

A SURVEY OF CHANNEL CONFIDENCE CHANNEL PARTNER EXPECTATIONS IN THE US VERSUS EUROPE

This is a recent survey undertaken by bChannels in partnership with US channel specialist Crimson Consulting*. It looks at how channel partners expect vendors to support them in the current economic climate, comparing responses in the US versus responses in Europe.

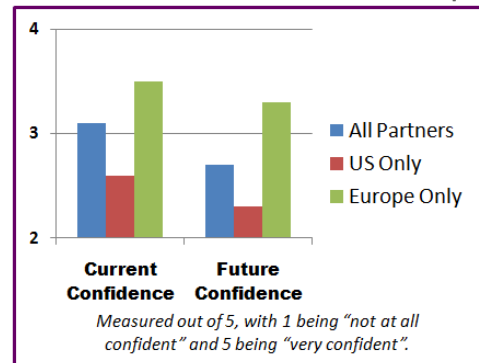
Background to the Survey

This survey was undertaken during February 2009 and included interviews with fifteen channel partners in the US and Europe. The average channel partner interviewed had 160 employees and the sample was a mix of traditional resellers and companies specializing in system integration and software development. The focus was on the impact of the economy on customer spend, technology solutions that are resilient to market conditions and how channel partners expect vendors to respond.

Overall Channel Partner Confidence

Overall we found that the level of business confidence in the channel is slightly higher than the media might have led us to believe. The US has less confidence than Europe, and the expectation is that confidence will reduce. Many partners said that projects are being delayed or phased, but the overall business pipeline remains stable. "This is less of an issue that people will tell you it is", said one European partner. A US partner told us that "some clients are downsizing but others are investing".

Confidence US versus Europe



Solutions that are Resilient

One third of partners interviewed said that services and specifically managed services remain an opportunity. Over one quarter said that virtualization is a key technology and is not being affected by the downturn in the US or Europe. Other technologies mentioned include mobility and security, with health and public service verticals being highlighted. Cost saving and compliance are key customer themes. A partner in the US told us "we're doing a lot more virtualization, hosting and services work than we did previously".

How Partners are Responding

Around one third of the partners we talked to said that they believed their current business model would "see them through", while two thirds are changing their approach. Margins are being impacted but channel partners are resistant to increasing prices, so they are focusing on demand generation and on the development of value added services. This applies consistently across the US and Europe. A European partner told us how they "have become more active in seeking

new clients” and a US partner told us that they believe “the key focus is on value added services to increase overall margin”.

What do Partners expect of Vendors?

Two themes stood out. Firstly the need for vendors to focus on demand generation activity, and second the need for vendors to reduce conflict between partners. We also heard about the importance of financing deals to help customers overcome challenges associated with large capital spend. We noted that partners are more motivated in this economic environment to work with vendors who have strong brand presence as there is a perception that this helps to drive demand.

“Reducing conflict between partners” interested us as an issue. There was a comment from a European partner that “vendors need to be more selective about which partners they work with and reward loyalty more”. This was a typical view. There are also concerns that partners might need to compete with vendors when they focus on value added services. One US partner told us that “some vendors are taking services business away from partners”.

bChannels Analysis

Many of the partners we spoke to in the US and Europe told us that the picture is not as bleak as it might seem. There is stability, even growth, in certain solution groups and in certain verticals. Services is a key focus area for many partner. Deals are being phased, not always cancelled, however there is an expectation that things will get worse before they get better. The general level of confidence is lower in the US than in Europe.

Demand generation is a key theme, both for partners and as a requirement of vendors. We also noted the need for vendors to reward partner loyalty.

bChannels is a specialist in the development and management of indirect partner channels for companies in the technology market. We work with many of the world's leading technology businesses.

Every quarter we run an Executive Forum where we bring together a small group of senior channel marketing executives from non-competing vendors to discuss a specific issue and share best practice.



**bChannels Executive Forum 2008
'Selling Services through Channels'**

If you are interested in attending an Executive Forum, or you would like to know more about our services in general, please contact Matt Rowland-Jones on +44 (0) 1865 368587 or matt@bchannels.com. You can also visit our website at www.bchannels.com.

* Learn more about Crimson Consulting by visiting the website at www.crimson-consulting.com.