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WHITE PAPER

CompTIA Vendor Advisory Council Whitepaper

UNDERSTANDING & ALIGNING WITH THE TRANSFORMATION OF PARTNER BUSINESS MODELS

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CONTENTS

INTRODUCTION

The business of being an IT solution provider has changed substantially over the past 10 years, from being a mostly technically oriented business that specializes in specifying, installing and supporting technology systems, to a primarily service-oriented business that specializes in identifying, addressing, and resolving customer business challenges.

While this shift has certainly been the source of many headaches for solution providers (not to mention more than a few bankruptcies, forced mergers, and other unintentional exit strategies), the impact on the basic structure and operation of go-to-market strategies for IT vendors has also been a major market change.

In short, where "resellers" were positioned—and managed—primarily as a local-market extension of the vendor sales operation, now "solution providers" are positioned more as a variable-cost-option for supplementing end-customer IT support and service functions. This migration of loyalty—and the reasons why it happened—is the core focus of this paper. Further, we will examine the new role of the IT channel in the market (generally) and the vendor go-to-market strategy (specifically).

Even the most basic analysis of this change in the value chain presents several challenging questions:

• Why are solution provider business models changing?

• How will these model changes affect relationships with vendors and with customers?

• Which models are most likely to survive into the next phase of the IT market?

One of the ways the changing market can be evidenced is in how solution providers are engaging with partner programs. CompTIA's research study, State of IT Channel Programs, conducted earlier this year among 400 IT channel companies, found that while participation levels in partner programs are mostly robust, they are also quite fluid; in other words, the vendors that solution providers choose to partner with today are not necessarily those they will do business with tomorrow.

Case in point: In the last two years, half of channel respondents reported joining between 1 to 4 new vendor partner programs, while close to 30 percent joined between 5 to 9 new programs. Looks good on paper, but on closer inspection those "adds" look to come at a price for participation in existing programs. Over that same period of time, 40 percent of channel organizations said they dropped participation in at least 1 to 4 existing vendor partner programs, while 21 percent dropped out of between 5 to 9 of their existing mix.

A number of factors could explain the program churn, from changing market dynamics to the rising or falling relevance of individual vendors and their technologies. But it's clear from the study that partnerships cannot be taken for granted. Solution providers' decision to participate in vendor programs is assessed continually—60 percent of channel respondents said they evaluate their vendor partnerships either bi-annually or quarterly. Likewise, those doing the evaluating are management level executives.

The takeaway? Loyalty in partnerships is far from a given. Four in 10 solution providers with more than $20 million-plus in revenue plan to add new vendors to their mix in the next 12 months. That's a positive note, but one that also suggests they will be replacing relationships that are not working. Bottom line: vendors cannot afford to be complacent about the strengths and weaknesses of their channel relationships. Strong communication and a continual refinement in partner program resources to reflect different channel business types, new and emerging business models and other changes in the industry are critically necessary.

RESEARCH GOALS & METHODOLOGY

Shifting loyalty is only one symptom of the evolving channel business models. The information presented in this paper is the result of a concerted effort by CompTIA and the Vendor Advisory Council to answer these questions—and to identify practical segmentation and engagement strategies vendors can use to overhaul their go-to-market processes while still maintaining short-term revenue productivity.

To identify the most accurate trends and relevant solutions, CompTIA and Morris Management Partners interviewed executives from 15 IT solution providers located throughout the United States, in addition to a similar number of vendor channel executives. Participants in the research process participated in either a 60-minute in-depth interview or a 30-minute concept validation interview.

The solution provider participants represent companies that range from less than $2 million in annual revenue, to more than $150 million, and operate a mix of business models including traditional product resale, systems integration, managed services, and even cloud-based subscription sales. Vendor executives represented a mix of hardware, software, and tools developers that generate a substantial portion of their total revenue via indirect channel sales, and whose total market revenue ranged from approximately $25 million to more than $4 billion.

