

State of the Channel:

Industry Outlook, Trends, & Opportunities



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jaymcbain



@jmcbain

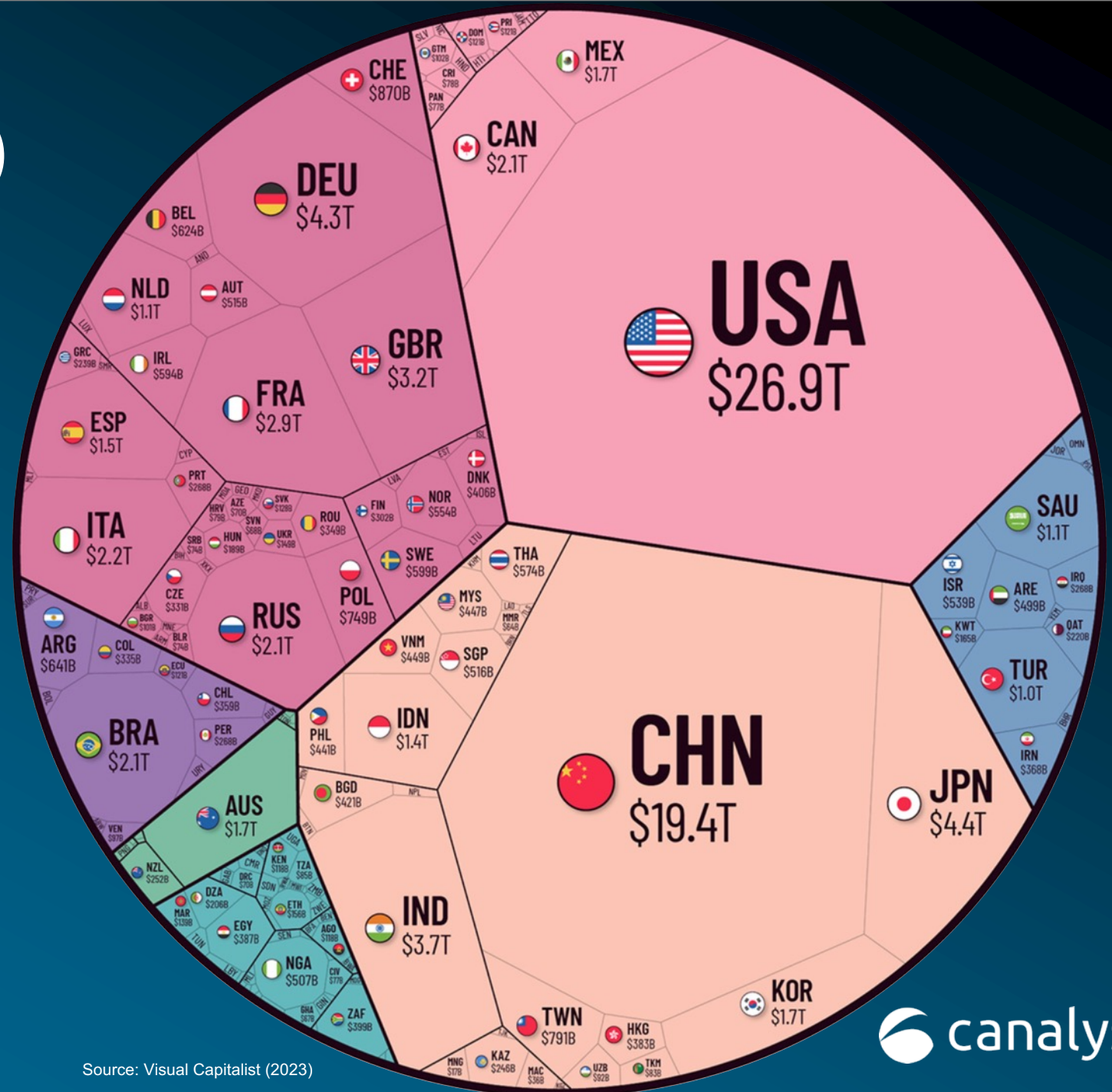
THE \$105 TRILLION WORLD ECONOMY



China's GDP expected to grow 7.1% ahead of U.S growth of 5.5%



India dethrones the UK as the 5th largest economy in the world



Source: Visual Capitalist (2023)

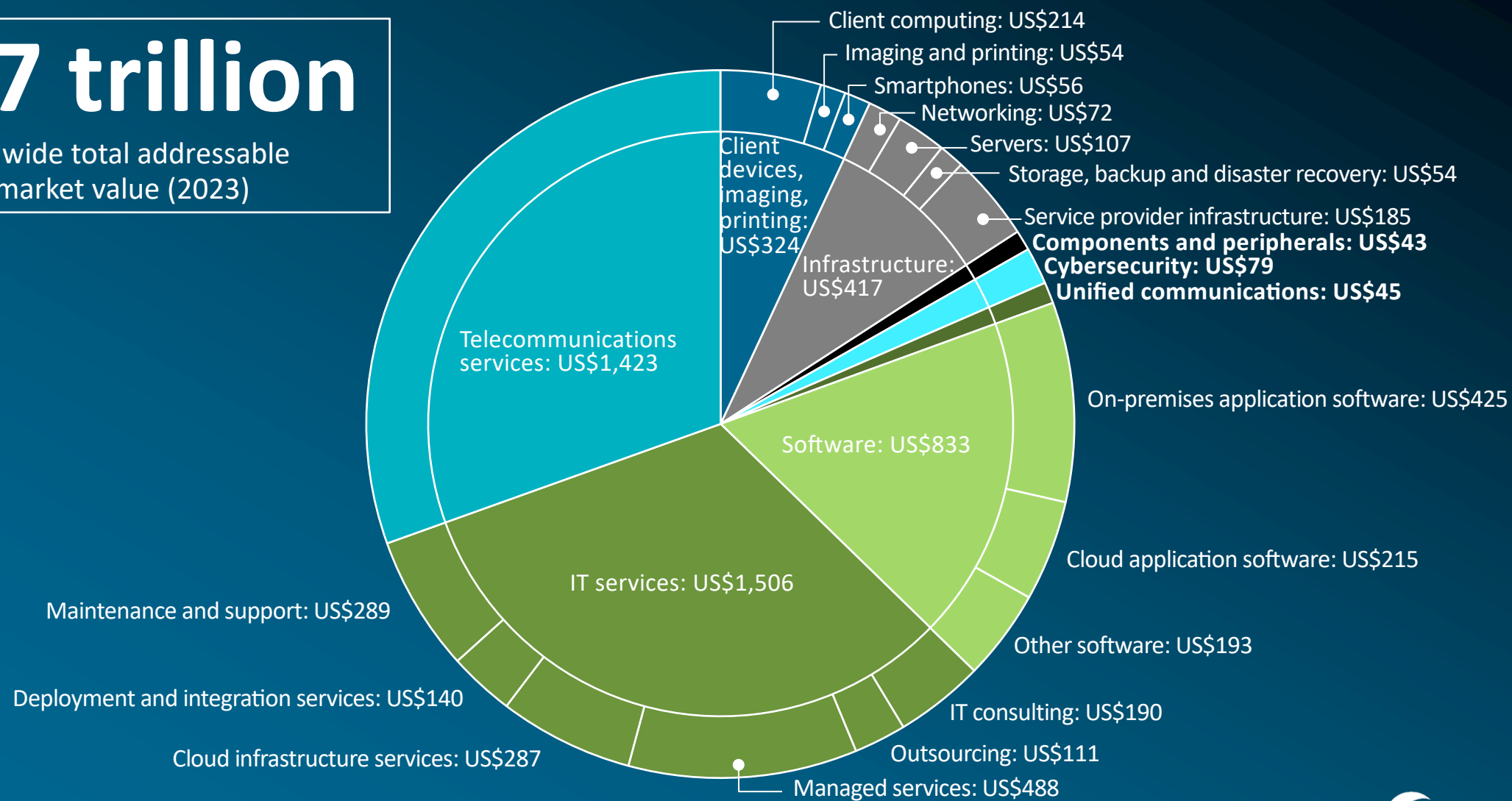
A blue-toned world map with glowing yellow lines and dots representing global trade routes and hubs. The lines arc across the map, connecting various regions.

75%
OF WORLD TRADE
FLOWS INDIRECTLY

Total addressable IT market by category and segment

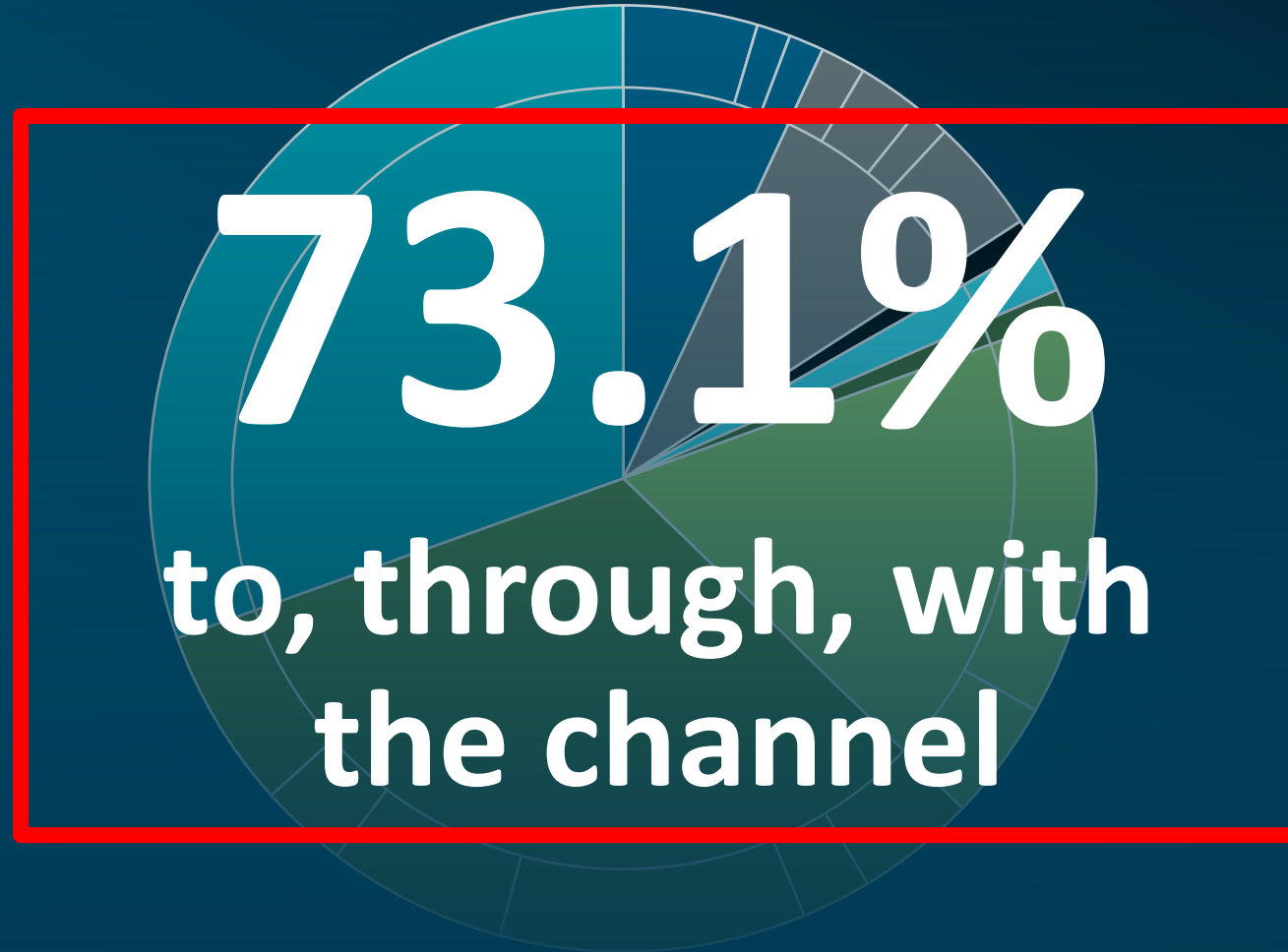
\$4.7 trillion

Worldwide total addressable
IT market value (2023)

