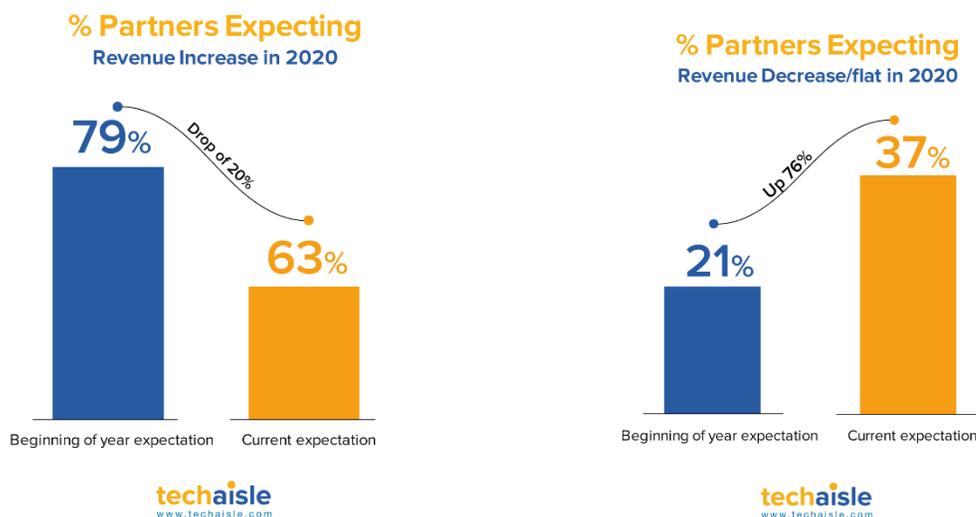


COVID-19 Impact on Channel Partners

COVID-19 is a pandemic. No segment is immune to the economic shock. The channel comprising of MSPs, systems integrators (SIs), dealers, resellers, VARs and retailers form the essential cogs of technology's eco-system that puts products and solutions in the hands of customers. *COVID-19 is challenging the channel.* As per Techaisle's global channel partner census count, there is one channel partner for every 160 commercial businesses and 1780 households. It is natural, in current circumstances, when both consumer and commercial IT spending is being reined in, for channel partners to lower their 2020 revenue growth expectations and re-prioritize business objectives. Techaisle leveraged its panel of 225K channel partners to understand the impact of COVID-19 on channel business. Data from COVID-19 impact survey of channel partners (excluding small retailers) shows that the percent of channel partners expecting revenue increases in 2020 may drop by 20%. Good news is that 63% of partners are still expecting increases but not in the high-teen percent that they had planned for at the beginning of the year.



On the other side of equation, 37% of partners are expecting their revenues to either remain flat or decline in 2020 as compared to 2019, a number which is up 76%. When we compare small business with midmarket/enterprise focused partners, we find that the highest percent of partners expecting revenue declines are in the midmarket/enterprise-focused partners' category. The reasons lie in three key channel responses:

1. Midmarket customers are establishing direct contact with IT vendors, unintentionally bypassing channel partners
2. Midmarket customers are delaying high-contract value projects and/or freezing budgets
3. Large-scale on-prem solution deployments are being held back or being suspended

At the beginning of the year, highest percent of partners expecting revenue increases were small-business focused with US\$10M+ annual revenues and the highest percent of revenue increase was expected in the <US\$5M annual revenue partners. Today, partners with <US\$1M revenue who constitute 83% of global channel universe (Source: Techaisle channel universe sizing) are suddenly finding themselves at risk.

It is clear that a gradual change is not an adequate response to COVID-19 driven market trends. To stay viable, channel partners are making structural changes to manage their operations and measure success differently, finding new approaches to compensate sales and support, and adjusting marketing to communicate with customers empathetically.

Channel, customer and vendor partner priority alignment

For the first time, in the last two decades, customer business challenges have collided in uncanny synchronicity with channel partner business issues. Our survey data shows that five concerns have bubbled to the top.

Top 5 Immediate business concerns



The commitment to do right by the customer is overriding the anxieties of cost and uncertainty which in turn is surfacing historically lower priority activities to the top of every channel partner's list.

Channel Partners Immediate Top Priorities



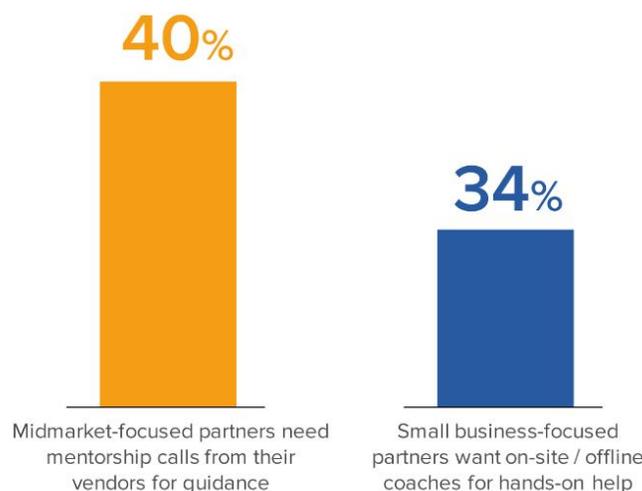
A large majority of partners are suppliers to more than one industry vertical. However, 38% of partners, who derive a decent percent of their revenues from at-risk verticals are buckling down to be the true trusted advisor to the customer to find innovative ways for customer value creation in an effort to reduce customer churn.

