.

All IT spending growth, and virtually all strategic new digital transformation initiatives of enterprises, are being built on 3rd Platform technologies and solutions per IDC. The 2nd Platform (client/server and LAN-based technology) is declining at a CAGR of 4.8%, while 3rd Platform is growing at 12.7%, and innovation accelerators are growing at 17.2 % for an overall IT CAGR of 5.2% for 2015–2020.<sup>3</sup> Public IT cloud services revenue will reach \$240 billion by 2019, with a CAGR of 21.5%. In 2020, public IT cloud services will account for 58% of the \$355 billion combined spending on traditional plus public cloud applications, development and deployment tools, infrastructure software, storage and servers.

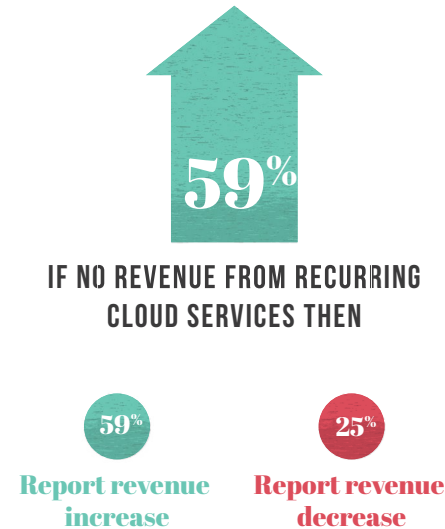
IDC believes that two-thirds of the CEOs of Global 2000 enterprises

**TIP: Adding cloud services to your portfolio could have a demonstrable, positive impact on your business.**

will have digital transformation at the center of their corporate strategy by the end of 2017, and that organizations’ IT spending for 3rd Platform technologies, solutions and services will rise from more than 50% in 2017 to over 60% by 2020.

Further, Westcon–Comstor’s survey analysis indicates that cloud has a demonstrable, positive impact on channel partner business. While the majority (67%) of channel partners overall reported an increase in revenue, cloud-focused channel partners were significantly more likely to report revenue increases than those not selling cloud solutions. Our analysis shows that 77% of organizations deriving 40% or more of their revenue from recurring cloud services reported an increase in revenue, whereas only 59% of organizations with no cloud revenue reported an increase in revenue. In other words, channel partners deriving 40% or more of their revenue from cloud are more likely to report an overall increase in revenue. Likewise, 25% of organizations with no cloud revenue reported a decrease in revenue versus only 5% of those organizations deriving 40% or more of their revenue from recurring cloud services. Cloud focus is a key indicator of long-term revenue growth and continued viability in the channel.

CHANNEL PARTNERS INVESTING IN CLOUD ARE MORE LIKELY TO REPORT REVENUE GROWTH



3 IDC’s Worldwide Black Book, Version 3.2, 2016

**TIP: Determine where you are today and prioritize a few of the transformations to pursue right away based on the key capabilities highlighted in this report.**

**IDC: “The fact is, maintaining the status quo will be a failing strategy for IT solution providers.”<sup>4</sup>**

# WHAT WILL IT TAKE TO SUCCEED IN THE CLOUD?

Capitalizing on cloud revenue opportunities requires more than just onboarding a few new vendors. To win in the cloud, channel partners must transform the way they do business, by shifting investments to 3rd Platform technologies and narrowing their focus to specialize in solutions for one or more specific markets (vertical, functional, demographic, technology). Channel partners must also develop new capabilities, including new sales models, an expanded ecosystem of vendors and partners tailored to support cloud solution bundles, and new value-added services which may include their own intellectual property (IP). IDC has outlined 10 key transformations channel partners must undergo to become a “partner of the future”, summarized in the table below. The ensuing sections of this report describe where channel partners find themselves today, and where they will need to go tomorrow in order to transform the way they do business to continue to be a relevant partner in the future.

## IDC'S KEY AREAS OF TRANSFORMATION TO BECOME A “PARTNER OF THE FUTURE”

	PAST	FUTURE
Technology	2nd Platform	3rd Platform
Focus	Broad, horizontal	Specialized
Customer	IT	Business and IT
Sales motion	Upfront deal	Ongoing relationship
Time horizon	Short term	Long term
Marketing	Traditional	Digital
Activities	Resale, Professional services, Services	Services, Managed services, Creating IP
Competition	Traditional	Nontraditional
Partner to Partner	Do it ourselves	Partner collaboration
Competitive advantage	Comfortable advantage	Transient advantage

<sup>4</sup> IDC, 2015



# CHANNEL LANDSCAPE: WHERE PARTNERS FIND THEMSELVES TODAY

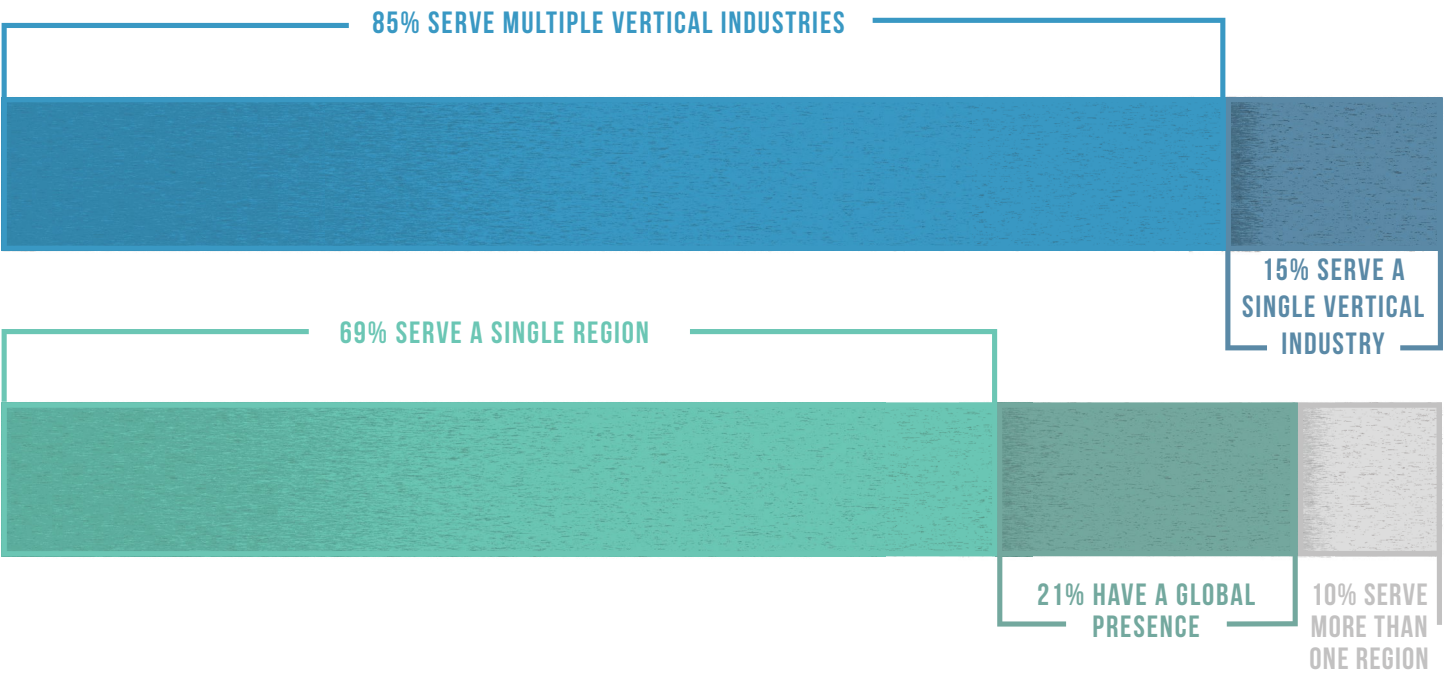
Cloud is a competitive arena with both legacy and born-in-the-cloud vendors and solution providers fighting for market share. In addition, IDC research indicates that “3rd Platform (including cloud) is blurring the lines of longstanding, predictable categories such as VAR