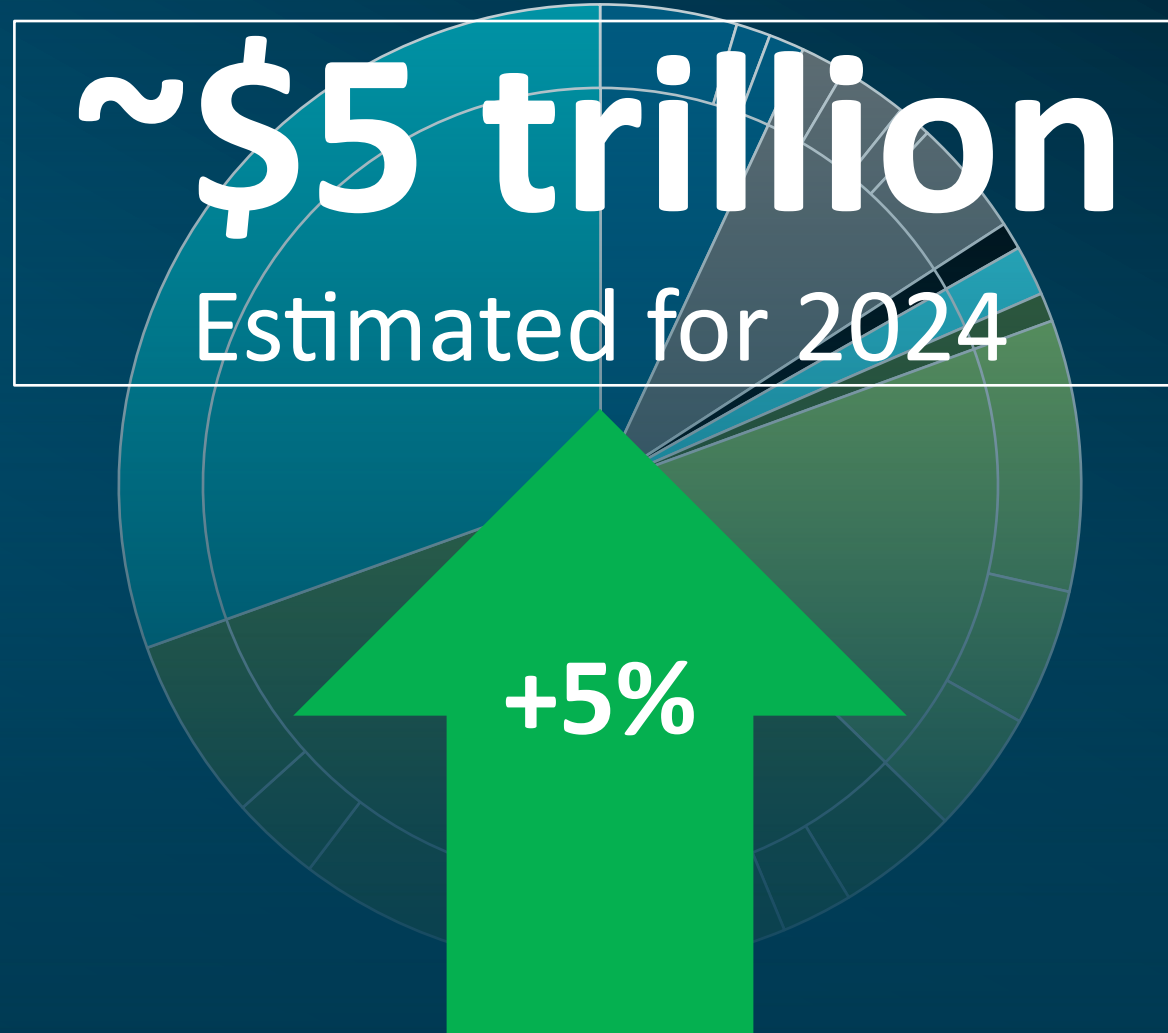


All figures in US\$ billion
Source: Canalys estimates, July 2023

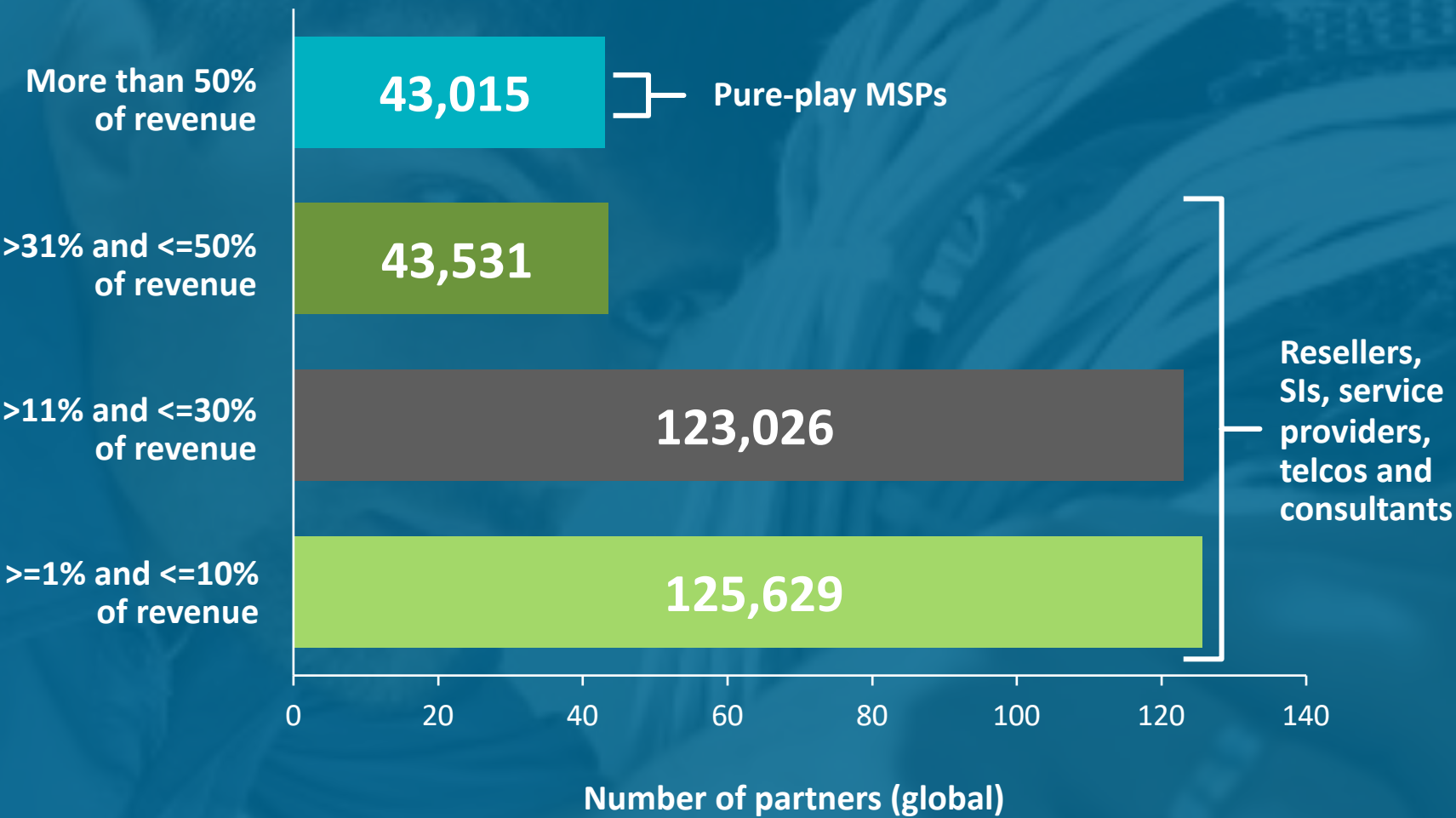
Total addressable IT market by category and segment



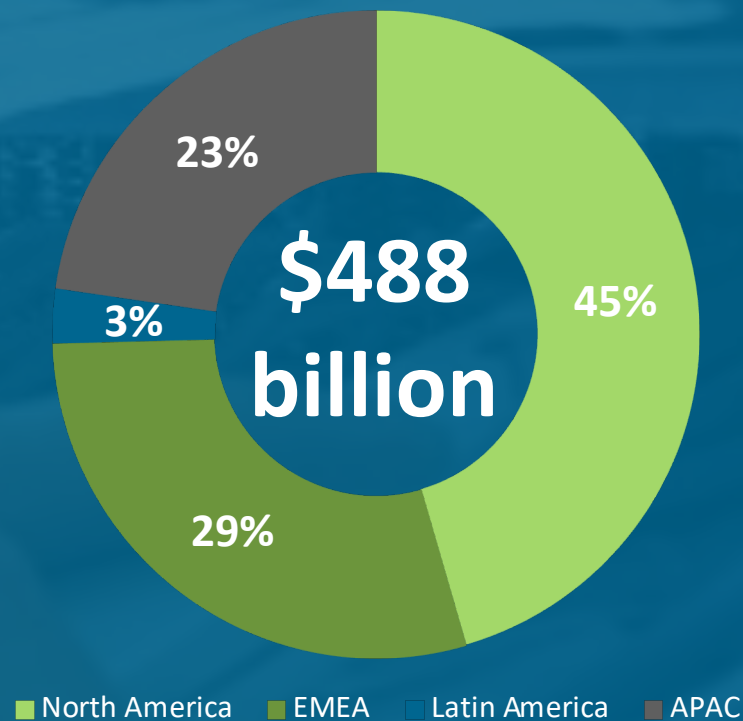
Total addressable IT market by category and segment



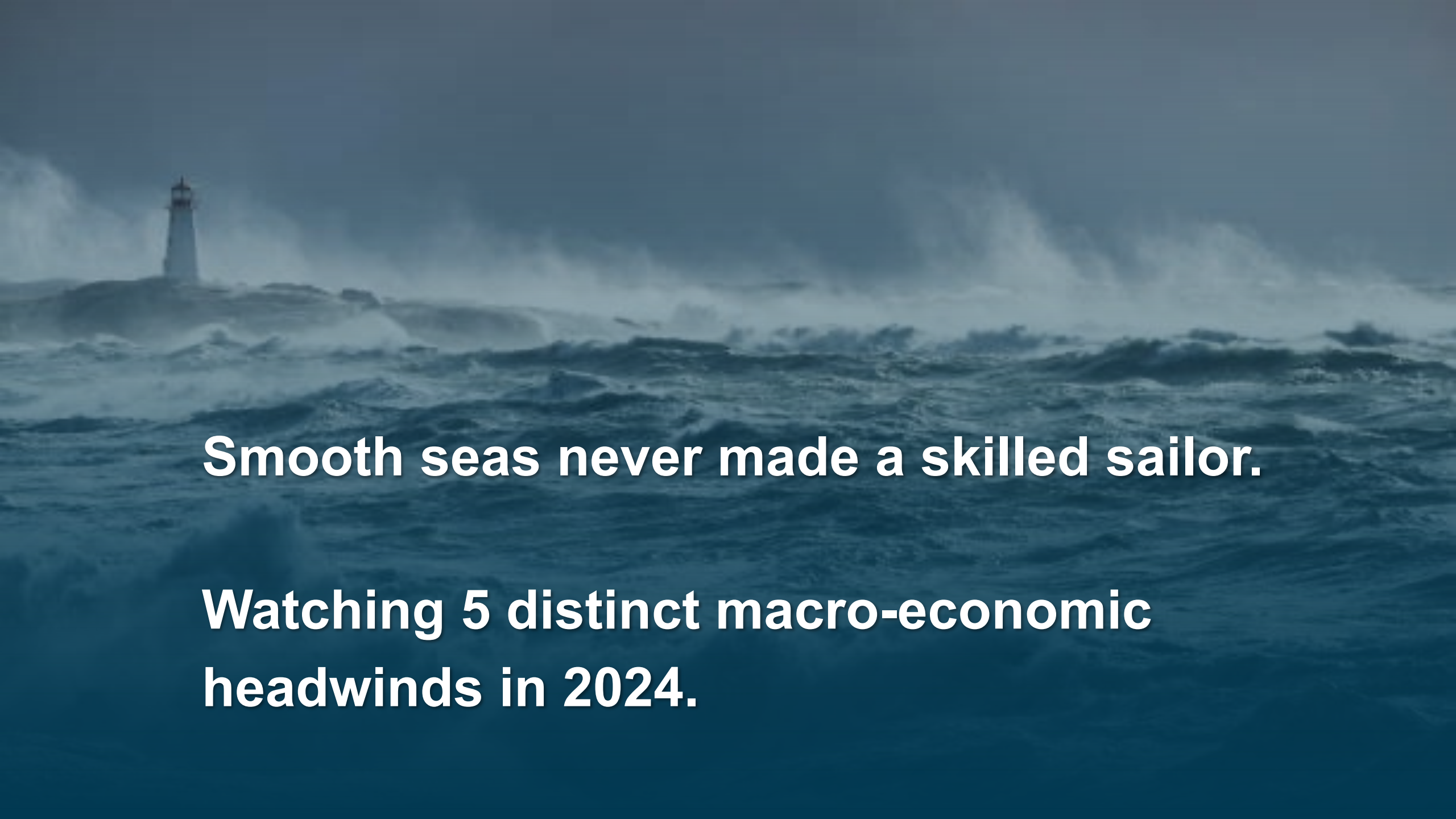
Managed Services hits \$488 billion in 2023