Additionally, the anecdotal observations and conclusions cited in this report are supported by quantitative data from several CompTIA research studies conducted over the past year, including reports on cloud computing, channel partner program trends and managed services.

Our objective in the research project was to address three specific management questions for IT vendor companies:

- First, what are the primary business models in the IT channel today, and how are the various types of partners being affected by changes in the IT market and general economy?
- Second, how will changing business models for solution providers affect their financial relationships with vendors and with customers—and how can vendors maintain an influential role with partners whose loyalties are less dependent on vendor product sales?
- Third, which types of business models are likely to survive into the future of the IT market, and how can vendors adapt their value propositions to be relevant to new types of channel partners?

FORCES FOR CHANGE IN SOLUTION PROVIDER BUSINESS MODELS

Markets shift for a number of reasons—both internal and external. From general economic conditions to shifting technology platforms, the indirect channel of IT solution providers is dealing with both evolutionary changes in competition and business operations as well as a structural overhaul of the reasons why customers are willing to pay for technology at all.

Based on the interviews conducted for this research project, the following forces represent the most influential business drivers for IT solution providers in today's market—as well as the most common ways those companies are responding to the changes.

Shrinking Product Margins: Maturing Service Operations

The general trend toward smaller margins that solution providers earn for vendor product sales can be documented in virtually every technology segment, customer market segment, and solution provider business model segment. Some of the margin decline can be attributed to maturing product segments and expanding competition, some to the competitive pressures of discount pricing and customer discount shopping, and more to the selling skills of individual solution providers. But whatever the specific cause, the effect is a nearly universal shift in business models toward billable services. While that shift is not new, the ability of solution providers to do it well—with scalable, profitable operations—is definitely new. This maturation is a natural outcome of trial-and-error strategies undertaken by thousands of companies at the same time, and it represents a significant reduction in the influence that vendors have over channel partner operations, priorities, and loyalties.

Consider the following from the CompTIA partner program study: Solution providers said the least influential factor behind joining a partner program is the margin points a vendor offers. Just more than a third cited margins as a major influencing factor, despite anecdotally this being one of the most bellyached topics within the channel. The lower significance suggests that some solution providers are diminishing their reliance on the margin points offered exclusively by the vendors and accepting that some of the products they sell have commoditized. Also, the trend suggests a more enlightened approach by the channel: Relying less on vendor points and more on their own services attach and consultative pre- and post-sales services work to account for the majority of their net profits. (For more in-depth research on margin trends in the channel, read CompTIA's Partner 500 Advisory Council's whitepaper Margin Retention through Operational Efficiency.)

Vendor Distribution Strategies: Evolving Competitive Positions

As individual channel partners shift their business focus away from product sales and toward service engagements, vendors have responded by generally increasing the number of partners they include in their channel communities to maintain their rate of overall channel sales growth. While there are significant exceptions to this rule (some vendors have actively pared down the number of their partners to emphasize those who are productive and engaged), solution providers report that this trend toward broader distribution has a significant negative impact on their ability to protect price points and margins … and thus their willingness to invest in individual vendor relationships. Where solution providers were once willing to engage in loyal (if not exclusive) relationships with certain vendors in return for a position as a rare expert in that vendor's technology, now solution providers report a shift toward competitive positions that cover entire technology categories as well as the surrounding services for assessment, design, implementation, and management.

Customer Solution Preferences: Technology Portfolio Diversification

"No one ever got fired for buying …" Depending on the technology category, various vendor names could be inserted to finish this statement. The prevailing strategy for solution providers in a market dominated by name brands and established technology leaders was to favor the leaders and borrow their brand credibility. Rather than invest significant effort (and expense) into changing customer preferences regarding proven technologies and pushing "alternative" brands, solution providers simply positioned themselves as a vendor-aligned expert. But as customer buying behaviors have shifted to place less emphasis on individual technology products and more emphasis on integrated solutions that align to unique business operating conditions and processes, solution providers have also shifted their technology portfolios to include more adjacent products and service offerings. Certainly there are still many product-centric and vendor-aligned "resellers" in today's IT channel, but their days as a primary route to market for vendors are limited. This has a little to do with the viability of product re-sale business models, and a lot to do with customer buying preferences.