**TIP: In order to compete, channel partners must specialize, demonstrating expertise and deep domain knowledge by developing targeted solutions for each of the specific company sizes, verticals and regions they serve.**

or systems integrator”, forcing channel partners to reevaluate their strategy and what activities they take part in (resale, services, product development) so they can differentiate and be competitive in the cloud market.<sup>5</sup>

Our survey results show that channel partners serve companies of all sizes in a variety of verticals around the world. Looking more closely at the data, we found that most channel partners (69%) serve a single region, with a vast majority of those partners (85%) selling products and services to multiple verticals. IDC research suggests that technology generalists may flounder in the cloud; end customers are increasingly turning to those partners who have distinguished themselves as a “master in a technology, a vertical or a business process, often regardless of their geography”.<sup>6</sup> For this reason, channel partners must begin their cloud transformation journey by analyzing their current customer successes to understand what elements of their solution created that success. Partners often find that by doing this, they identify unique capabilities that they can leverage with other similar customers.

## TODAY’S LANDSCAPE



<sup>5</sup> IDC (2015). *3rd Platform Ecosystems: Foundational Structures and Business Models* (IDC #259662). Framingham, MA: IDC.

<sup>6</sup> IDC’s *Worldwide Black Book*, Version 2, 2015



# Buying Patterns

Our analysis also revealed some notable differences between partner types in terms of cloud maturity and revenue, vertical cloud orientation, and buying patterns:

## Managed Service Providers

We found that MSPs were more likely to have invested in cloud capabilities, such as a cloud-focused sales compensation plan and unified billing platform, and were also more likely to report that 40% or more of their revenue came from cloud services. MSPs are also more likely to specialize in financial services, have a global reach and report the lack of vendor relationships as a significant challenge.

## Value-Added Resellers

VARs, on the other hand, were most likely to indicate that cloud was not a part of their business, were most likely to report no revenue from cloud services and an overall decrease in revenue, and were least likely to sell cloud solution bundles. VARs are also more likely to specialize in healthcare, indicate that wireless/mobility represents a significant revenue and serve a single region.

## Systems Integrators

SIs typically fell somewhere in between VARs and MSPs in terms of cloud focus, cloud capability maturity, revenue and margin from cloud. SIs are also more likely to specialize in manufacturing, indicate that traditional (2nd Platform) technologies are a significant revenue source, and serve large and enterprise-size organizations.

## Telcos

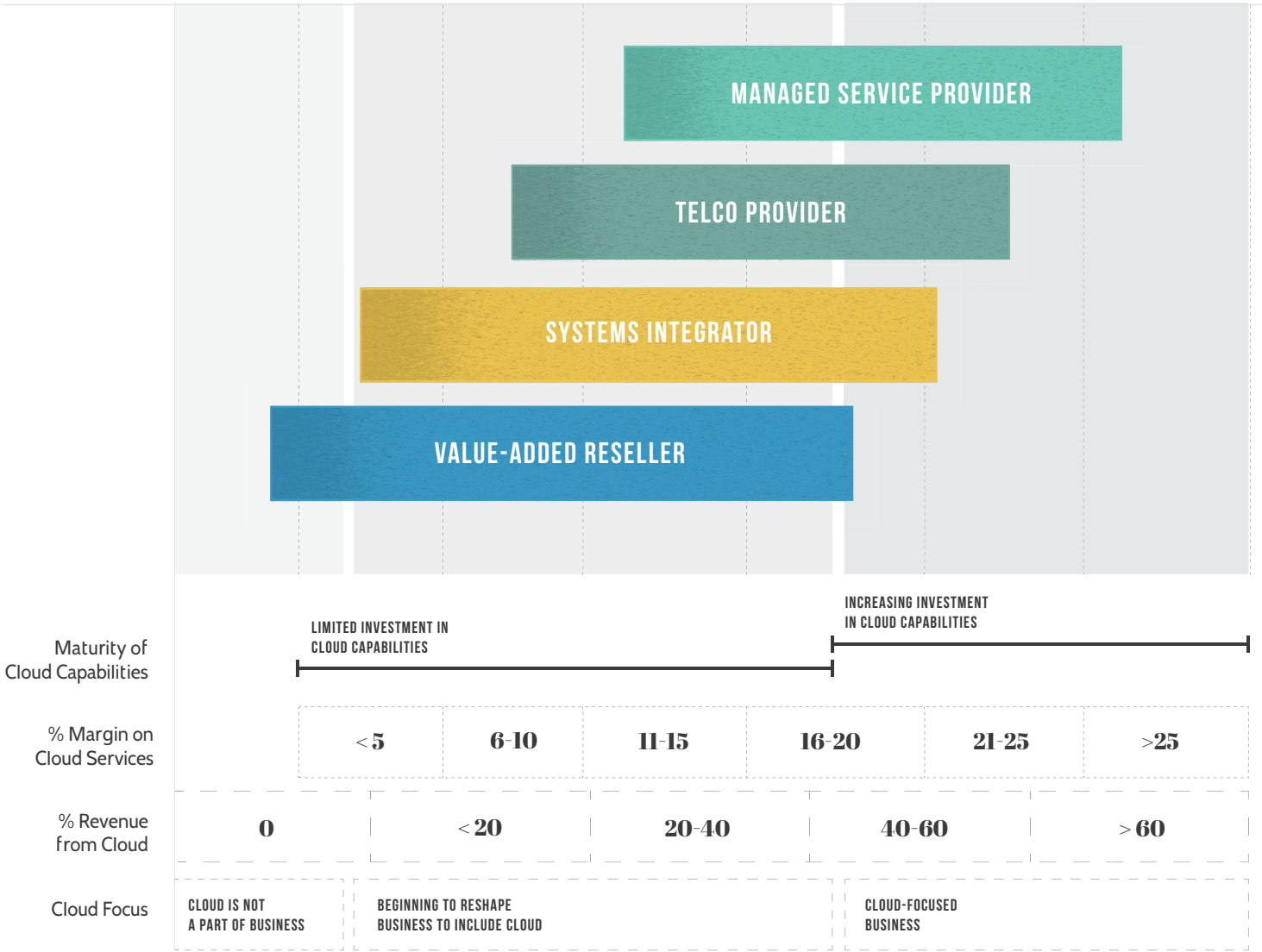
Like SIs, Telcos generally fell in between MSPs and VARs in terms of overall cloud focus and maturity as well as revenue and margin from cloud. Telcos reported challenges and drivers for pursuing cloud similar to those of other partners. Notably, Telcos were slightly more likely to prefer UCC-plus bundles as well as UCaaS and VCaaS solutions over other partners.