REVENUE FROM MANAGED SERVICES (BY REGION)



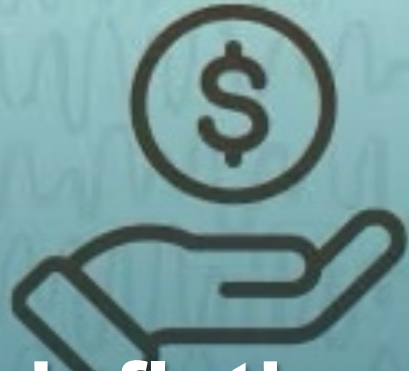
Source: Canalys managed services provider opportunity database, MSP Analysis, July 2023 (Excludes vendor services)



Smooth seas never made a skilled sailor.

**Watching 5 distinct macro-economic
headwinds in 2024.**

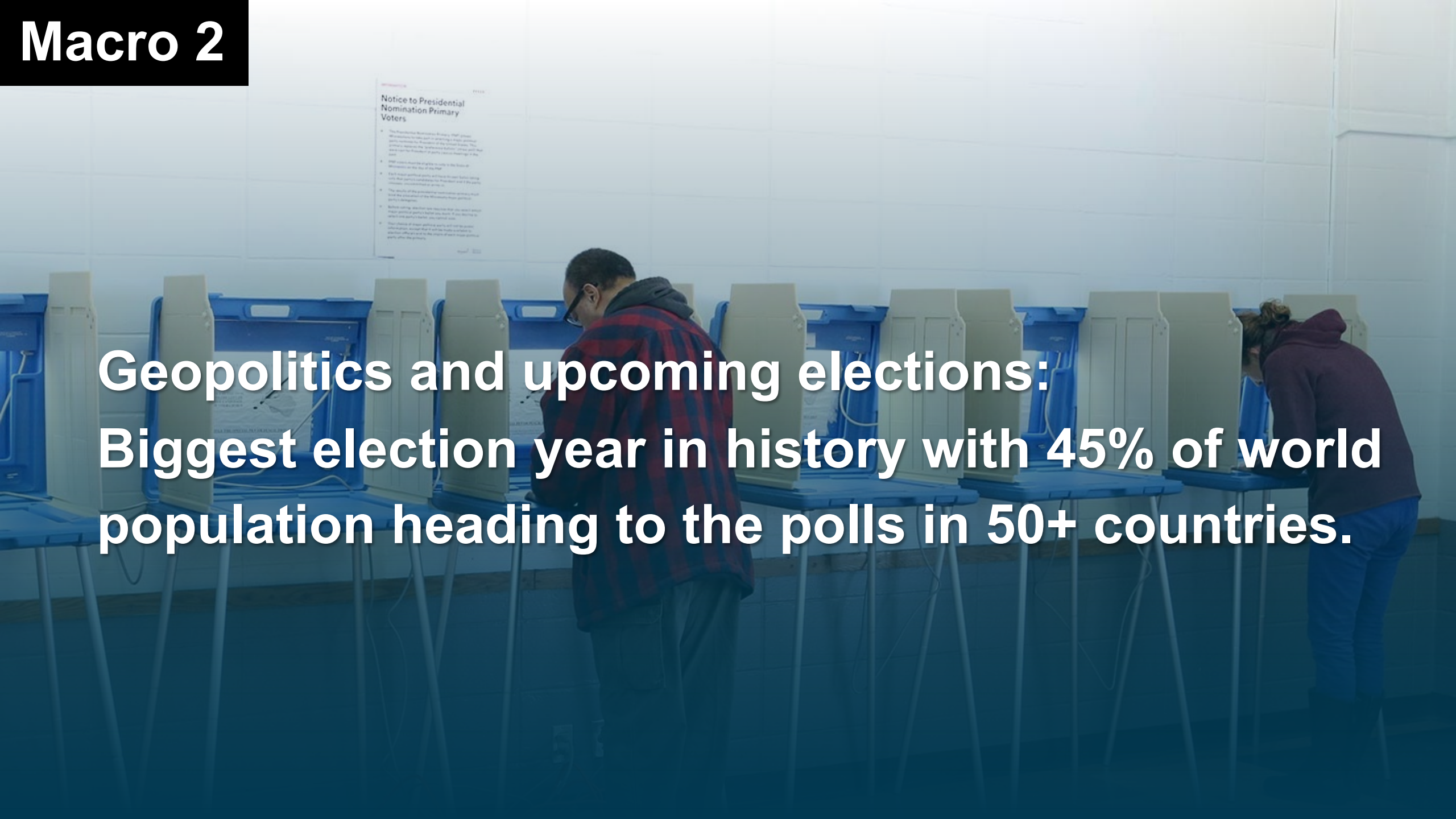
Macro 1



High inflation and interest rates: Highest levels in 20 years, attacks in the Red Sea have driven up shipping costs 329% from China to Europe.



Macro 2



**Geopolitics and upcoming elections:
Biggest election year in history with 45% of world
population heading to the polls in 50+ countries.**



**Fallout from ongoing issues around climate change:
2023 hottest year on record, 2024 will exceed.**

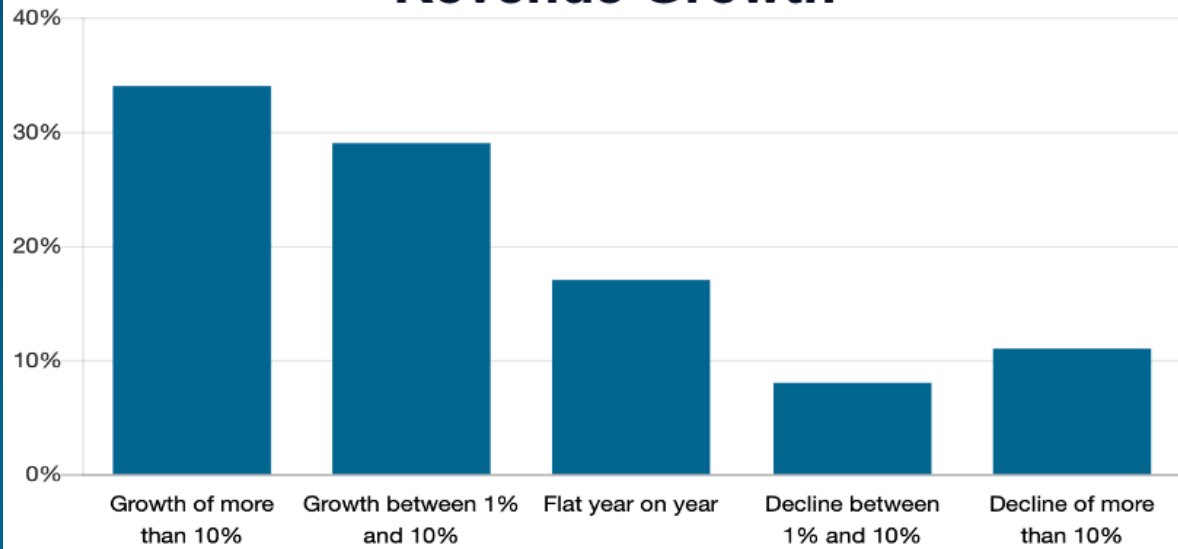
An oil pumpjack is shown in silhouette against a dramatic sunset sky with orange and yellow clouds. The pumpjack is a large mechanical structure used for extracting oil from the ground. In the background, other oil field structures are visible on the horizon.

Energy security: Fossil fuel demand will reach record in 2024, supply disruptions could drive oil prices higher.

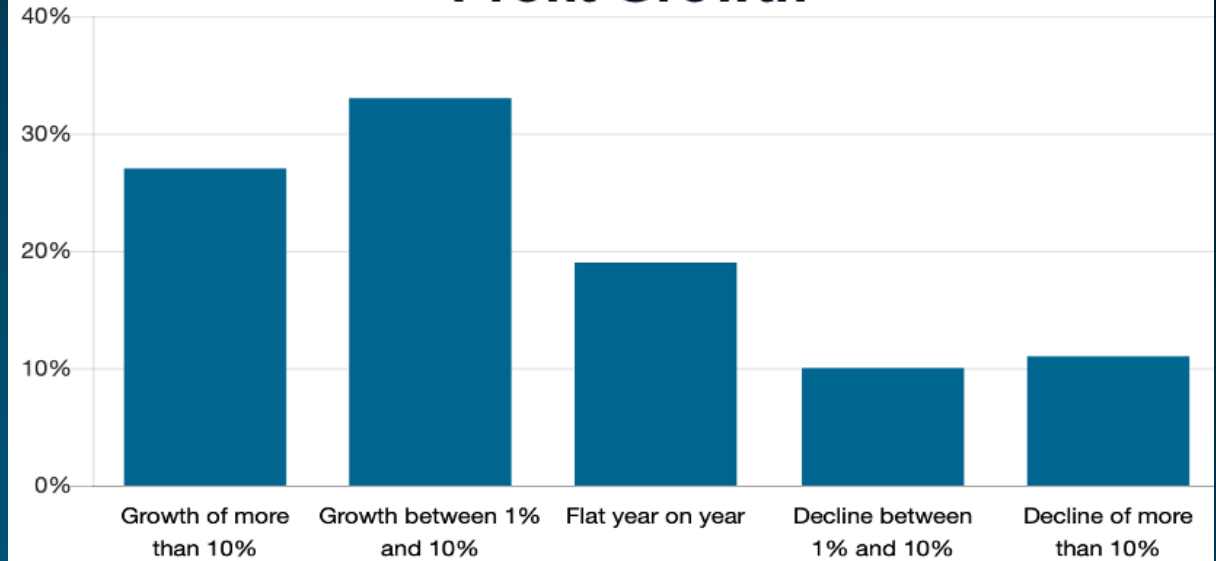
**Cyber-attacks: Ransomware surged 68% in 2023
& new powerful groups emerge (fueled by Gen AI)**