Technology Feature/Function Parity: Customer Business Process Alignment

Ten years ago a technology vendor could develop a market-leading product and provide feature/function advantages that lasted up to one year before competitors could mimic the function and claim to be "as good" as the leaders. But today, solution providers who participated in this study indicated that they would be challenged to point to a single vendor, product, or feature advantage that can provide them with a meaningful competitive advantage for longer than 90 days. And thus they report a general recalculation of the reasons why they are able to win: less about providing the "best" technology product, and more about having a better understanding of the specific business processes that customers are trying to address. In addition to being less dependent on specific vendor product sales opportunities, this shift has led solution providers to become somewhat more vertical market-focused in their sales and positioning strategies. Nowhere near "all" solution providers have adopted this strategy, but those who have report generally higher margin levels, better account retention levels, and improved overall business sustainability. In other words, solution providers who focus on horizontal product segments will eventually, and ironically, prove to be less reliable routes to market than those who align more with customers and less with vendors.

IT Channel Consolidation: Risk Management Strategies

According to recent industry research, the number of IT solution providers has been declining for more than five years—in virtually every technology category, every geography, and every partner type. While the specific numbers vary based on which analyst firm is doing the calculation, the undeniable conclusion is the same: more solution providers are going out of business than are starting up. This is not to say that no new solution provider companies are being started—in fact, the same group of IT channel analysts conclude that literally thousands of solution provider companies are started every year … and still the total number declines. Why? Some of the reduction can be attributed to natural market cycles (economic downturns, etc.), some to the inevitable aging of the solution provider community who are approaching retirement or other exit strategies, and some to the general unattractiveness of being a member of a business community whose margins are under constant pressure. Whatever the reason, solution providers are more aware of their mortality and focused on market viability than ever before. While solution providers must continue to develop and maintain advanced skills in the latest technologies, they must also develop advanced capabilities in business development, financial management, and operational excellence.

Perhaps the most important question regarding these developments is not merely whether channel partners are developing their business acumen, but whether they perceive their vendor partners are helping or hurting in the situation. According to participants in this study, reports are mixed: some indicate that vendor partners are highly engaged in helping channel partners thrive … others indicate vendors are generally unaware—or unconcerned—and are either deliberately or inadvertently impeding a solution provider's ability to make a profit.

Consider the following from CompTIA's 2011 study, 2nd Annual Trends in Cloud Computing: Asked to identify the obstacles to making a business model transition to cloud computing, roughly half of all IT channel respondents cited the following as "very significant" challenges:

- Determining appropriate revenue model
- Time/cost investment for cloud-based training for sales/technical staff
- Deciding which vendors to work with
- Cash flow/financial considerations
- Initial costs

Notice that these are not technical challenges, but rather concern business needs. Respondents said they are looking to their vendor partners for help with a number of these obstacles, from appropriate training around revenue models to assistance with financing.

Vendor Action Item

To manage the impact of these forces on existing and future go-to-market strategies, vendors must determine to what extent each of these primary change drivers is affecting their specific set of channel partners, how their partners are adapting to the changes, and what impact those adaptations will have on the channel's ability/willingness to drive vendor product sales initiatives.

This requires a direct survey/research approach to measure partner changes and identify what, if any, changes are required in channel programs, incentives, or messages. As a bonus for vendors, research participants indicated that vendors who show they are concerned with the market forces affecting their channel partners earn credit for simply asking about current conditions—especially compared to competing vendors whose strategies are more focused on vendor interests alone.

According to one interview participant, "I've been in the IT channel for more than 25 years, and this year is the first time a vendor has bothered to ask me how my business is doing … and actually demonstrate that they want to help. I don't know whether the vendor can do anything to directly affect my profits beyond changing the margins they share on product sales, but I'm definitely willing to listen. After all, if solution providers generate a majority of a vendor's sales revenue, it stands to reason that if we're not financially healthy, neither are they."