The nature of customer relationship today will be a critical determinant of future channel success.

Channel partners have looked to vendors for information on directions and will continue to do so as they align their offerings with customer needs and internal resources with emerging

requirements. This dependence will grow more acute in times of major shifts and channel partners are increasingly looking to vendors not only for product and services insights but also for guidance on how to position their companies so that they ride with, and are not swamped by, the waves of change.

Channel Partners Midmarket vs Small Business Focused Asks



Crisis complexity creating new comfort zones

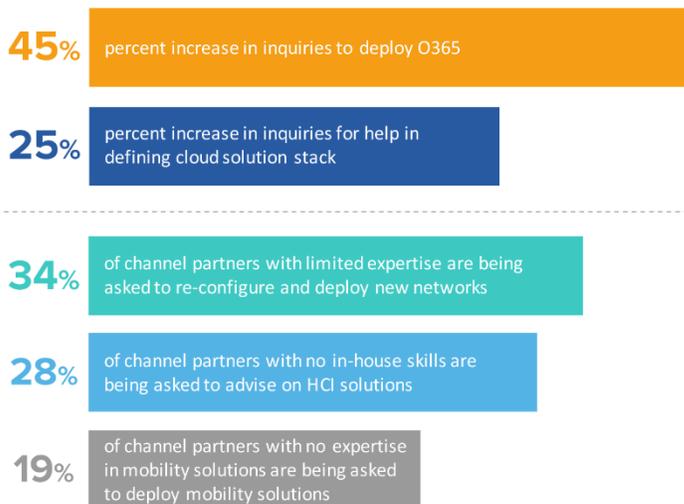
As Michelle Dean, a noted journalist, once said, “crisis forces commonality of purpose on one another”. *Out of crisis comes opportunity*. There is no greater vendor-channel partnership opportunity and commonality of purpose than today.

Vendor partners should be a bedrock of strength and solidarity. Channel partners are searching for their vendors’ channel crisis management nerve centers that houses all resources to guide and support the partners. Both technical and business support are equally important. Technical support needs are well understood but business support is a new necessity and refers to guidance for channel owners on how to structure their operations to align with new market requirements and opportunities, identify unfolding trends to determine business direction and access to financing options. Good blocking and tackling wins football games is also true of support and its relationship to channel partner success. A sound game plan - putting the players in position with necessary resources - is an essential first step, but winning relies on execution excellence. 41% of channel partners expect their vendor channel chiefs to set a clear strategy.

In a market defined by assembly of hybrid solutions and based on margin from delivery of deployment services, the concept of a service bench is critical to operational success. Fortuitously, for 49% of partners, their channel chief’s priority in 2019 was to invest in post-sales service and support. In hindsight, this was an entirely sensible approach. Partners who had not invested sufficiently in services support resources in the last one year are seemingly struggling. As a result, 39% of partners are reaching out to their Tier 1 partners for a helping hand.

The IT channel has reached an inflection point. In some sense, this statement appears to be just another observation of a recurring phenomenon: the channel is constantly in a state of flux responding to changes in the industry.

Beginning of year vs current state



The channel's situation today, is different though. Techaisle’s global channel survey data shows that channels are stepping out of their comfort zones and expertise levels. For example, 19% of channel partners with no expertise in mobility solutions are being asked by their mainstream customers to deploy remote workplace and security solutions. Similarly, 34% of partners are being asked to re-configure on-prem networks for increased workflows and deploy new remote-work-enabled technologies and conduct security risk assessments in locations outside of the corporate location. 28% of channel partners, with no experience in HCI, are being asked to deploy,

manage and support HCI (Hyperconverged Infrastructure) solutions for business agility and centralized remote management. Similarly, SD-WAN and UCaaS demand from small and midmarket firms has increased substantially. Even the enterprise customers are exploring SD-WAN. Slightly more than one-third of SMB customers want help with organizational risk assessment and selection of security solutions.

Channel partners' technical staff has begun relying on "just in time" learning skills, rather than "just-in case" established certifications and competencies practices, for rapidly evolving requirements that incorporate many different technologies and delivery locations.