Channel Partner Confidence For 2024

Revenue Growth

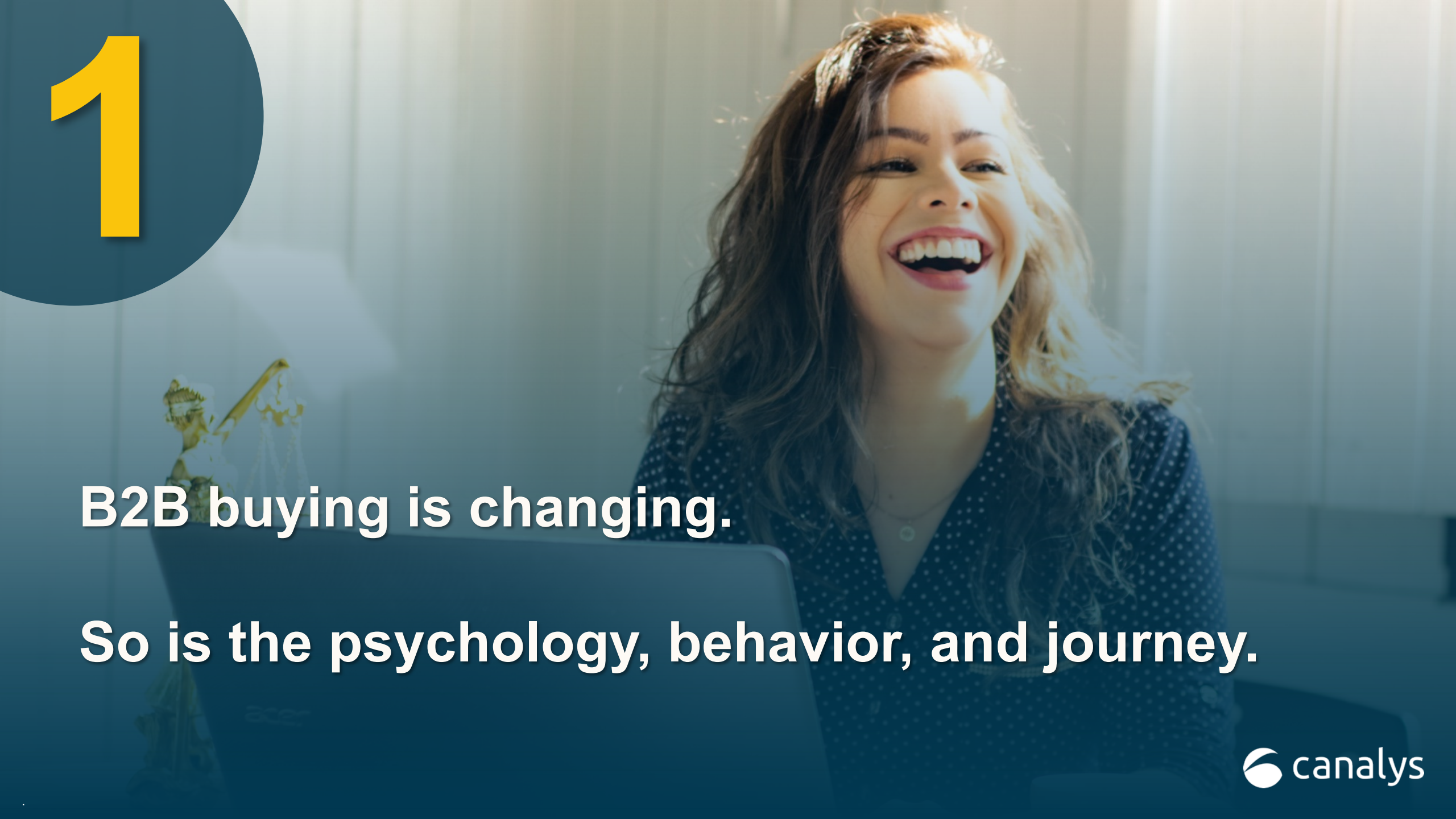


Profit Growth



5

TRENDS TO WATCH IN 2024



1

B2B buying is changing.

So is the psychology, behavior, and journey.

A close-up photograph of a person's hands holding a silver smartphone. The person has purple nail polish. The background is blurred, showing a laptop and another person's hand. A semi-transparent blue overlay covers the entire image.

Digital-first.

Subscription / consumption friendly.

75% don't want to talk to a salesperson.

The background is a dark blue gradient. On the right side, there is a vertical column of binary code (0s and 1s) in various colors (blue, green, yellow, red). On the left side, there are several horizontal lines of binary code. In the center, there are many thin, curved lines in various colors (blue, green, yellow, red) that flow from the left towards the right, creating a sense of movement and connectivity.

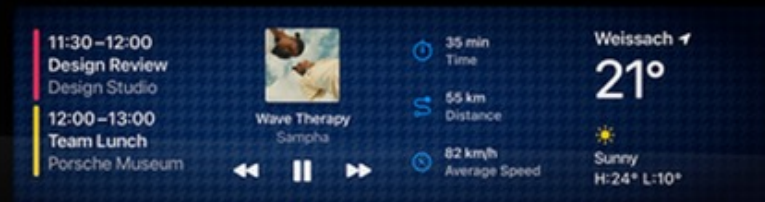
Integration-first.

7-layer stack. 7 partners trusted.

Marketplace friendly.

79% of buyers would only buy a car if it supported Apple CarPlay







2

2024 is the year of the platform



MANAGE YOUR SUBSCRIPTION BUSINESS



CUSTOMER BASE

KR

BILLION DOLLAR BRAND CLUB

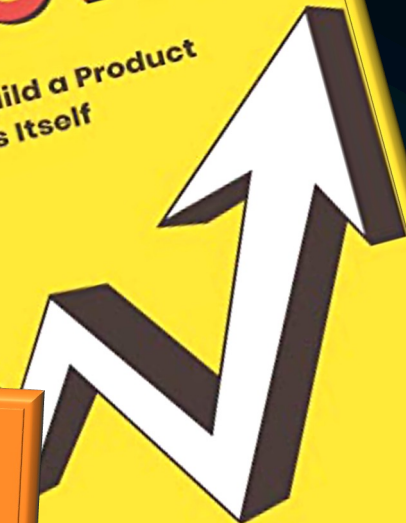
How Dollar Shave Club,
Warby Parker, and Other Disruptors
Are Remaking What We Buy



INGRASSIA

PRODUCT-LED GROWTH

How to Build a Product
That Sells Itself



WES BUSH

CONSUMPTION ECONOMICS

THE NEW RULES
OF TECH

J. B. WOOD
TODD HEWLIN
THOMAS LAH

VALUE-BASED PRICING

Drive Sales and
Boost Your Bottom Line by
Creating, Communicating,
and Capturing
Customer Value

HARRY MACDIVITT

HOW AMAZON
IS CHANGING OUR LIVES
AND WHAT THE WORLD'S
BEST COMPANIES
ARE LEARNING FROM IT

bezonomics

BRIAN DUMAINE

TAM

334 million global customers
\$5 trillion in B2B spend

SAM

Go to market
Solution coverage

SOM

Current
capacity, capability,
& coverage

TARGET ADDRESSABLE MARKET

Total market for your
product or service

SERVICEABLE AVAILABLE MARKET

Portion of market you can acquire
based on business model

SERVICEABLE OBTAINABLE MARKET

Percentage of the SAM you can
realistically capture

TECHNOLOGY &
BUSINESS BUYERS

20

SUBINDUSTRIES

297

COUNTRIES

193

6 VECTORS
OF PARTNER
SEGMENTATION

MARKET SECTORS
& SEGMENTS

12

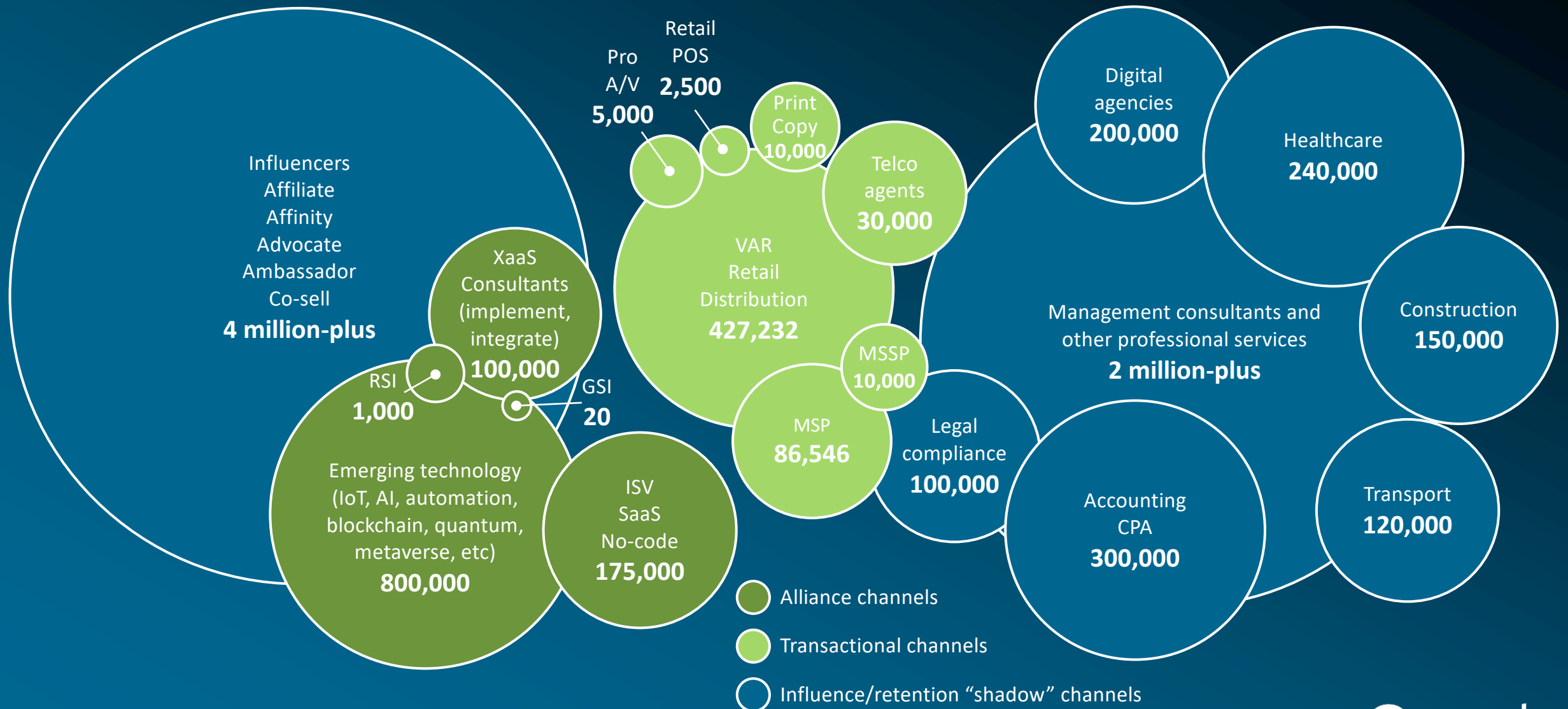
TECH PRODUCT
& SERVICES

250

PARTNER
BUSINESS MODELS

20

Rapidly expanding global technology channel

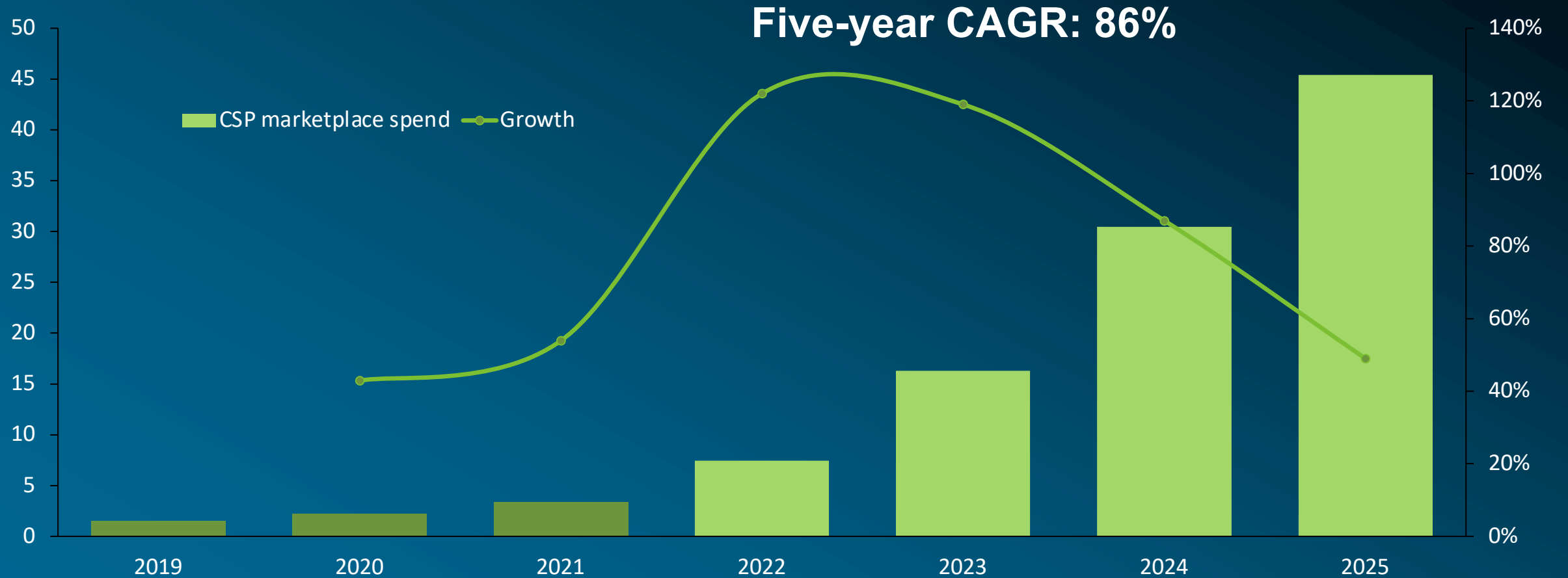


Source: Canalys estimates, June 2022

Cloud marketplaces growing rapidly

End-user spend
(US\$ billion)