THE ROLE OF NEW IT DELIVERY PLATFORMS

Undoubtedly the most popular topic of conversation in the IT channel today is the emergence and viability of "the cloud" as a technology delivery model. As with all major market shifts, this technical development has its share of advocates and opponents, and it has prompted both wild speculation about global market upheaval while also causing some customers and solution providers to shrug their shoulders.

While the cloud—and the question of whether or not the hosted/virtual infrastructure model will eventually displace all other forms of technology deployment—is not a primary focus of this research project, it does warrant special attention as a business driver as it relates to the business models of solution providers and the viability of certain types of channel partners.

In general, the participants in this research process were universally aware of the cloud, highly invested in learning more about the new delivery model, and actively engaged in determining what role cloud-based solutions and corresponding financial models would play in their businesses. Yet not a single one of them reported any plans to discontinue existing lines of business or abandon established technology platforms.

Research that has been done beyond the scope of this particular project suggests that the cloud is, indeed, taking hold in certain customer segments, for certain technologies, and among certain types of IT channel companies. The 2nd Annual Trends in Cloud Computing study finds that 4 in 10 channel companies both sell and use cloud offerings today, compared with just 15 percent of companies that did so in 2010. In addition, compared with a year ago when 40 percent of channel firms cited zero involvement with cloud—either as a line of business or used internally—that number dropped to just 13 percent of uninvolved in this year's survey. Likewise, 85 percent of channel companies cited moderate to heavy involvement with cloud in the last 12 months, while nearly 8 in 10 reported a clearer understanding of what the model means than they did one year ago.

So far there is no consensus about how big a portion of total IT spending is moving to the cloud. Gartner is projecting rapid growth in public cloud services worldwide, with revenue growing from $68.3 billion in 2010 to $102.1 billion by 2012 and $180 billion by 2015. This does not include telecom services such as fees for T1 or T3 lines, which will continue to grow with the growth of the cloud. Allocating a portion of these telecom services market would result in a significantly larger cloud market. Likewise, IDC predicts that public cloud IT spending will grow from $21.5 billion in 2010 to $72.9 billion in 2015. While Gartner focuses on revenue, which allows for the inclusion of new business model growth, both firms expect the cloud market to grow at over five times the rate of traditional IT products.

Other projections published in 2011 for two to three years into the future range between 5 percent of total IT spending to 50 percent of IT spending—in other words, wildly divergent findings. Generally speaking, the number is "more than zero" and thus must be considered.

In the context of this paper, the question that matters most about the cloud is this: will customer adoption of cloud-based offerings help or hurt IT channel companies … and by extension, the vendors who rely on those partner companies for revenue production?

When this question was posed to solution provider companies and IT vendors, the reactions were dramatically different.

In general, IT vendor companies appear to be much more aggressively focused on developing and deploying cloud-based offerings—and are therefore more urgently concerned about the impact on their routes to market—than are solution provider companies.

Again, all solution providers reported that they are aware of the cloud and are trying to figure out how they will adapt their operations to accommodate this new platform and capability. It would be completely inaccurate to say they are not concerned about the impact of the cloud. But their approach is decidedly "evolutionary" rather than "revolutionary." As an anecdotal reference, not a single solution provider participant in this project indicated that they planned to stop selling their existing "traditional" offerings for on-premise deployment … while 100 percent of these participants did indicate they would explore adding cloud-based offerings as they became more relevant and viable.

This "one step at a time" approach stands in stark contrast to the approach outlined by vendors who were interviewed for this paper, which can be loosely described as an abrupt fracturing of routes to market.

The vendors we interviewed reported various levels of progress or maturity in the development of their cloud initiatives, but a surprisingly consistent urgency to figure out which of their existing partners would no longer be relevant in the "cloud future" and what new types of partners would emerge to replace them. Interestingly, solution providers overwhelmingly are looking for their vendor partners to provide clear articulation of their cloud strategies, based on the CompTIA study.