## Managed Service Providers and Telcos

MSPs and Telcos are most likely to buy cloud services directly rather than working with a distributor.

Although our survey analysis reveals that most channel partners have not yet developed all the capabilities they will need to succeed in the cloud, cloud maturity does vary by partner type: MSPs are generally further along the transformation journey, whereas VARs tend to be less cloud focused.

CLOUD MATURITY BREAKDOWN



VARs ARE THE LEAST LIKELY TO REPORT CLOUD REVENUE

- Most likely to report a decrease in revenue
- Most likely to report cloud is not part of business
- Most likely to report no cloud revenue

MSPs ARE THE MOST LIKELY TO REPORT CLOUD REVENUE

- Most likely to provide specialized cloud solution bundles
- Most likely to have unified billing platform
- Most likely to have recurring cloud-focused sales compensation plan

## ALL RESPONDANTS

60%

OF CHANNEL PARTNERS ARE AT  
THE BEGINNING PHASES OF  
CLOUD TRANSFORMATION

59%

DO NOT YET HAVE A MONTHLY  
SALES COMPENSATION PLAN FOR  
CLOUD

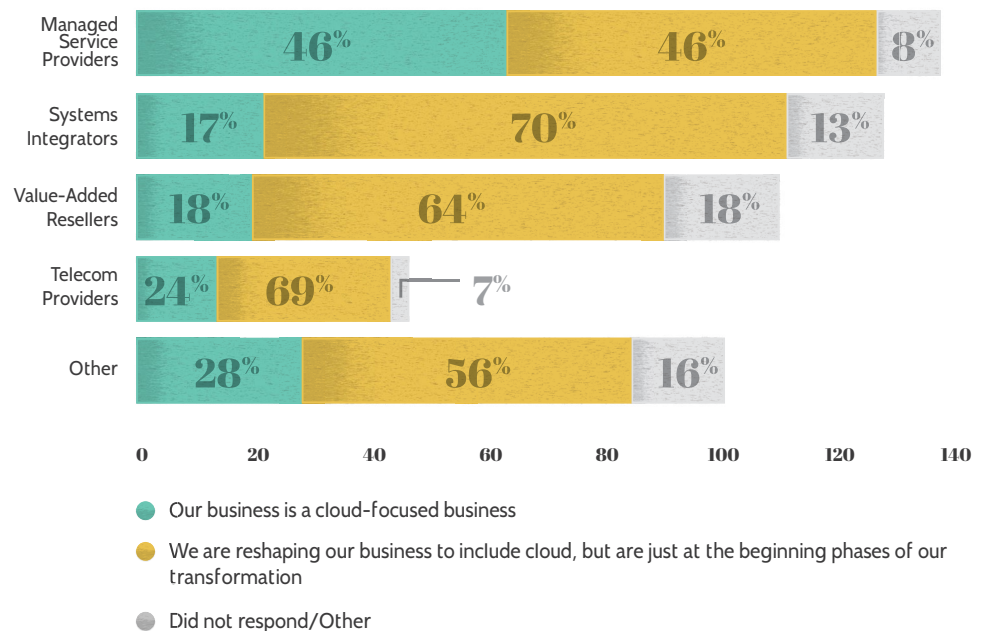
49%

ARE IMPLEMENTING PLANS TO  
INCREASE CLOUD SALES

## Just Getting Started

While stage of digital transformation varies by partner type, most channel partners are just beginning to reshape their business. In fact, 60% of channel partners indicate that they are only at the beginning phases of cloud transformation.

### CLOUD TRANSFORMATION BY CHANNEL PARTNER TYPE





## Work in Progress

Overall, transformation is very much a “work in progress” for channel partners:

12%

report that 40% or more of their revenue comes from recurring cloud services.

21%

report no revenue from recurring cloud services.

59%

report that they do not yet have a cloud-focused sales compensation plan.

44%

report that less than 20% of their revenue comes from recurring cloud services.

41%

do not yet offer cloud solution bundles.

Although most channel partners report limited cloud revenue and relatively immature cloud capabilities, 49% of channel partners indicate that they are implementing plans to substantially increase cloud sales in the next one to two years. What this suggests is that although many

channel partners see the value in moving to cloud, they currently lack the resources and capabilities to capitalize on the cloud opportunity.

Throughout the remainder of the report, we will highlight strategies you can adopt to accelerate your transformation, such as partnering with a value-added distributor, like Westcon-Comstor, to rapidly scale your cloud capabilities.

**TIP: Work with a value-added distributor, like Westcon-Comstor, to rapidly scale.**

# Transformation Challenges

As they transform their businesses, channel partners report that they are facing technical, business, financial and ecosystem-related challenges in developing the capabilities they need to successfully move to cloud. When we asked channel partners to describe their top challenges, as well as current cloud resources and capabilities, several gaps became apparent.