Year-on-year
growth



Source: Canalys estimates and forecasts, September 2021

Routes to market are diversifying for IT vendors

Distributors	 TD SYNnex  INCRAM  AVANT  ALSO  Westcon  Comstor  esprinet 
Cloud distributors	 pax8  sherweb  NEXTGEN GROUP  INCRAM CLOUD  Cloud DISTRIBUTION an Infinigate Group company  JENNE [®] Cloud Services Brokerage Value-Added Distributor
Cloud marketplaces	 aws  Microsoft  Google Cloud  salesforce appexchange
Tech solutions distributor (telco)	 AppDirect  TELARUS  AVANT  INTELISYS  SANDLER PARTNERS
Aggregators	 CDW  Insight  CANCOM  softwareONE  Crayon
MSP providers	 CONNECTWISE  Kaseya  datto  N-ABLE  ninjaOne
Marketplace development platforms	 AppDirect  MIRA KL  CloudBlue  MARKETPLACER  VENDASTA

Logos are representative examples of players in each category and do not represent an exhaustive list
Source: Canalys estimates, February 2023

**Multipliers instead of margins –
New language of modern platforms**



**New Study Finds Salesforce
Economy Will Create 9.3 Million
Jobs and \$1.6 Trillion in New
Business Revenues by 2026**

New Study Finds Salesforce

The HubSpot Ecosystem: Nearly \$19 Billion in New Opportunity Ahead

New Study Finds Salesforce

The HubSpot Ecosystem:



Google Cloud

Partners make **\$5.70 (versus \$5.20 in the previous study)** in downstream revenues across sell, service, and build revenue streams **for every dollar** a customer spends on Google Cloud consumption.

Microsoft CEO Satya Nadella's Plan To Unlock 'Trillions Of Dollars' In Partner Opportunity

Microsoft CEO Satya Nadella views every business program or business model change through a channel lens: How does it impact partners and how will it help them drive technology acceleration?

By [Donna Goodison](#)

April 12, 2021, 10:00 AM EDT

A promotional banner for CRN. The top left corner features a green and blue geometric pattern with the CRN logo in red. The rest of the banner has a solid green background. The text 'Subscribe to CRN — Know What's Happening' is in white, bold font. Below it, in a smaller white font, is the text 'Trust CRN for the latest IT channel news.' A small 'x' icon is in the top right corner of the banner area.

CRN

**Subscribe
to CRN —
Know What's
Happening**

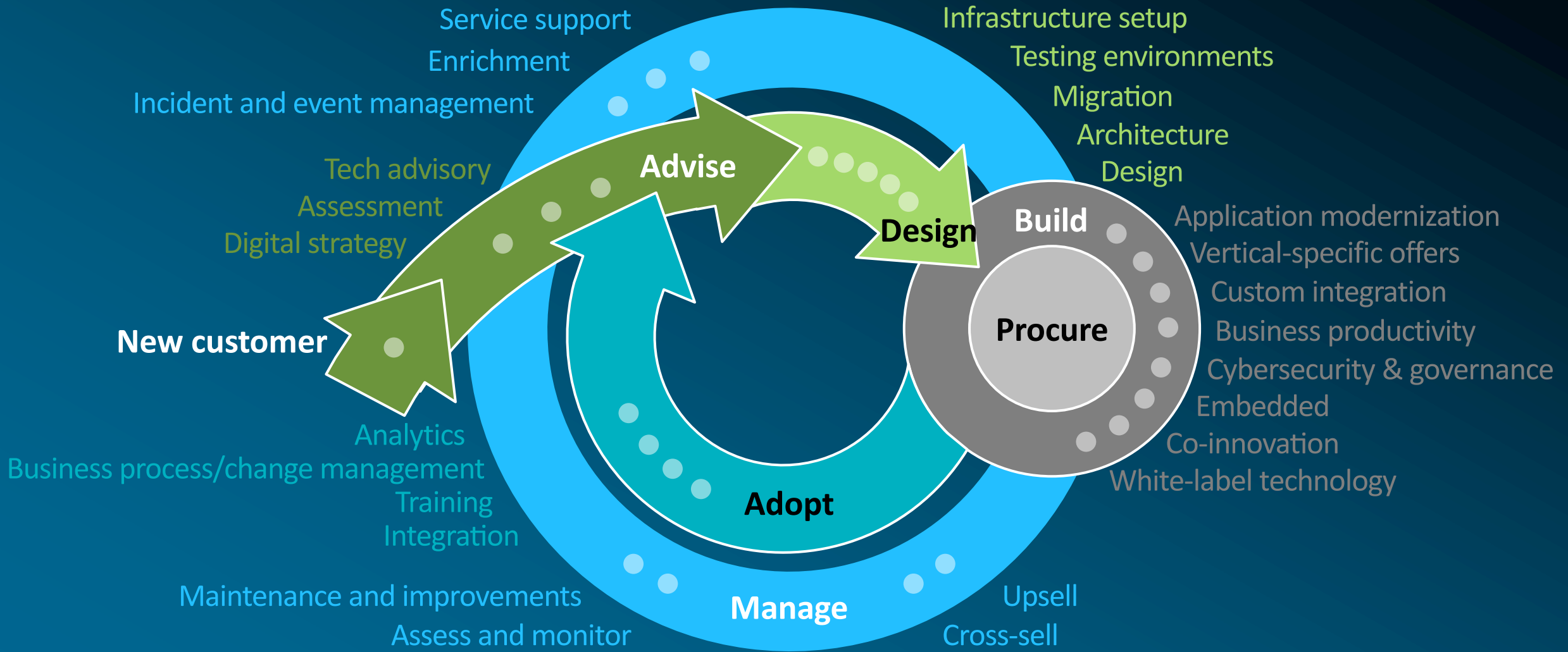
Trust CRN for
the latest IT
channel news.

Partners who sell multiple AWS services can make **\$6.40** for every \$1 of AWS they sell

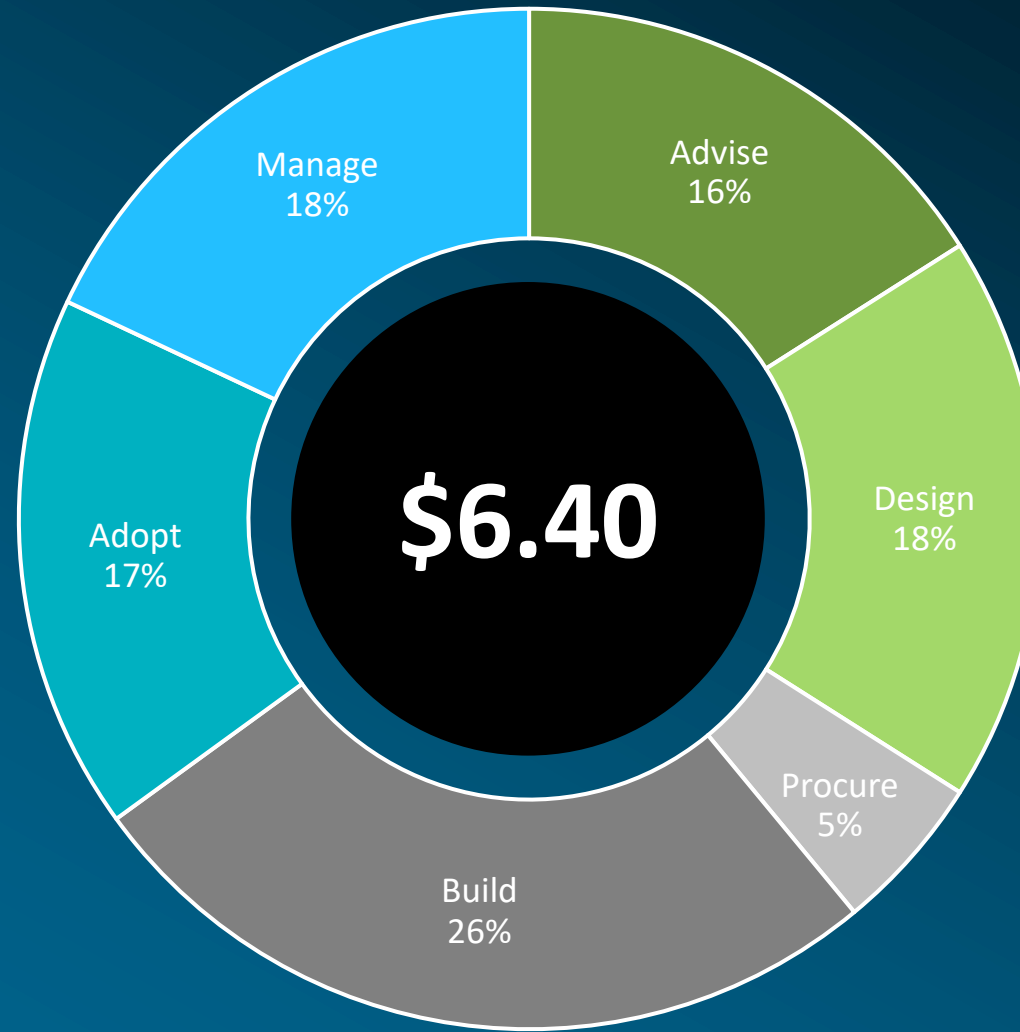
CANALYS, AWS PARTNER ECOSYSTEM MULTIPLIER STUDY, 2022



Many different activities within motions



Proportion of multiplier by service category



Note: \$ is US dollar

Source: Canalys partner ecosystem study interviews, October 2022



3

**Economics of partnering
changing for first time ever**

A person in a grey sweater is interacting with a POS system in a grocery store. The screen displays a list of items, including '1,0 x Penne hell 1,43' and '18,45 €'. The background shows a blurred grocery store environment with shelves and other people.

Partner compensation tied to point of sale.
Half of partners underpaid; others overpaid.
Suboptimal for subscriptions & marketplaces.

Measuring partners at point of value



Alliances: technology, strategic and business

Channels Ecosystem Landscape 2023

233 companies

US\$5.3 billion
software revenue
(from 2022)

US\$11.8 billion
forecast channel software
market (by 2028)

Channel incentives
management:
US\$1.1 billion

Partner relationship management:
US\$710 million

Channel data management:
US\$389 million

Ecosystem
marketplace and
integrations:
US\$381 million

Ecosystem management and
orchestration: US\$92 million

Ecosystem data
and mapping:
US\$67 million

Ecosystem influence
and attribution:
US\$231 million

Channel finance,
pricing and inventory:
US\$618 million

Channel learning
and readiness:
US\$740 million

Through-channel
marketing automation:
US\$719 million

Ecosystem recruitment
and visualization:
US\$47 million

Source: Canalys estimates, August 2023

Microsoft Introduces New Solutions Partner Score, Plans Program Name Change

BY **WADE TYLER MILLWARD** ▶

MARCH 16, 2022, 03:00 PM EDT

'Customer needs are constantly evolving, which is why we are announcing this evolution now and preparing for the changes it will bring,' Microsoft Channel Chief Rodney Clark said in a blog post. 'We're excited to take this next step in the evolution of our ecosystem — putting customer value at the center of our continued partner investment.'