At this point, it is unclear which strategic approach will prove to be more relevant: a go-slow adaptation to new platform and deployment options, or an aggressive switch to a different business model. It is equally unclear how successful current solution providers will be at executing their strategies or adapting their business models to the cloud. What is clear is that this issue has brought up several new and important questions for vendors and solution providers alike:

- Are solution providers able to adjust their financial models to an annuity model in which revenues and margins are captured over an extended period of time—and is that shift interesting to them?
- Can solution providers generate sufficient quantity and velocity of opportunity generation and sales operations to capture enough customers to offset the structural reduction in short-term revenue and margin production?
- Will vendors play a more or less prominent role in the business models of channel partners as cloud-based solutions gain market traction?

Perhaps the most enlightening finding from this research process regarding the cloud is the consensus among vendors and solution providers that cloud-based solutions will not—as some have suggested—lead to any significant "dis-intermediation" in the IT channel. Some analysts have argued that because vendors have the ability to deal directly with end customers and sell them cloud-based, subscription-type offerings, they will no longer need the services of channel partners. CompTIA's cloud study included a survey that went to end user organizations. Asked where they source cloud solutions today, respondents revealed a rather broad selection of places they turn: direct from vendors, third-party channel providers and self-service over the Internet. The mix was fairly balanced, which suggests that the channel will play a role in delivering cloud and that routes to market for vendors will be plentiful.

Beyond that, vendors and solution providers who participated in this study point out the increasing levels of complexity customers will encounter as they subscribe to multiple hosted offerings, and the universal difficulty of making systems from different vendors operate seamlessly. In short, the opinion of the channel today is that cloud-based offerings actually increase the need customers will have for services from solution providers … making them even more vital to the go-to-market plans of cloud-based vendors.

Will the cloud produce market forces that cause solution providers to adapt their business models? Yes. Will new types of channel partners become relevant in the go-to-market conversation for IT vendors? Yes. Will many solution providers fail to adapt and lose their ability to run a relevant and profitable business in the IT channel? In a word … yes. But almost without exception, these are the same companies that would struggle to adapt to the "general" market forces outlined earlier in this paper.

DEFINING CHANNEL PARTNER TYPES

What kinds of partners do you work with? Over the past several decades, labels and descriptions of channel partner types have evolved along a continuum of "value added" capabilities related to the transaction of a vendor's product—from Reseller to Value Added Reseller to Systems Integrator, etc.

With the emergence of new financial models for channel partners, the conversation has become more complex. Many of the existing partners in your program struggle to find a natural fit in categories based on product sales behavior, especially when product sales are not the primary driver of their financial models.

As a part of the interviews conducted in this project, we asked partners to describe the essential characteristics of their existing business models (what do you do, and how is that different from other channel partner companies?), as well as the elements of their models that may be subject to change in the near future (operating structure, business processes, financial metrics, etc.). From this information we identified a more accurate way to describe and understand the differences between partner types as well as the characteristics that they share.

This new labeling system describes two essential characteristics of a partner business model: What role do they play in the customer technology solution? How do they get paid for their efforts? Each of these questions produces a continuum of partner involvement or structure, and the combination of the factors yields a more accurate classification than product sales behavior alone.

Within each category there are multiple levels of depth or detail, and partners will vary significantly in terms of the scope of activities they directly provide. Rather than a detailed assessment of specific behaviors, this system is designed to provide more accurate labels for categories of partners, within which more specific descriptions and metrics can be applied.

What Role Do Partners Play In Customer Technology Solutions?