## TOP RESOURCE CHALLENGES INCLUDE:

- Lack of technical resources
- Lack of vendor relationships
- Lack of a cloud solutions architect

## TOP CAPABILITY GAPS INCLUDE:

- Lack of a unified billing platform
- Lack of business model understanding
- Lack of cloud-focused sales compensation plans
- Lack of cash flow to move to cloud

Notably, we asked channel partners whether they have resources to support cloud including architects and support personnel, and when responses were correlated against questions about challenges in moving to cloud, we found that they still frequently report significant resource challenges. In other words, channel partners may have technical roles filled, but they are still struggling to execute on their cloud strategies.

**IDC: “It’s a complex, competitive environment out there. The way to succeed is to define your own piece of the market and be the best possible solution provider in that niche.”<sup>7</sup>**

7 IDC. (2016). Part 2: Differentiate to Stand Out. In IDC, The Modern Microsoft Partner Series: What Solution Providers Need to Know to Thrive in the Cloud and Beyond (Vol. 3, p. 34). Framingham, MA: An IDC eBook, Sponsored by Microsoft.

# TO SUCCEED: SPECIALIZE AND FOCUS ON SELLING VALUE

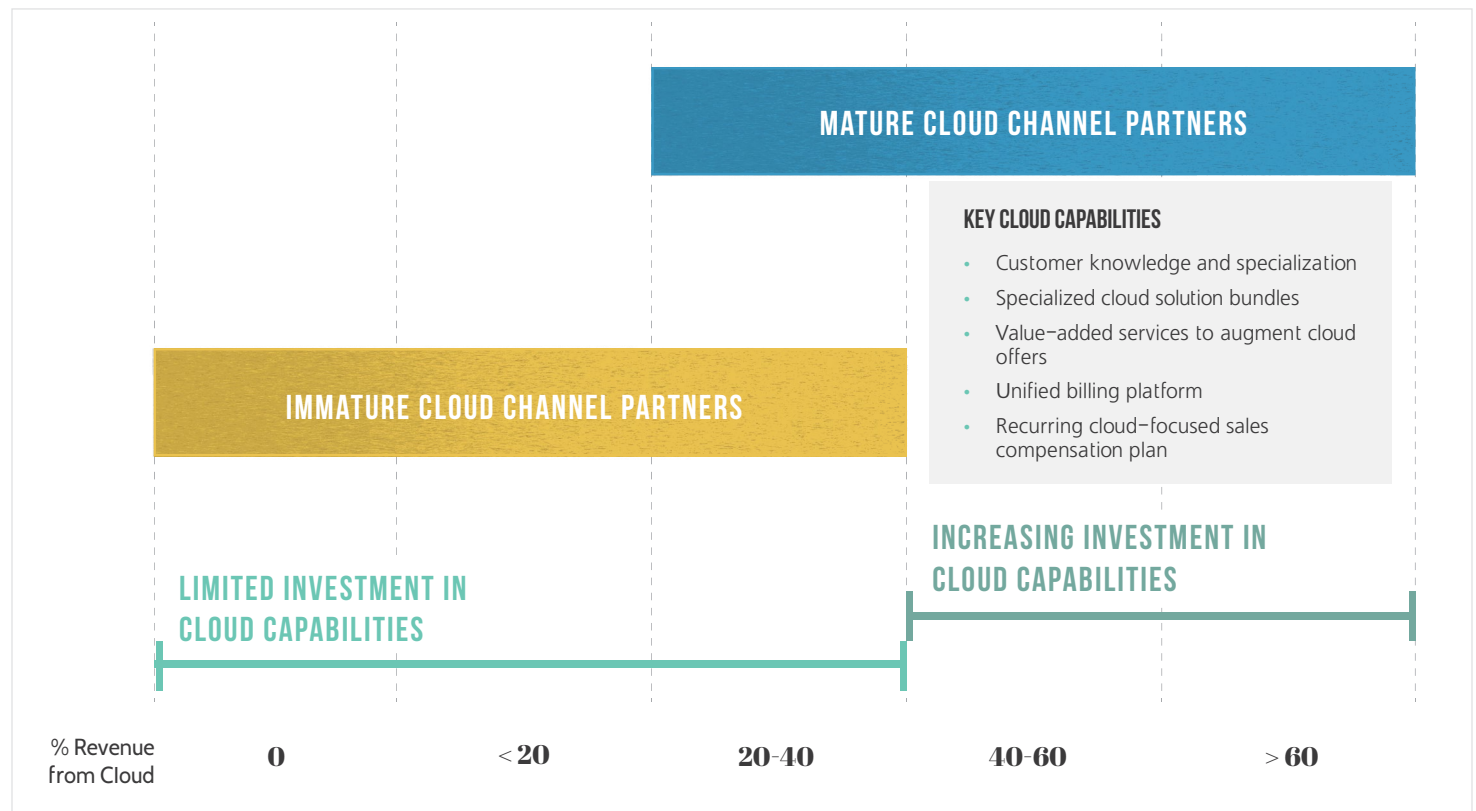
As IDC research corroborates, to succeed in the cloud requires more than the right technology. Channel partners must develop several strategies, including focused cloud solutions to appeal to Line of Business (LOB) and IT buyers, new sales models and marketing tactics, and value-added services and ecosystem

relationships to augment cloud offerings, go-to-market and secure recurring cloud business.

A mature, cloud-ready partner has invested in several key capabilities, described in the table below. Key cloud capabilities include:

- Cloud-focused sales compensation plan and team structure
- Deep customer knowledge and specialization
- Specialized cloud solution bundles
- Focus on lifetime value to customers
- Sales and marketing for cloud
- Value-added services to augment cloud offers and secure recurring business

## PROFILE OF A CLOUD-READY PARTNER





# Cloud Transformation Strategies

Channel partners are adopting multi-faceted strategies to transform their businesses. Because long-term success in the cloud depends on knowing your customers, an emphasis on value creation through services above and beyond product sales, and access to a strong ecosystem of vendors and partners, is key. Frequently cited strategies include building bundled cloud solutions, developing new cloud managed services, investing in new vendor relationships

and leveraging distributors with cloud practices to rapidly scale cloud portfolio and capabilities.

Many channel partners (32%) also indicate that they still need help formulating or refining their cloud business strategies. The following sections will outline some of the strategies channel partners can leverage to overcome challenges, develop cloud capabilities and ultimately increase cloud revenue.

