

The channel prepares to profit from IT transformation

- More than a third of partners see themselves as being in a state of rapid transformation
- IT security is expected to provide growth for more than 85% of partners in 2016
- Key challenges cited by partners are winning new customers and navigating economic hazards

Palo Alto, Shanghai, Singapore and Reading (UK)

The channel remains optimistic despite predictions of a challenging 2016, according to a recent Canalys survey of 260 IT channel partners around the world. 75% of partners expect revenue growth in 2016, while 70% expect profitability growth. Revenue growth opportunities for the channel remain abundant in most sectors. Hyper-converged infrastructure, cloud-based applications and software-defined infrastructure were all highlighted as important growth categories. Of all segments, IT security is expected to be the strongest in 2016, with 87% of partners expecting growth.

‘IT security is already the number one priority for end customers, and is only going to grow in importance as they invest in next-generation data centers, digital transformation, cloud, mobility and IoT. But this also illustrates the complexity of the security landscape - to capitalize, partners will need to develop much greater levels of expertise,’ said Canalys Analyst Jordan De Leon. ‘Partners that build a powerful security practice, backed by a strong reputation, will find plenty of opportunities in a world that is unfortunately plagued by many threats.’

Critically, the vast majority of partners see themselves in a state of transformation, realizing that as the industry evolves, so too must the channel landscape. Cloud and managed services are becoming ever more important to the channel business model, with managed services in particular now contributing significantly to partner profitability. For two thirds of respondents, managed services are now more profitable than product reselling. Less than 1% of partners predict some form of exit in the near future, showing the level of confidence that most have for the future, despite the challenges ahead.

While these numbers highlight a bullish channel, the overall optimism is less than at the start of 2015, suggesting a more difficult year could lie ahead for the IT market. Macroeconomic uncertainty, ongoing currency volatility, geopolitical turbulence and the concerns raised by global terrorism and conflict are expected to affect customer confidence. The biggest challenge raised by survey respondents, however, is reaching new customers.

‘The channel needs to address both new buyers within existing customers - application developers and lines of business, for example - as well as casting sales nets wider to attract completely new customers,’ said Alastair Edwards, Chief Analyst. ‘But new competitors are emerging in the channel, from cloud-only resellers to digital consultants serving specific verticals, such as banking and healthcare. These companies are application-literate and professional services-led. They are helping customers solve business issues, not just selling technology. Channel partners must invest in developing their own vertical and pre-sales capabilities here to stay ahead.’

For vendors, these findings show the importance of building even closer, more integrated relationships with partners as they navigate complex industry changes. Maintaining simple, easy-to-use partner programs and predictable incentive schemes, while adapting partner training and certification to reflect new customer demands, will be vital for success. Most importantly, vendors need to work together with their partners through effective co-marketing and sales initiatives to develop healthy pipelines.

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