Requirements for each Solutions Partner designation

Each designation has a specific number of possible points that can be earned per category. You have the flexibility to choose which categories to focus on within a solution area to match your business needs

Each Solutions Partner designation requires **70+ points** with at least one point in each subcategory

Category	Subcategory					
	Solutions Partner for Business Applications	Solutions Partner for Data & AI (Azure)	Solutions Partner for Digital & App Innovation (Azure)	Solutions Partner for Infrastructure (Azure)	Solutions Partner for Modern Work	Solutions Partner for Security
Performance	Net customer adds » 15pts	Net customer adds » 30pts	Net customer adds » 30pts	Net customer adds » 30pts	Net customer adds » 20pts	Net customer adds » 20pts
Skilling	Intermediate Certs » 20pts	Intermediate Certs » 40pts	Intermediate Certs » 20pts	Intermediate Certs » 20pts	Intermediate Certs » 10pts	Intermediate Certs » 40pts
	Advanced Certs » 15pts		Advanced Certs » 20pts	Advanced Certs » 20pts	Advanced Certs » 15pts	
Customer Success	Usage Growth » 30pts	Usage Growth » 20pts	Usage Growth » 20pts	Usage Growth » 20pts	Usage Growth » 30pts	Usage Growth » 20pts
	Deployments » 20pts	Deployments » 10pts	Deployments » 10pts	Deployments » 10pts	Deployments » 25pts	Deployments » 20pts

represents maximum number of points in that subcategory



TECH

Microsoft's market cap hit \$2.89 trillion as it overtook Apple as the world's most valuable public company

Share | Save

Polly Thompson Jan 13, 2024, 10:31 AM EST



lys

4



END OF THE
COOKIE

Apple block on third party cookies will change digital media forever

GlobalData. | GlobalData Thematic Intelligence | June 23, 2021

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analys



The Keyword

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Product updates

Company news

The next step toward phasing out third-party cookies in Chrome

Dec 14, 2023

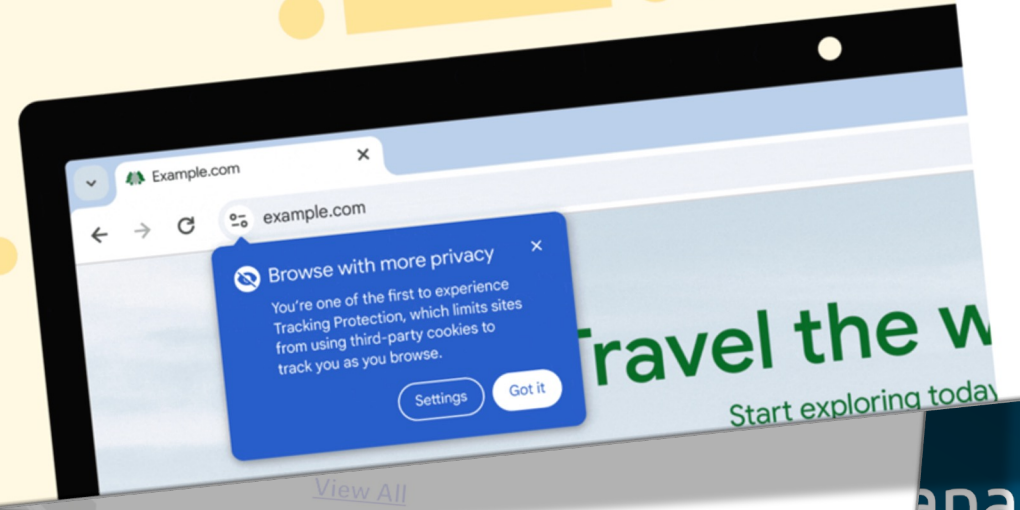
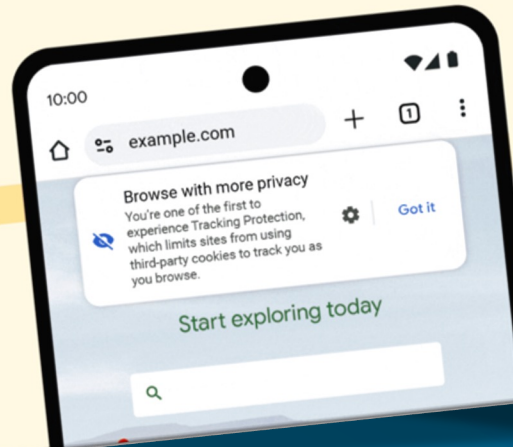
2 min read

Chrome is testing Tracking Protection, a new feature that limits cross-site tracking.

Share



Anthony Chavez
VP, Privacy Sandbox



[View All](#)

analysis

GET OBSESSED OVER 28 MOMENTS OF THE NEW CUSTOMER JOURNEY



Search
Social media
Events
Podcasts
Magazines

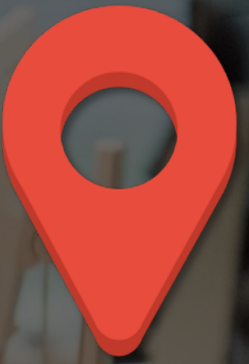
Associations
Peer/user groups
Vendor communities
Distribution
Analysts 😊

Bloggers/Thought Leaders
Consultants/Coaches
Direct Website/CPQ
Marketplaces
Sales Demo
Training companies



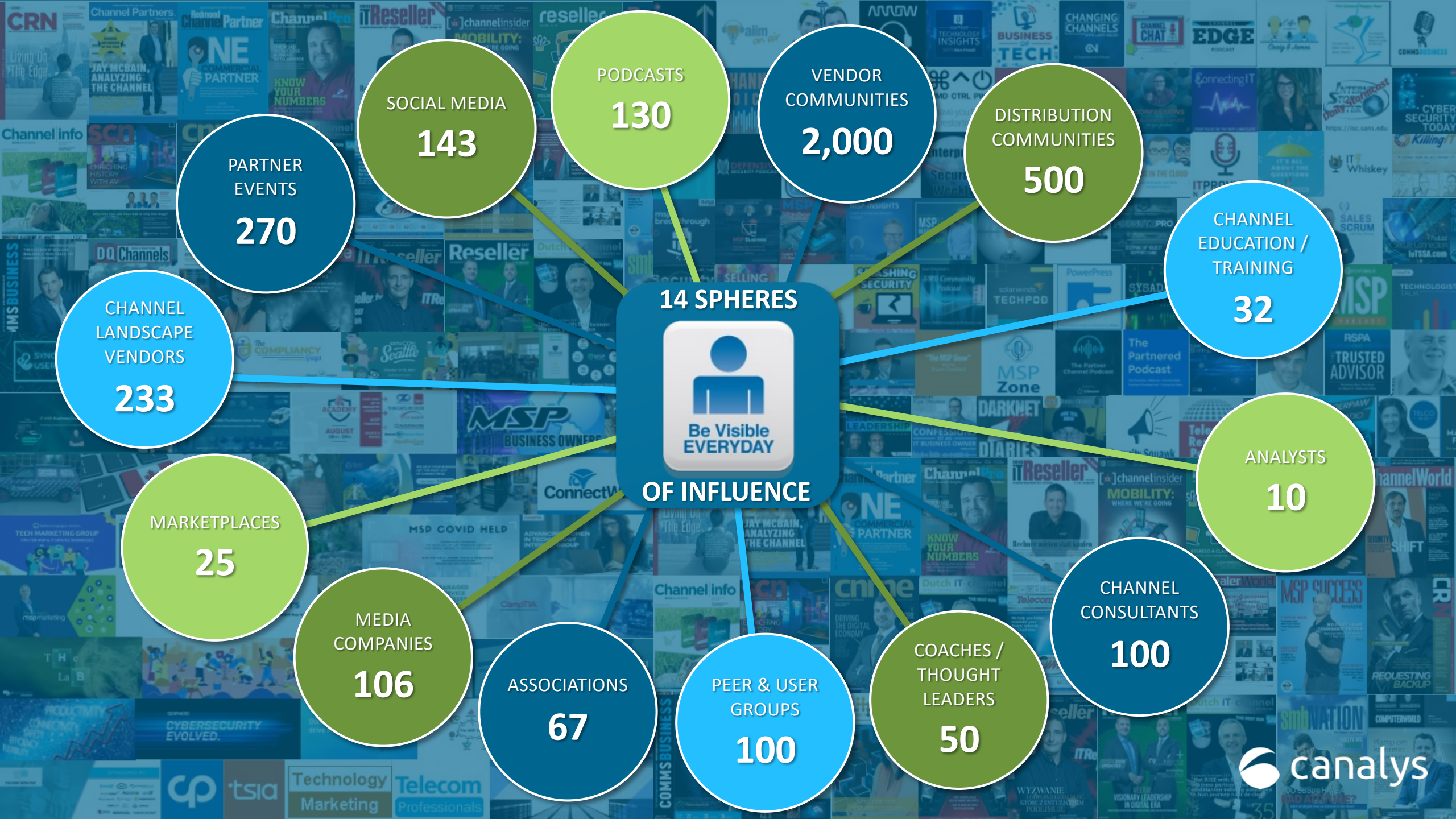
A blue and purple Visa credit card is placed on a laptop keyboard. A red location pin is positioned above the card. Green footprints are visible on the keyboard keys to the left and right of the card. The text "PURCHASE IS THE FIRST 30 DAYS WITH THE CUSTOMER..." is overlaid in white.

**PURCHASE IS THE FIRST
30 DAYS
WITH THE CUSTOMER...**



RETENTION

1. Driving Adoption / Habit Forming
2. Deeper Integrations / Stickiness
3. Upsell / Cross-sell / Enrichment



14 SPHERES



OF INFLUENCE

SOCIAL MEDIA
143

PODCASTS
130

VENDOR
COMMUNITIES
2,000

DISTRIBUTION
COMMUNITIES
500

CHANNEL
EDUCATION /
TRAINING
32

ANALYSTS
10

CHANNEL
CONSULTANTS
100

COACHES /
THOUGHT
LEADERS
50

PEER & USER
GROUPS
100

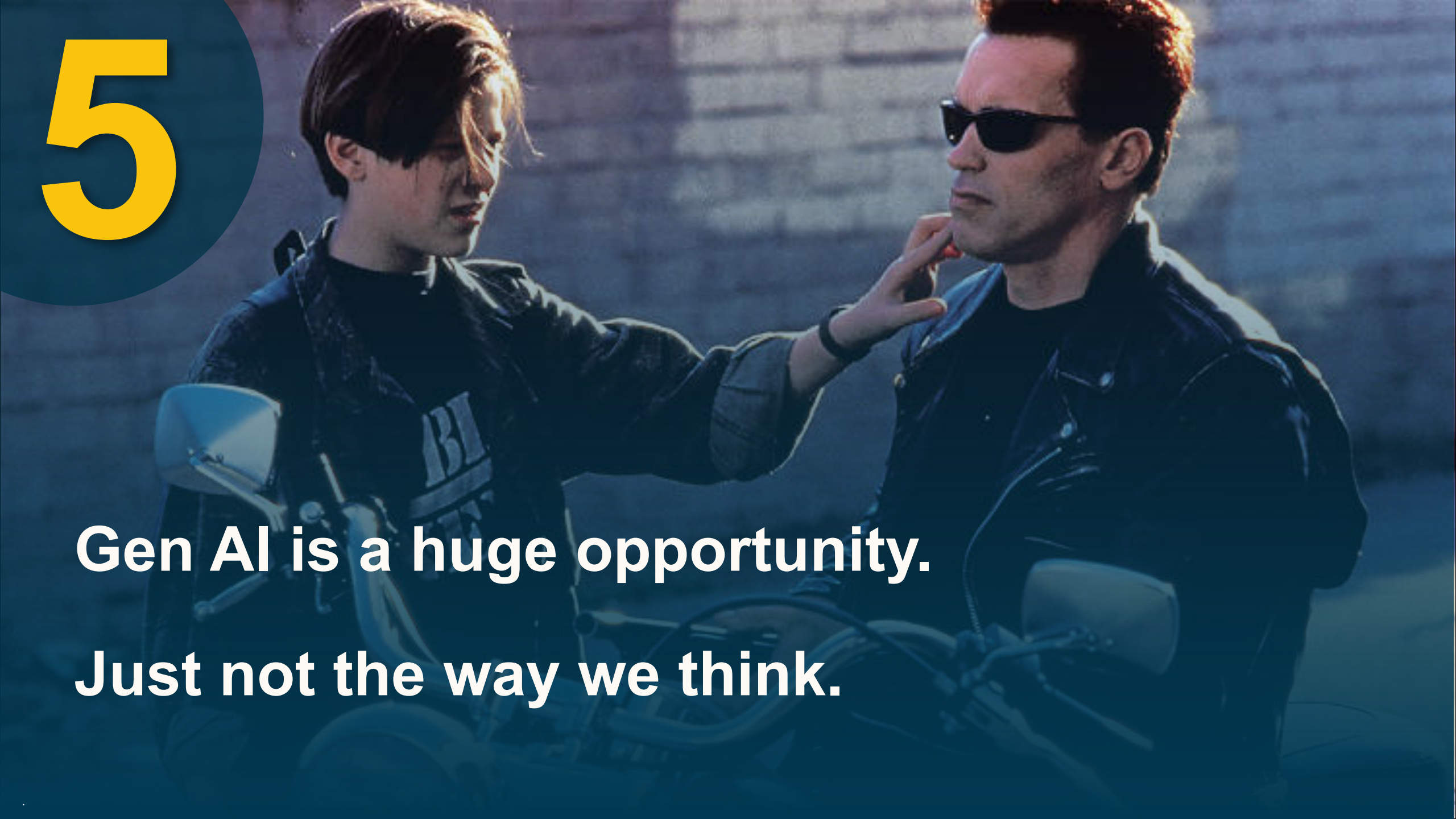
ASSOCIATIONS
67

MEDIA
COMPANIES
106

MARKETPLACES
25

CHANNEL
LANDSCAPE
VENDORS
233

PARTNER
EVENTS
270

A photograph of a young man and a man sitting on motorcycles. The young man is on the left, wearing a dark jacket with 'FBI' on it, looking towards the right. The man on the right is wearing sunglasses and a dark jacket, looking towards the left. The background is a brick wall. The entire image has a blue tint. In the top left corner, there is a large yellow number '5' inside a dark blue circle.