- **Evaluate & Specify:** Assess the current state of customer technology systems, identify needs for improvement or expansion, and design the new solution and components. (i.e. BEFORE the product purchase)
- **Transact & Implement:** Define the specific components / versions of products to be purchased, conduct the financial / ownership transaction, and make the product available and functional for the customer. (i.e. DURING the product purchase)

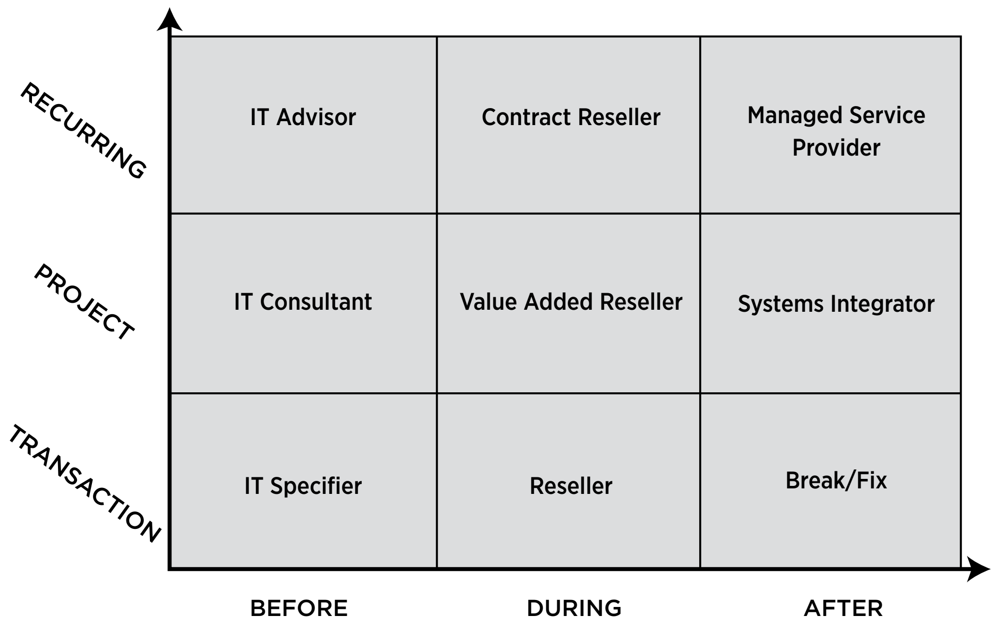
- **Manage & Support:** Provide after-market technical support, monitor the performance and lifecycle of systems, and provide customer training and consulting to maximize the value of technology systems. (i.e. AFTER the product purchase)

  - How Do Partners Get Paid For Products & Services?

- **Transaction:** Partner collects fees attached to a single transaction, whether all at once or over a period of time using financing vehicles.
- **Project:** Partner collects fees associated with a package of products and services delivered over a single discreet timeline.
- **Annuity:** Partner collects fees for services or outcomes provided to customers in a recurring model over an extended period of time with regular, predictable billing amounts.

When both of these sets of characteristics are considered, vendors can identify the basic capabilities of partners as well as their financial levers. Then programs and incentives can be designed to match the natural motivation of each partner type, producing significantly more relevant resources and making it easier for partners to learn how they can work with vendors.

Taken together, each of the sets of characteristics can be mapped on an axis to form a matrix of partner types. A distinct label can be place in each box of the matrix, allowing vendors to more accurately describe the types of partners they're working with.



For advanced analysis, vendors can consider two different levels of description for their partners:

- Level 1: Which activities does each partner perform? In other words, how much of their time does the partner spend doing each activity?
- Level 2: What portion of Gross Margin does each partner generate from each activity? In other words, how critical is that activity to the financial performance of the business?

CHANNEL SEGMENTATION & ANALYSIS

Obviously many partners will operate models that cross multiple boxes in the matrix. When this analysis is performed at the individual partner level, it is valuable to determine the overall mix of activity and revenue. But at the overall channel level, it is more useful to determine the "dominant" model that each partner operates—in other words, which model is responsible for the majority of partner revenue and gross margin production? Many partners will gravitate toward a dominant operating model for reasons of efficiency and habit, while more diverse partners can operate multiple distinct models at the same time.