As per the survey, channel partners are experiencing a 25% increase in inquiries from SMBs for help in defining and architecting a cloud solution stack. Microsoft Azure and GCP are the likely beneficiaries because, in the last one year, 58% - 68% of partners had invested in building in-house expertise in the two leading cloud platforms. Channel partners are also experiencing a 45% increase in inquiries to deploy Office365. Partners with limited or non-existent expertise are reaching out to their alliance partners and peers for assistance. However, for 31% of partners participating in P2P alliances say that formal structures and formats are not working but informal collaboration is exceeding their expectations. Nevertheless, vendors who had built a P2P "partner-matching" automation tool may benefit

Digital Transformation opportunity

Pandemic is an accelerator. Digital transformation provides enormous opportunities for the channel as it offers a means of establishing a customer relationship that will secure ongoing/escalating account revenue and influence which will improve business outlook of channel firms who can capitalize on customer need for digital transformation support. Channel partners that focus on a single type of product or service may not be able to act as trusted partners in digital transformation journey, they will instead be suppliers to an ecosystem that solution providers tap into as they work with customers. It is important to note that partners who are offering digital transformation solutions are expecting ~2X revenue increase as compared to those who are still not focused on digital transformation offerings for their customer base.

Delivering Customer success in crisis

There are few more cherished channel partner objectives than attaining the position of being a 'trusted advisor' to customers. The phrase connotes a relationship rooted in respect, where the channel partner provides sage counsel to customers who rely on the partner for not just technology but also strategy. Channel partners who act as trusted advisors can direct attention and investments in ways that enhance long-term relationship between vendor and customer buyer. Channel partners are also reaching out to their on-premise customers, discussing challenges and how they can support customers as their trusted technology advisor. It goes without saying that channel partners are the custodians of customer needs. Armed with knowledge, training and experience, partners are and can be in a great position to guide, design, architect, deploy and manage technology solutions for end-customers to manage through the crisis and the future. Despite the headwinds, channel partners are quickly adopting both tactical and strategic approaches to solving customer problems to deliver customer success in crisis. Partners are the beacons that customers are looking for – partners who listen, share pain points, advise and be responsive. This is the best of the times to develop a transformative strategy that is customer-in rather than product-out. Channel Partners should find solutions to help their customers survive today and thrive in the future.

How can Techaisle help - The Pandemic Emergency Response Kit (PERK)

It is clear from data that partners are looking for guidance in the current crisis. Vendors that respond effectively and confidently will build positions as leaders now and into the future. *Have you built a PERK (Pandemic Emergency Response Kit) for partners?* We have the data and insights that partners need to keep their businesses moving forward through the pandemic crisis. We can rapidly develop assets that you can use to connect with your partner executives, supporting them as they reinforce deep customer relationships by providing needed guidance as many end-customers are struggling with operational, logistic and core business challenges. Here's how we can help...

- Work with you to create a "Start HERE! Action items for channel partners" executive summary report
- Contribute to a webinar that you can offer on-demand to your channel partners highlighting changes in the market – and needed changes in channel business approaches
- Develop whitepapers/eBooks that articulate the near and longer-term impacts on IT/business support
- All of these materials can be combined with your partner-focused Covid-19 product and program offerings that you are using to help partners maintain viability/momentum through this crisis

About the Analyst, Anurag Agrawal



Frequently referred to as SMB Guru, Anurag Agrawal is a well-known industry analyst and has been named as one of the top 10 analysts to follow in SMB, Midmarket and Channel Partner segments. An intense analytical blogger, Anurag specializes in developing go-to-market strategies, writes and advises senior executives on cloud, routes-to-market, emerging technologies, and industry dynamics. Based on data collected from market research he personally consults with senior executives on developing their channel and SMB and midmarket strategies. With over 30 years in the industry, he is the Founder and Chief Global Analyst at Techaisle. Previous to Techaisle, Anurag headed Gartner's Worldwide Research Operations. He began his analyst career with IDC where he is credited for launching IDC's much sought after quarterly market share tracker research.

About Techaisle

Techaisle is a global SMB, Midmarket and Channel IT Market Research and Industry Analyst organization that is focused on simplifying, expanding and growing client's share in three of the most complex market segments – SMBs, Midmarket, Channel Partners. Techaisle was founded on the premise that Go-to-Market strategies require insightful research, flexible data, and deeper analysis. Understanding the value of data consistency across markets to inform strategic planning, Techaisle is holistic in its approach to insights and provides globally consistent analysis across geographies. To achieve its objectives Techaisle conducts deep surveys with end-customers and channels to understand market trends, opportunities, buying behavior, purchase intent, and IT priorities. Besides covering such as cloud, managed services, mobility, IoT, virtualization, analytics, collaboration, HCI/converged infrastructure, security and digital transformation, its channel research coverage provides in-depth understanding of resellers and channel partners globally. Techaisle's insights are built on a strong data-driven foundation and its analysts are conversant with both primary research and industry knowledge, which is a rare combination. Techaisle offers its clients: Syndicated Research, Custom Primary Research, Consulting Engagement and Competitive Intelligence. For more information, visit www.techaisle.com

This point of view and data are properties and copyright of Techaisle LLC and is provided for information purposes only. Unauthorized duplication or distribution is strictly prohibited. Techaisle does not make, and expressly disclaims to the fullest extent under applicable laws, warranties of any kind, either express or implied, including, without limitation, implied warranties of fitness for a particular purpose, with respect to this document and the accuracy or completeness of its content. Techaisle LLC shall not be liable for any direct, indirect, incidental, special, or consequential damages arising out of the use of or inability to use this document paper or any information herein, even if advised of the possibility of such damages.