5

**Gen AI is a huge opportunity.
Just not the way we think.**

Gen AI is a generational opportunity for the channel



“We are already as an ecosystem participating in a US\$4 trillion opportunity that could in fact grow by another 50%... so that means approximately US\$2.5 trillion dollars of additional TAM is going to be addressable across our partner ecosystem...”

Satya Nadella, Executive Chairman and CEO, Microsoft

Gen AI is a generational opportunity for the channel

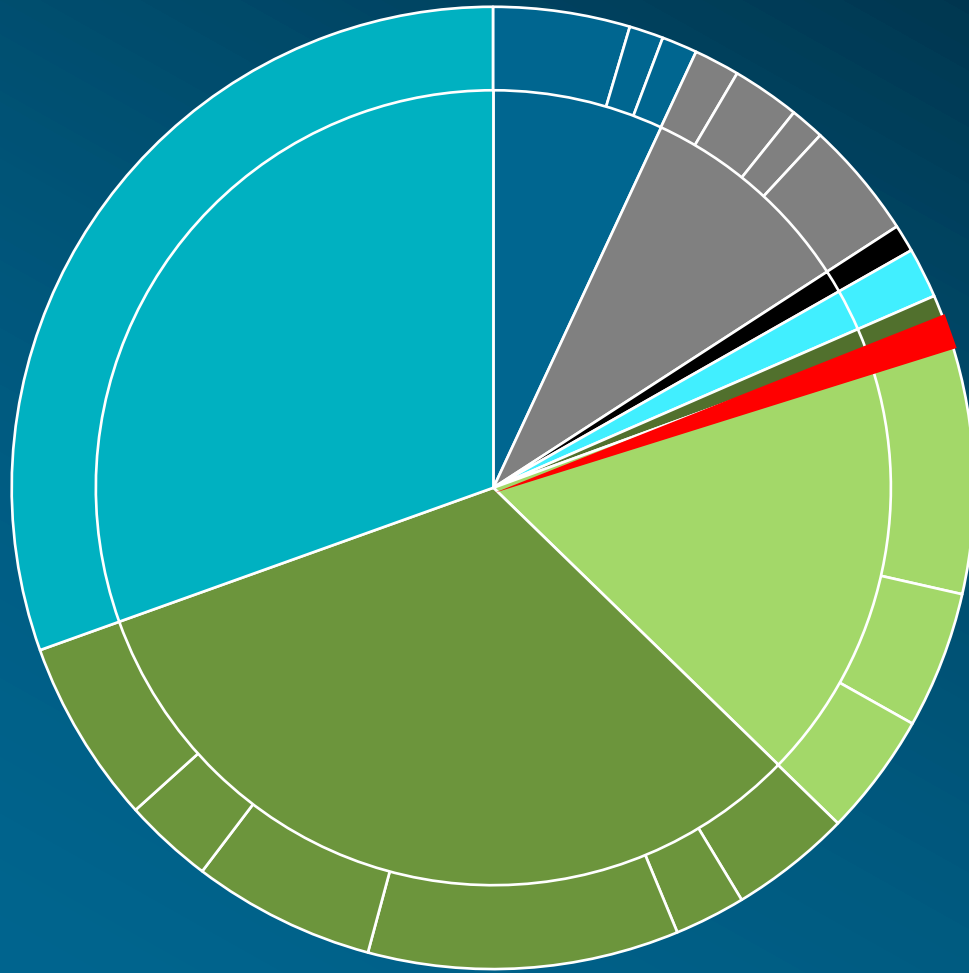


“We are excited to expand partnerships for every layer of the AI stack – chipmakers, foundation models, AI platforms, technology partners enabling machine learning models, app-builders solving customer use cases with gen AI, and global services and consulting firms that help enterprise customers implement all of this technology at scale.”

-Thomas Kurian, Google Cloud CEO

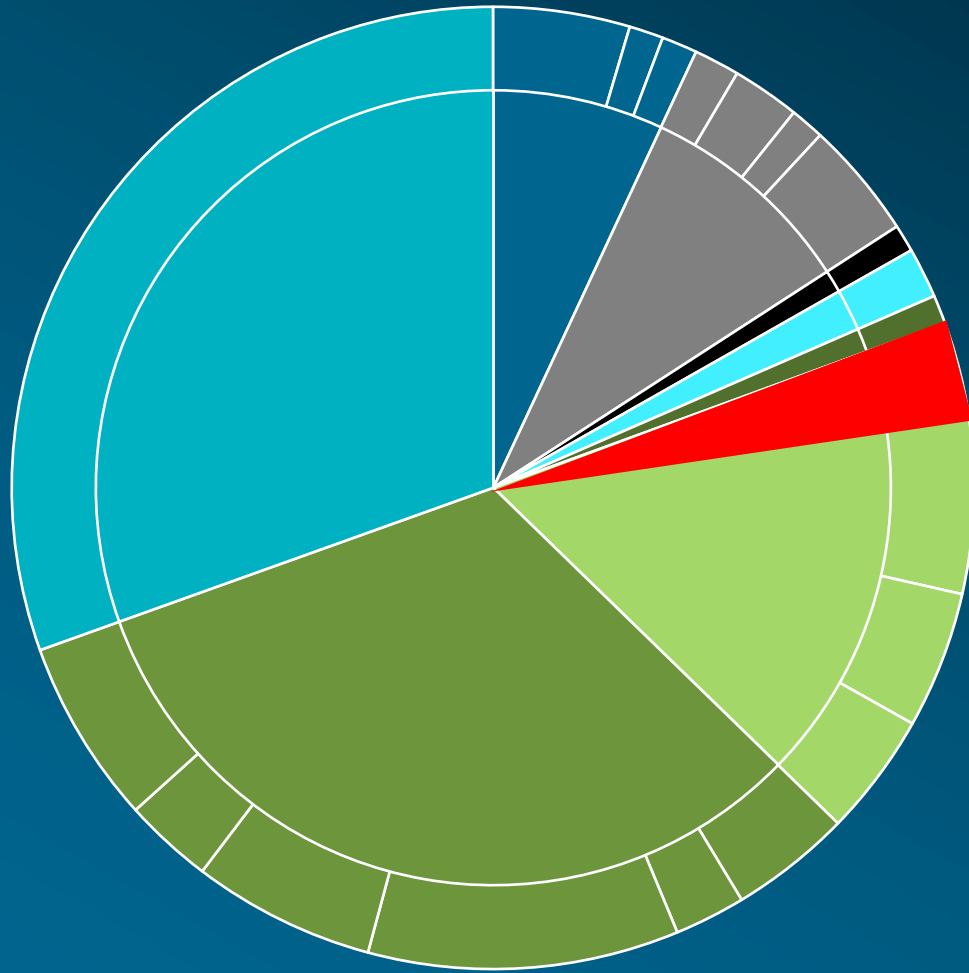


Gen AI Market Opportunity for Partners



\$15.4 billion (2023)

Gen AI Market Opportunity for Partners

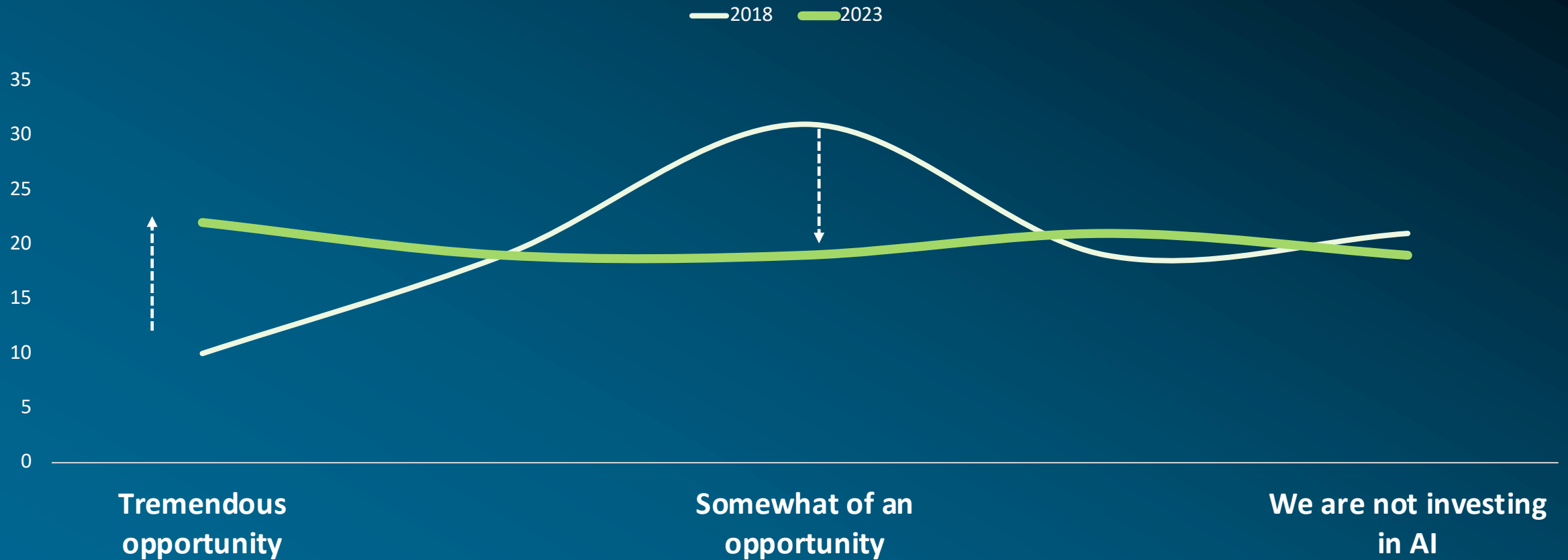


\$158 billion (2028)