52%



**BUNDLING CLOUD SOLUTIONS**

50%



**NEW CLOUD MANAGED SERVICES**

45%



**NEW VENDOR RELATIONSHIPS**

38%



**LEVERAGING DISTRIBUTOR WITH  
CLOUD PRACTICES**

**TIP: Work with a value-added distributor, like Westcon-Comstor, to find the cloud strategy that works best for your business.**

# TO SUCCEED: SPECIALIZE AND FOCUS ON THE VALUE OF KNOWING YOUR CUSTOMER

Cloud challenges channel partners to move from a product-centric, resale mindset to a value-centric, recurring services mindset, driving them to refocus and specialize in customer outcomes for the unique customers they serve. According to IDC, this shift is necessary because so many cloud purchasing decisions are now made with input from the business — “in 2016, LOB buyers were involved in 80% of IT investment decisions” — tailoring cloud solutions to address business challenges and marketing the value of

those solutions to appeal to business buyers can make the difference between success and failure.<sup>9</sup>

**“Successful partners will be known for something. They will be masters in a technology, a vertical or a business process, often regardless of their geography.”<sup>8</sup>**

## Cloud Adoption Drivers

Knowing your customer is critical to success in the cloud and that begins with an understanding of why end customers are

moving to cloud in the first place. Across the board, channel partners overwhelmingly indicate that lower IT management costs (69%) and improved IT agility (56%) are the primary drivers for end customers moving to cloud, followed by speed to market for new services (50%), enhanced IT scalability (48%) and the ability to shift from CapEx to OpEx (48%).

Getting to know end customers’ underlying motivations for moving to cloud can help channel partners identify not only the right cloud offers to sell, but also the right way to translate those offers into complete solutions that deliver real value for customers. Channel partners must also strive to ensure that as they sell cloud, they focus on building long-term, value-driven relationships with their customers, underpinned by in-depth knowledge of those customers’ drivers for adopting cloud.

<sup>8</sup> IDC. (2016). Part 1: The Booming Cloud Opportunity. In IDC, The Modern Microsoft Partner Series What Solution Providers Need to Know to Thrive in the Cloud and Beyond (Vol. 1, p. 28). Framingham, MA: IDC, sponsored by Microsoft.

<sup>9</sup> Bibby, D. (2015). Partner of the Future: 10 Transformations IT Solution Providers Must Make, IDC #US40585015. Framingham, MA: IDC.

## CLOUD VENDOR SELECTION CRITERIA



TECHNICAL SUPPORT  
**65%**



PRICE  
**61%**



REPUTATION  
**53%**



PORTFOLIO OF CLOUD  
SERVICES OFFERING  
**46%**



IT EXPERTISE  
**45%**



OFFERS BOTH PUBLIC &  
PRIVATE CLOUD SERVICES  
**36%**

Understanding what end customers value when working with a cloud vendor can also help channel partners prioritize those qualities in their vendor selection criteria. Vendor selection is particularly critical for cloud, where end customers are signing up for what may be a long-term, ongoing relationship with a vendor that they will need to trust to deliver consistent value over time.

When choosing cloud vendors, trust and price are key for end customers. Westcon-Comstor's analysis shows that for most organizations, the three most important factors when selecting a cloud vendor are reliability (75%), technical support (65%) and price (61%). Channel partners should emphasize these criteria when initially onboarding vendors and when working with vendors to provide ongoing support for recurring cloud services.

It is important to note, however, that cloud adoption drivers and vendor selection criteria do vary by vertical industry, company size and region served. To enhance the value proposition of their cloud solutions and sell the value of those solutions to LOB and IT buyers, channel partners need to understand the specific motivators for the key markets they serve.



## Vertical, Company Size and Regional Considerations

End-customer cloud adoption drivers and vendor selection criteria vary by vertical industry, company size and region. The following section calls out notable trends identified within our survey analysis.

---

### FOCUS ON VERTICAL INDUSTRIES

#### Vendor Selection Criteria

Understanding the vertical's unique needs so an efficient, quick start and launch are possible.

Reliability cited as primary vendor selection factor regardless of vertical industry.

Technical support is a key vendor selection filter when targeting specific verticals (financial services, manufacturing, government, etc.).

Price is a key vendor selection consideration for organizations providing horizontal solutions that apply to any industry.

### FOCUS ON BUSINESS

#### FUNCTION<sup>10</sup>

(MARKETING, FINANCE, HR, ETC.)

#### Vendor Selection Criteria

Understanding the unique needs of that function, so quick start and launch are possible.

Reliability cited as primary vendor selection factor regardless of function.

Technical support is a key vendor selection filter when targeting specific functions.

Price is a key vendor selection consideration for organizations providing horizontal solutions that apply to any industry.

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<sup>10</sup> "Focus on Business Function" findings courtesy of IDC.

**“The real value comes from IP or expertise in an industry, vertical or business process.”<sup>11</sup>**

## FOCUS ON REGION

### Cloud Adoption Drivers

For most regions, cost is a primary driver for cloud adoption.

IT agility and scalability are primary drivers for cloud adoption in APAC (Asia, Australia and New Zealand).

### Vendor Selection Criteria

Reliability is cited as a primary vendor selection factor for most regions, including North America.

Vendor reputation is key in Latin America.

## FOCUS ON COMPANY SIZE

### Cloud Adoption Drivers

Price is a key cloud adoption driver regardless of organization size.

Speed to market for new services becomes a more significant driver as organizations grow larger, particularly for enterprise-sized organizations.

### Vendor Selection Criteria

Reliability is cited as a primary vendor selection factor regardless of company size.

Price is a major factor for SMBs.

Technical support is a key consideration for enterprises.

<sup>11</sup> IDC. (2016). Part 2: Differentiate to Stand Out. In IDC, *The Modern Microsoft Partner Series: What Solution Providers Need to Know to Thrive in the Cloud and Beyond* (Vol. 3, p. 34). Farmingham, MA: An IDC eBook, Sponsored by Microsoft.

# End Customers Seek Solutions, Not Products

As end customers begin to leverage cloud for more and more of their business-critical production workloads, they look to channel partners for cloud solutions, not simply point products. End customers are seeking a backup and recovery solution rather than just a redundant server, or a ready-to-use IaaS solution rather than another physical server to be configured. Top desired cloud solutions include backup and recovery, IaaS, SaaS and managed services for cloud.

**TIP: Think solutions, not products.**

Taking it one step further, channel partners are in a unique position to put together compelling cloud solution bundles with widespread appeal to LOB and IT buyers seeking comprehensive solution packages like IaaS plus storage, backup, disaster recovery and security. Overall, IaaS-plus, office productivity and unified communications-plus bundles hold the most appeal for channel partners.

As channel partners develop cloud solutions and bundles, they must continue to focus on the inherent lifetime value those solutions deliver to end customers — like aligning unique industry drivers, cost savings, efficiency, entry into new markets, scale, etc. — to convincingly market the solutions to both LOB and IT buyers and

retain their business over the long term. Per IDC, a solution that has worked for many partners is for the partner and the customer to agree up front what value the customer expects to receive from its purchase, then to provide the customer frequent and regular reports that demonstrate the delivery of that value.