Using this basic matrix of partner types, vendors can determine what kinds of partner models they are currently doing business with, which types are increasing or decreasing in productivity, and which new types of models are emerging in their channel portfolios. Tracking this mix of partner types over time will reveal not only what types of partners a vendor does business with, but what kinds of resources a vendor will need to provide to be relevant to their partners.

Some critical questions to consider:

- What types of partner models are currently present in your channel portfolio?
- Which types of partner models are most likely to be challenged by the condition of the economy or their own financial performance?
- Which types of partner models will likely decrease in value or productivity in the next 1 to 3 years due to consolidation, customer buying behavior, etc.?
- Which types of partner models are most likely to be affected by the cloud? In other words, which categories of partners are most likely to change their financial model or their value model?
- How will changes in partner models affect the relationship they have with their vendors and the role of vendor product sales in their financial models?

A DIAGNOSTIC APPROACH TO CHANNEL TRANSFORMATION

Based on the findings of this research project, CompTIA and MMP recommend that vendors take proactive steps to shore up their existing partner channels, prepare to attract new types of partners, and improve the predictability of channel sales capacity.

During interviews with solution providers and vendors, we identified a number of practical steps vendors can take to get ahead of the changes affecting the solution provider channel. Each of the recommendations encompasses a series of research questions vendors can explore via existing data on partner performance or from direct interviews and surveys with the partner base.

Plan for Partner Portfolio Shift

Vendors who anticipate the shift in the mix of existing partners and emerging partner types will be better prepared to deploy short-term tactics that capitalize on opportunities for recruiting and special promotions. Begin by tracking data based on partner business model in addition to traditional revenue metrics.

- **Partners Models that Drive Revenue Today**
  - What is the mix of Product and Service revenue in the business models of existing partners?
  - What is the percentage of revenue partners generate from new product/technology offerings (not in their portfolio 18 months ago)?
  - What changes in partner productivity can you track from the past 12–24 months—increase in revenue by partner size/model/segment/geography?
- **Emerging Partner Types that will Drive Revenue in the Future**
  - What portion of the total partner base is engaged in changing their model and financial relationship with vendors?
  - What percentage of revenue is generated by partner models that were not present in your channel portfolio 18 months ago?
  - What types of "alternate" partner models could provide access to end customers that are not yet engaged in your channel program?
- **Partner Models that will Decrease in Strategic Value**
  - Within the current mix of revenue, which of your most productive partner types are at risk of financial struggle or other business model pressures?
  - Which large partners in the top tier of your partner program are showing signs of declining revenue trends?
  - What is the mix of investments / benefits you provide to channel partners, and are those programs aligned to partner types that are growing or shrinking?

Align with Partner Financial Models + Operational Capabilities

According to solution providers interviewed for this project, the hardest change they need to make is not learning a new technology, but changing the financial model for how they make money. Vendors need to understand the models partners use today regarding mix of revenue, margin, and expense structures—and help them maximize their profit potential.

- **Define and Categorize Partner Model Types**
  - How can you gather information to determine the true financial model of your partners, and the role your product revenue plays in their mix?
  - Which labels in your program are used to define the role the partner plays in your program, versus the type of business model they operate?
  - What sources of data can you use to track partner business models over time—POS, Distribution, Channel Manager, Partner Surveys, etc.?
- **Align Partner Program Resources to Functional Outcomes**
  - What programs and benefits do you provide specifically to help partners increase top-line revenue?
  - What programs and benefits do you provide specifically to help partners reduce their cost of delivering your technology (i.e. COGS or Cost of Sales)?
  - What programs and benefits do you provide specifically to help partners reduce their expenses for running their businesses (i.e. General & Administrative, Cost of Financing, etc.)?
- **Demonstrate Relevance to Partner Agendas**
  - If partners indicate that they are interested in aggressive growth, how can they leverage your program and partnership to increase opportunity and capacity?

  - When partners are more interested in increasing margins instead of revenue, how can you demonstrate relevant investments?
  - For partners who are seeking to expand their value model (i.e. adding new technologies, delivering additional services, etc.) what can you do to help them build new capabilities?