59.3% CAGR

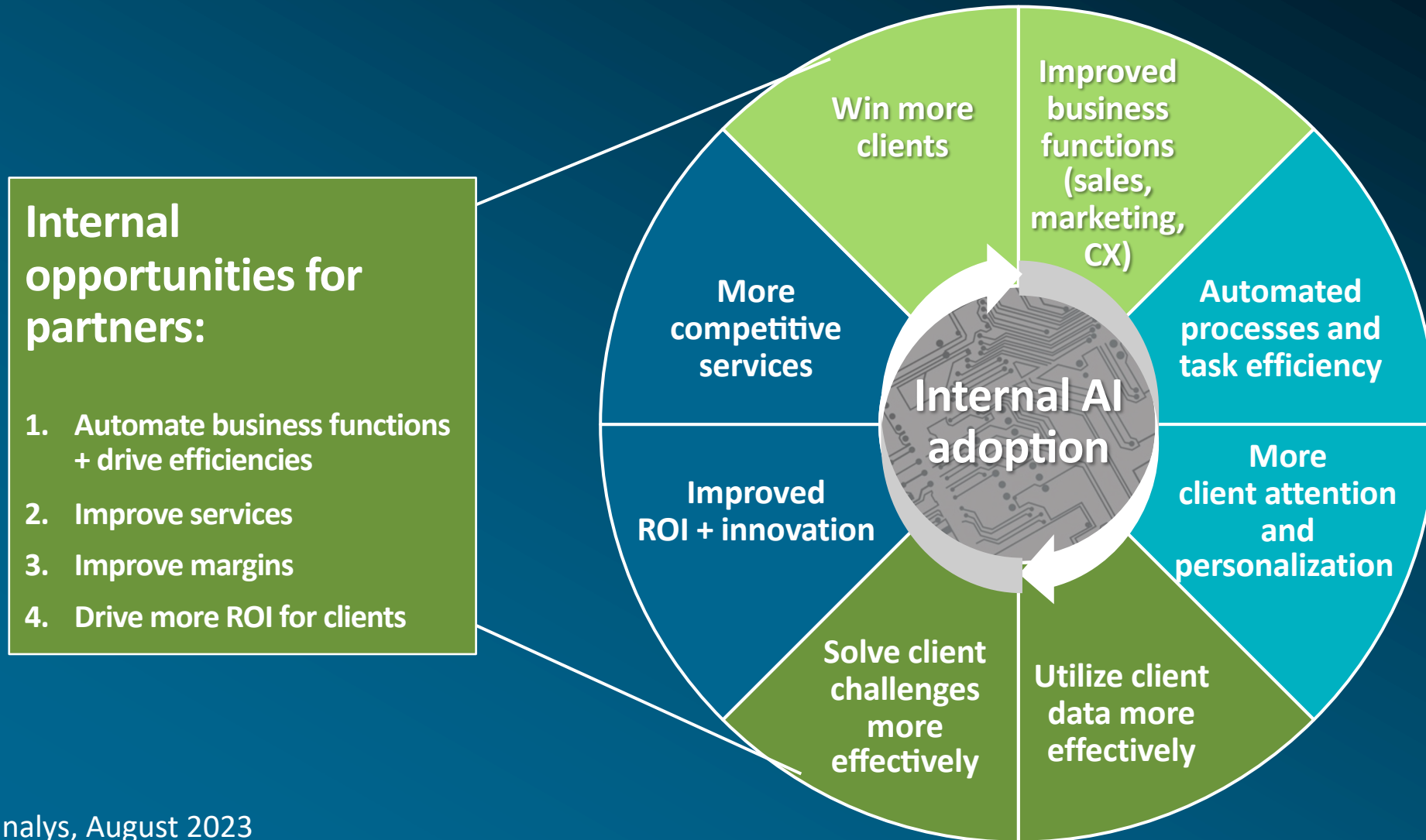
Healthy degree of skepticism across channel

How much business opportunity does AI represent for your company over the next 2 years?

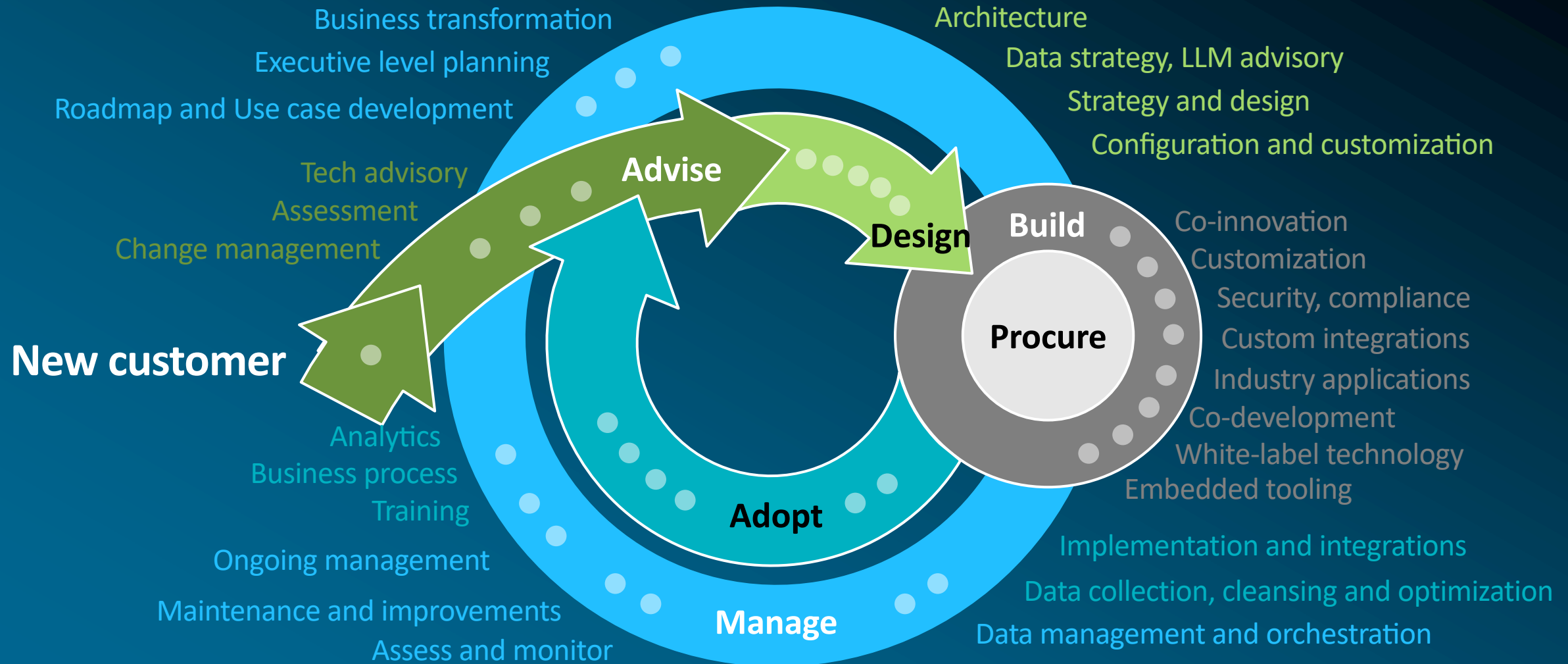


Source: Canalys Quick Polls, 359 and 320 IT channel respondents respectively, May 2023

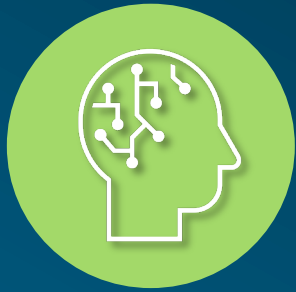
Internal adoption of Gen AI creates differentiation



Gen AI Opportunities across customer journey



Gen AI service opportunities in the next 18 months



\$\$\$

AI services

Services that help companies adopt, implement, use and optimize AI.



\$\$\$

AI software development

Developing gen AI software, applications and plug-ins.



\$\$

Advanced data services

Advanced data and analytics services that use or enable gen AI.

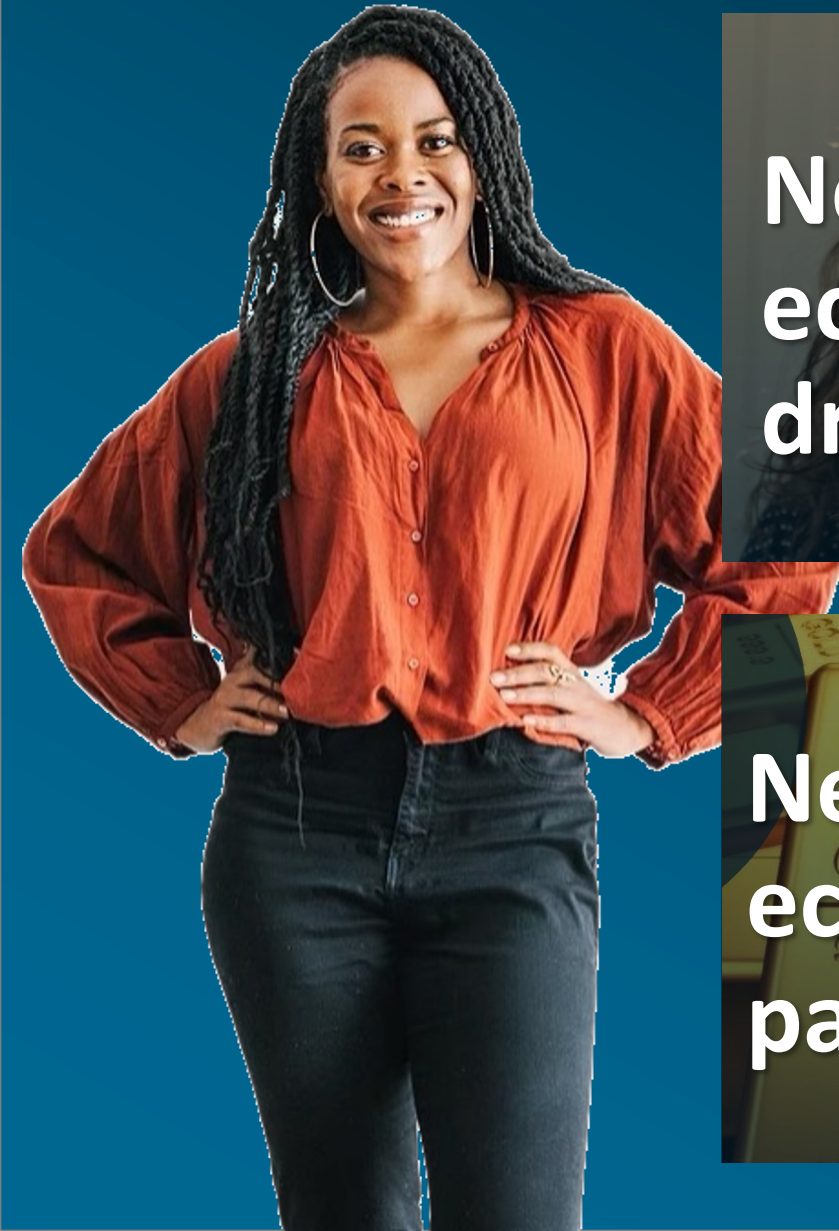


\$

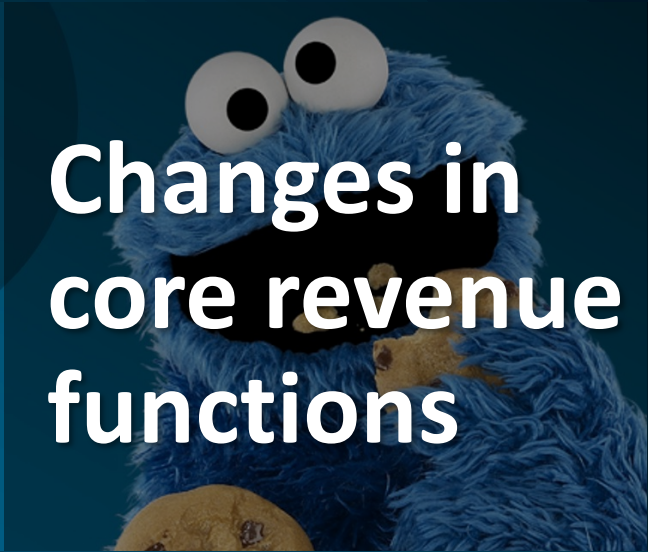
AI products (resell, co-sell, upsell)

Reselling, co-selling or cross-selling AI products and services.

CONCLUSION – MAKING THE CASE



New
ecosystem-
driven buyer



Changes in
core revenue
functions



New
economics of
partnering



2024
The State
of Platforms
Insights on the platform business model from
data on the 50 largest software companies and
executive interviews
The platform
economy

Thank you.



Jay McBain

Chief Analyst, Channels, Partnerships, Alliances & Ecosystems



jaymcbain



@jmcbain

Let's Connect!



Insight. Innovation. Impact.

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