The good news is that 59% of channel partners surveyed have already started to sell cloud bundles to their end customers; however, just as cloud adoption drivers and vendor selection criteria vary by customer type, so do desired cloud solution bundles. To succeed, channel partners must tailor cloud solutions to address the specific needs of the vertical and regional markets they serve.

**TIP: To succeed in the cloud, channel partners should focus on selling lifetime value.**

For example, medical offices can leverage a cloud-based solution that automates patient registration, appointment scheduling as well as medical billing and claims processing to reduce time and money spent on administrative tasks.

## KEY CLOUD SOLUTION BUNDLES

80%

**IaaS + STORAGE, BACKUP,  
DISASTER RECOVERY AND/OR  
SECURITY**

62%

**OFFICE PRODUCTIVITY  
(EMAIL, CALENDAR, ETC.) +  
SECURITY**

53%

**UNIFIED COMMUNICATIONS +  
DEVICES + CONFIGURATION  
SERVICES**

# Vertical and Regional Cloud Solution Considerations

The cloud offers and solution bundles end customers desire vary by vertical industry, company size and region. The following section calls out notable trends identified within Westcon-Comstor survey analysis and independent IDC analysis. Channel partners can use these trends to better understand the specific demographics they serve and prioritize investment in those solutions of most interest to their target demographics.

## FOCUS ON VERTICAL INDUSTRIES

### Desired cloud solutions

Backup and recovery is a top cloud offer regardless of vertical industry served.

IaaS is a key cloud offer for financial services.

### Desired solution bundles

IaaS-plus bundles are most popular regardless of vertical industry.

## FOCUS ON BUSINESS FUNCTION<sup>12</sup>

### Desired cloud solutions

Bundles are function specific (human capital management, marketing automation, etc.).

Depending on the function, other cloud products and services may be needed.

IaaS is a key cloud offer for development and marketing.

### Desired solution bundles

IaaS-plus bundles are most popular regardless of business function.

## FOCUS ON REGION

### Desired cloud solutions

In Western Europe and North America, IaaS offers are of equal or nearly equal importance to backup and recovery.

For organizations selling solutions globally, Unified Communications as a Service (UCaaS) is a key cloud offer.

### Desired solution bundles

UCC-plus bundles are the preferred solution for those organizations selling globally.

IaaS-plus bundles are the clear preference within individual regions, particularly North America, Western Europe and Latin America.

<sup>12</sup> "Focus on Business Function" findings courtesy of IDC.



# TO SUCCEED: DEVELOP NEW CAPABILITIES

Because the cloud necessitates changes to traditional channel business models, only 9% of channel partners indicate that they are cloud ready and don't need any help transforming their businesses. The majority of channel partners need help and are looking to distribution partners, like Westcon-Comstor, for enablement programs to transform their businesses. What follows is a description of the new capabilities channel partners will need to develop, with help from partners like Westcon-Comstor, to succeed in the cloud.

## Cloud Solution Portfolio

At the heart of an effective cloud strategy is a strong portfolio of comprehensive solutions supported by a strong ecosystem of vendors. A successful cloud portfolio features the right mix of appealing cloud offers and well-packaged cloud bundles from trusted vendors at the right price point.

### Core features of a successful cloud portfolio include:

#### **The right cloud offers:**

- Backup and recovery
- IaaS
- SaaS
- Managed services

#### **Vendors with the right qualities:**

- Reliability
- Technical support
- Price

#### **The right cloud bundles:**

- IaaS + storage, backup, disaster recovery and/or security
- Office productivity (email, calendar, etc.) + security
- Unified communications + devices + configuration services

**TIP: Think solution bundles supported by strong vendors and value-added services when packaging cloud offers.**

**“Cloud, in particular, is the biggest disruptor for IT vendors and their business partners alike because of the business-model changes it often requires.”<sup>13</sup>**

To truly succeed, channel partners' cloud portfolios should go beyond these core features and be tailored to address the specific needs and priorities of their unique customers (see “To Succeed: Specialize and Focus on the Value of Knowing Your Customer”). According to IDC, mature cloud bundles will include the core features (highlighted on page 22) plus additional vertically or functionally focused, market-specific add-on products to appeal to buyers within a given demographic or market. IDC suggests that bundles need to go deeper into the business operations specific to the targeted market, which often involves smaller, third-party applications that are vertically or functionally focused. IDC recommends that partners add more market-specific products to bundles as their maturity increases. This is particularly important when considering SaaS solutions, which can be highly customized by vertical and use case.

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<sup>13</sup> IDC. (2015). Partner of the Future: 10 Transformations IT Solution Providers Must Make, IDC #US40585015. Framingham, MA: IDC.

# New Sales Models and Marketing Strategies

In addition to a strong cloud portfolio, channel partners must develop new sales models and marketing strategies to successfully sell cloud solutions. A sound cloud sales strategy begins with knowing your customers, the solutions they seek and their drivers for cloud adoption. As the excerpted IDC table below demonstrates, it also requires a shift in focus from one-time, up-front deals to building and maintaining long-term relationships with customers.

**“Most cloud partners will agree that you have to separate out the function of the hunters and farmers: one group focused on new acquisitions and one on keeping the customers renewing in perpetuity.”<sup>14</sup>**

## IDC’S DIFFERENCES BETWEEN THE TRADITIONAL SALES MODEL AND CLOUD SALES MODEL <sup>15</sup>

	TRADITIONAL HARDWARE AND SOFTWARE MODEL	CLOUD MODEL
Revenue	One time	Recurring
Revenue recognition	Up front	Over time
Typical up-front deal size	Larger than first-year cloud agreements	Smaller than deals in the traditional model
Typical sales cycle	Longer than cloud agreements	Shorter than software agreements
Billing approach	One-time license	Subscription- or usage-based billing
Sales approach	Get the deal and move on to the next customer	Get the deal and keep the customer for life

**TIP: Focus on building and maintaining long-term relationships with customers.**

14, 15 IDC. (2015). Partner of the Future: 10 Transformations IT Solution Providers Must Make, IDC #US40585015. Farmington, MA: IDC.

Our survey analysis reveals a correlation between investment in cloud sales capabilities — like cloud-focused sales compensation plans and unified billing platforms — and cloud revenue; however, the majority of channel partners have not yet developed these capabilities. In fact, channel partners who have invested in cloud-focused sales capabilities are more likely to report significant cloud revenue; however, only 41% of channel partners have developed a cloud-focused sales compensation plan and only 21% are leveraging a unified billing platform to simplify subscription- or usage-based billing. In addition, 32% of channel partners indicate that they need help with sales training, 31% indicate that they need help with marketing strategies

and tactics and 36% indicate they need help formulating a cloud business strategy for their customers' businesses.