Invest in Partner Transformation

Vendors can take a proactive approach to partner transformation—rather than simply watching and waiting to see what happens, develop programs that help partners develop new skills, build new business practices, and improve operational effectiveness. Some vendors have asked whether it is their responsibility to help partners improve business capabilities, while others are making proactive investments. According to partners, their loyalty is closely tied to the vendors who help them adapt to changing market conditions.

- **Measure Partner Readiness for Change**
  - What is the current financial condition of a partner's business? Do they have enough money to invest in changing their business model?
  - What resources does the partner have in business leadership to define and manage the transformation to a new model?
  - Does the partner want to make a change? If you were trying to convince partners to adapt, perhaps your efforts would be better invested in partners who volunteer.
- **Develop Specific Target Models + Outcomes**
  - What is the "end state" of a partner model after they have identified new market forces and made the necessary changes?
  - What is the specific, step-by-step transformation process a partner will go through in order to change their model?
  - How will the transformation process differ based on the initial model of each partner, their size, their technology portfolio, etc.?
- **Invest in Operational + Skills Development**
  - What new skills will the partner need to succeed in a transformed business model (i.e. business management, sales, technical, service operations, etc.) and where will they obtain those skills?
  - What training / development services can vendors leverage from their existing partner enablement programs to help partners transform?
  - What outside / third party resources are available to help channel partners develop skills beyond a vendor's products / technology / program?

Evaluate / Model Partner Effectiveness

Once partners have begun the process of changing their business models, they will need to track performance based on a new set of metrics. Some of the metrics will be based on traditional product sales activities, while others will track elements of business performance that are internal to partner operations. Vendors who can help partners set and manage goals beyond product sales quotas will gain a new level of credibility and commitment with partner leaders and staff.

- **Identify Performance Benchmarks**
  - What are the critical metrics for success in each of the business models your partners are currently operating?
  - What specific behaviors set apart your most successful partners from their less

successful peers within each business model type?
  - What industry benchmarks or best practices can be applied to different types of partners in your channel portfolio?
- **Measure / Track / Report Partner Performance**
  - What systems or tools are in place to track partner behaviors beyond product revenue?
  - Who in your organization will be responsible for tracking and reporting on partner effectiveness, and what relationship will they have with partners?
  - How can you motivate partners to share information on specific metrics and behaviors?
- **Develop Financial Credibility with Partners**
  - Why are partners reluctant to share financial data, performance metrics, or pipeline information—and how can you overcome that resistance?
  - What contributions to partner profitability can you track through your program, your product sales, and the financial results of partners?
  - What is the level of financial acumen present at various levels of your partner organization—and what is your team's ability to make credible financial recommendations?

ABOUT CompTIA

CompTIA is the voice of the world's information technology (IT) industry.

As a non-profit trade association advancing the global interests of IT professionals and companies, we focus our programs on four main areas: education, certification, advocacy and philanthropy. We:

- **Educate the IT channel:** Our educational resources, comprising instructor-led courses, online guides, webinars, market research, business mentoring, open forums and networking events, help our members advance their level of professionalism and grow their businesses.
- **Certify the IT workforce:** We are the leading provider of technology-neutral and vendor-neutral IT certifications, with more than 1.4 million certification holders worldwide.
- **Advocate on behalf of the IT industry:** In Washington, D.C., we bring the power of small- and medium-sized IT businesses to bear as a united voice and help our members navigate regulations that may affect their businesses.
- **Give back through philanthropy:** Our foundation enables disadvantaged populations to gain the skills they need for employment in the IT industry.

Our vision of the IT landscape is informed by more than 25 years of global perspective and more than 2,800 members and 1,000 business partners that span the entire IT channel. We are driven by our members and led by an elected board of industry professionals. All proceeds are directly reinvested in programs that benefit our valued members and the industry as a whole. Headquartered outside of Chicago, we have offices across the United States and in Australia, Canada, China, Germany, India, Japan, South Africa and the United Kingdom. For more information, visit www.comptia.org.

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