To complement new sales models, channel partners should also focus on new marketing strategies, with an emphasis on digital marketing tailored to the demographics and markets they serve. In its Modern Series developed for Microsoft, IDC outlines several steps channel partners can take to update their marketing; we have included those recommendations below. To rapidly modernize marketing, channel partners can also turn to value-added distributors, like Westcon-Comstor, with extensive cloud marketing capabilities and marketing enablement programs.

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## IDC FIRST STEPS TO MODERNIZE SALES AND MARKETING:<sup>16</sup>

01

Revisit your company differentiation; what makes a customer want to choose you? The market is moving fast so it is worthwhile to review this regularly.

02

Map out the customer journey and develop content to serve your customers at varying stages. Leverage your workforce to gain insights and start to use customer-journey thinking as common language in your business.

03

Clarify your key sales and marketing themes, and engage your workforce in social activities to extend the reach of your messages. Identify initial potential bloggers and social media champions to act as evangelists.

04

Review your digital content. Do you need to update and refresh? Websites tend to get stale fast, so start there as that is where your customers either first visit you or are driven by future activities. Your website needs to represent your DNA.

05

Get professional marketing help — whether by investigating marketing tools or engaging a digital marketing agency. These tools and resources are a way to fast-track your progress.

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<sup>16</sup> IDC. (2016). Part 3: Modernize Sales and Marketing. In IDC, *The Modern Microsoft Partner Series What Solution Providers Need to Know to Thrive in the Cloud and Beyond* (Vol. 3, p. 32). Framingham, MA: IDC, sponsored by Microsoft.



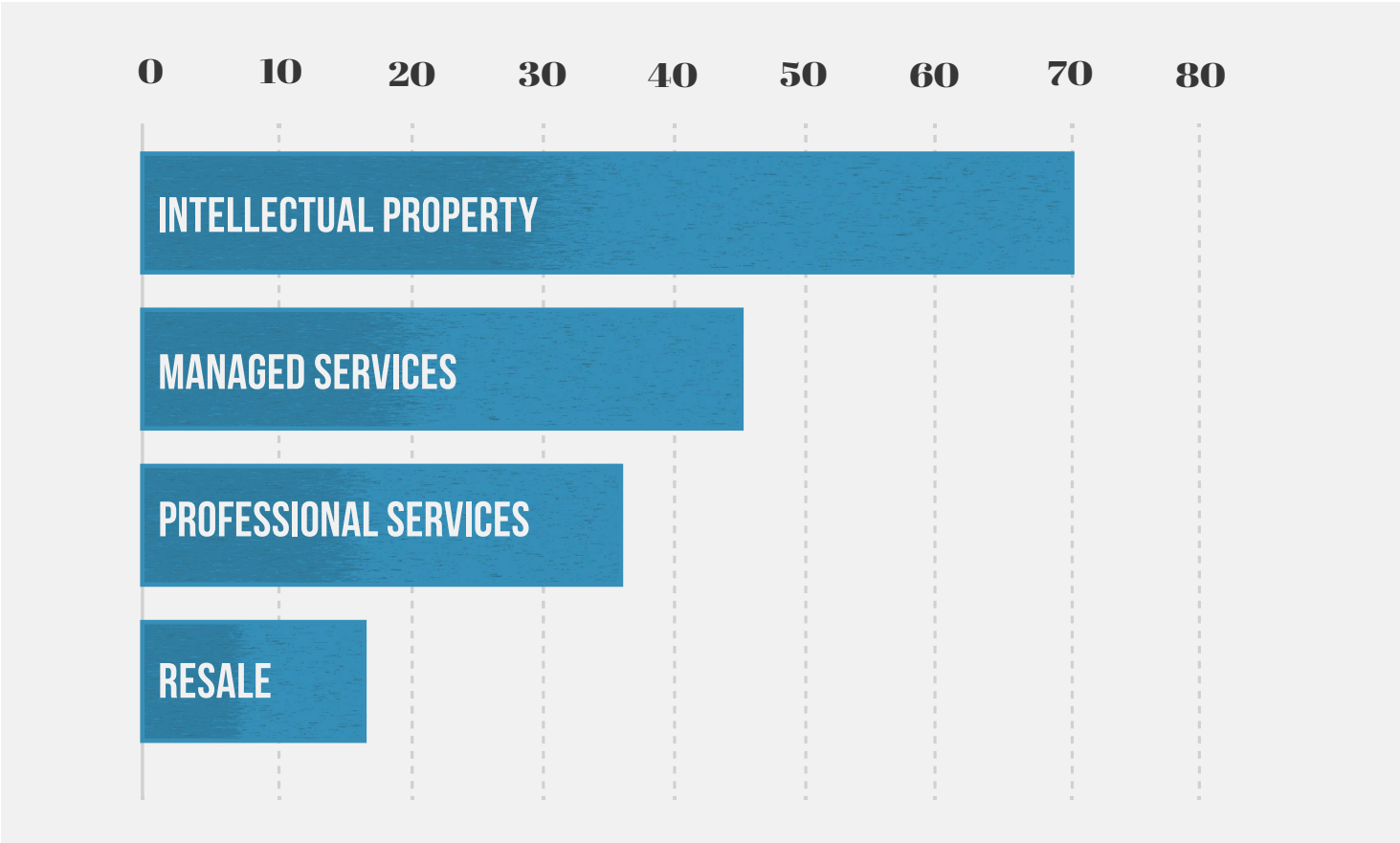
# New Value-Added Services and IP

Finally, channel partners must also invest in new value-added services and IP to augment and support cloud solutions, increase customer satisfaction and long-term retention, and improve their own profit margins. Of the channel partners surveyed, 50% reported that they are already developing new cloud managed services as a key pillar of their cloud transformation strategy. Also, partners that productize those elements of their implementations that are repeated from customer to customer can reuse them to deliver faster and more profitably. Some partners have taken this even further, creating their own products to sell as

part of their bundle. This focus is in-line with analyst recommendations; IDC advises channel partners that gross margin typically increases as partners move from traditional resale activities to professional services to managed services to intellectual property (see chart below).<sup>17</sup>

Developing professional services, managed services and IP will require channel partners to overcome their challenges with in-house expertise (44%) and technical resources (44%), as well as implementation (18%) and support (15%) capabilities.

IDC: GROSS MARGIN: APPROXIMATE PERCENTAGES BY ACTIVITY<sup>18</sup>



<sup>17</sup> IDC (2016, August). Interview with Microsoft Partner Profitability Czar Brent Combest, IDC #US41660016. 14. Framingham, MA: IDC.  
<sup>18</sup> IDC (2015). Partner of the Future: 10 Transformations IT Solution Providers Must Make, IDC #US40585015. Framingham, MA: IDC.

## Unique Cloud Transformation Challenges

While the vast majority of channel partners express a desire for cloud enablement programs to help develop key cloud capabilities, different partner types face unique challenges on their cloud transformation journey:

### MSPs

More likely to report a lack of vendor relationships

### VARs

More likely to report a lack of understanding of cloud business model

### SIs

More likely to report a lack of in-house expertise

### Telcos

More likely to report a lack of technical resources

**TIP: Build relationships with other partners — such as distributors with strong cloud practices, successful cloud vendors and channel partners with complementary capabilities — who can help organizations overcome these challenges by developing training programs, a strong ecosystem of vendor partners and other enablement programs tailored to address the unique challenges their channel partners face.**

# LOOKING AHEAD

Even as they begin to transform their businesses for cloud, channel partners are already looking ahead at mobility and IoT. Thirty-five percent of channel partners indicated that they were investing in wireless/mobility solutions and 25% indicated that they were pursuing IoT opportunities. As one of IDC's four pillars of digital transformation, cloud is a key enabling technology for expansion into emerging technologies. Indeed, many of the same capabilities needed to sell cloud — customer knowledge and specialization, solution bundling, value-added services, new sales and marketing tactics, strong vendor ecosystem — will also position channel partners for success in mobility, IoT and other future 3rd Platform-enabled transformational opportunities.

# NEXT STEPS

There are a few concrete steps channel partners can take to ensure success in the cloud.

01

## Get to know your customers

Work with your customers to better understand the specific use cases driving their adoption of digital business technologies like cloud, mobility and IoT. Translate your insights into targeted cloud solutions and meaningful value statements to sell cloud by addressing the priorities that matter most to your end customers.

02

## Evaluate the maturity of your cloud capabilities

Assess whether or not you have invested in a strong cloud solutions portfolio, new sales models and marketing strategies, and new value-added services and IP for cloud. Create a cloud capabilities roadmap to evolve your capabilities, looking to partners, like Westcon-Comstor, for guidance along the way.

03

## Partner to succeed

Evaluate partnerships with value-added distributors, like Westcon-Comstor, based on strength of enablement programs, solution bundles and vendor ecosystem in order to rapidly scale your cloud capabilities.

04

## Develop cloud solutions

Scale up existing cloud solutions, prioritizing investments in:

- IaaS + cloud management bundles
- SaaS-based office productivity suites
- Unified communications solutions
- Managed services

# HOW WESTCON-COMSTOR CAN HELP YOU ON YOUR CLOUD JOURNEY

At Westcon-Comstor we're committed to helping you capitalize on the global cloud opportunity by enabling your business to grow and thrive. We make the following five cloud promises to you.



**We enable you to thrive in the digital services market.**

## Programs

Capitalize on market trends with go-to-market strategies and tactics that help you attract, activate, enable and retain the best customers.

## Team

Our cloud experts help you uncover opportunities, enter new markets, and build a dynamic and profitable cloud business.

## Tools

Close more opportunities with our BlueSky Cloud and Service Management platform, CapEx to OpEx financing models, sales tools, marketing campaigns and more.



**We keep you at the center of the digital services lifecycle, ensuring you profit from every transaction.**

## BlueSky Analytics

Monitor customer usage and effectively manage profit margins by tracking product use, renewals and service contracts, and gain insight into cross-sell and upsell opportunities.

## Back Office Operations

Alleviate operational burdens and costs with order capture, fulfillment and "billing on your behalf".

## Single Sign-On Digital Logistics Service

Enable your customers to review, order, track and analyze hardware, software, education and service products.





**We systematically identify, qualify and onboard new vendors and products to ensure a comprehensive cloud solutions portfolio.**

#### Portfolio

Our cloud portfolio is comprised of leading traditional and born-in-the-cloud vendors.

#### Accelerate and ISV Programs

We vet and qualify vendors to identify next-generation solutions from best-in-class emerging cloud technologies, vendors and ISVs.

#### Branded and White-Label Services

Augment your resources through our branded and white-label cloud assessment, migration, transformation and optimization services.

#### Westcon-Comstor EDGE Partner Program

Our Cloud Practice and Sales teams will help take your business to the next level.



**We bring global reach and scale, with local expertise, to help you quickly, efficiently and seamlessly enter and serve new markets.**

#### Reach

Execute local, regional and multi-national rollouts and expand your market scope and opportunities with little capital investment.

#### Scale

With one point of contact and one invoice, you can develop, deploy and manage cloud solutions across the globe.

#### Expertise

Our emerging markets presence combined with 30-plus years of experience and expertise opens new markets not covered by other distribution partners.



**We offer hybrid solutions to help you meet your customers' business needs with ease.**

#### BlueSky Analytics

We configure solutions for a variety of vertical markets and business-use cases while keeping ordering, fulfillment and billing simple and easy.

#### Services

Our enablement, education and analytics services help strengthen and extend your market reach.

#### Logistics

We can ship to 180-plus countries and territories on your behalf — usually in less than a day.

# ABOUT WESTCON-COMSTOR

Westcon-Comstor (WestconGroup Inc.) is transforming IT distribution with worldwide capabilities in Cloud, Global Deployment and Services, and category-leading Security, Unified Communications and Collaboration, Networking and Data Center technology Practices. The company works together with its global partners to deliver results by combining expert technical and market knowledge with a uniquely collaborative engagement model. Westcon and Comstor are the company's go-to-market brands, offering customers a strong portfolio of market-leading and emerging digital and physical products and services.

**Westcon-Comstor is ready to help you  
realize cloud success.**



**[westconcomstor.com](http://westconcomstor.com)**



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# APPENDIX

## Methodology

Channel partners (defined as Managed Service Providers, Value-Added Resellers, Telecommunication Providers and Systems Integrators) were invited to participate in Westcon-Comstor's Voice of the Customer survey called "Cloud in the Channel".\*

522 channel partners answered a series of 24 questions on the following topics:

- Demographics
- Markets served
- Technologies and services offered
- Cloud strategy

We offered incentives to respond, including a cloud assessment and a whitepaper on cloud sales compensation plan best practices.

\*Survey did not continue if channel partner's business was not cloud focused or undergoing a digital transformation.

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