CUSTOMERS NEED CHANNEL PARTNERS

Customer Perspectives on The Importance of IT Solution Providers

An IDC InfoBrief Sponsored by Microsoft
SUMMARY FINDINGS

• Widespread use of **channel as technology source** with very active involvement of line of business (LOB) in selection decisions.

• This InfoBrief highlights these opportunities and provides insights on the importance customers place on working with **trusted IT solution providers**.

Quantitative survey of 400 technology buyers in North America, conducted in May 2015. The sample was selected randomly and not provided by Microsoft.

Respondents a mix of IT decision makers and influencers. Quotas applied to ensure adequate responses from small (10 to 99 employees) and medium (100 to 999 employees) businesses, and data was weighted by company size.

KEY QUESTIONS & SURVEY TOPICS

• Technology **attitudes/goals**

• **Extent/nature** of recent IT hardware, software, and related services spending

• IT product **selection/influences** and IT solution provider selection/influences.
It’s a Fact: Customers Rely on Partners

It’s the norm for IT buyers to turn to channel partners for the acquisition of IT products and services. Of course, many customers also buy directly from IT vendors, but partners provide a range of options and support that appeals to buyers across size categories.

And Microsoft also relies heavily on partners – more than any of its peers.

CUSTOMERS WANT PARTNERS

86% of business customers buy through channel partners for IT products and services.

Many of these customers also buy direct from IT vendors at times.

MICROSOFT KNOWS PARTNERS

Revenue Through Partners

92% Microsoft

39% Rest of Software Industry
Customers Look to Qualified IT Partners for Many Important Reasons

Customers appreciate the role of IT partners in providing advice and recommending technology to achieve business objectives. This is true for experienced as well as inexperienced buyers.

Successful partners provide effective solutions for customers in specific industries and help firms become true digital businesses.

“I need help to adapt and innovate in the world of digital business”

“I need someone to be my Trusted Technology Advisor”

“I want help from someone who can make technology easy for us”

“I want to work with a firm that knows my industry and my business”

“I need help in moving my business to the cloud”

“I want someone who’s local to me”
There is **Significant** Money to be Made

IDC expects major **spending growth** on “3rd platform” technology like cloud, mobile, big data, and social. Cloud spending alone will reach $200B in 2018, growing five times as fast as the overall IT market.

Focusing on the traditional IT market, where growth prospects are zero to none, is not a long term strategy! Like customers, partners need to be thinking about **leveraging** third platform capabilities.

$2.1 trillion USD will be spent on IT purchases worldwide in **2015**

**3rd platform spending** will grow by **13% CAGR** over the next **5 years**

(Cloud, mobile, big data and social)

The rest of the IT market will grow at **0%**
And **Purchasing Behavior** is Definitely Leaning Towards Cloud

Our survey of North American buyers showed that Cloud and Managed Services budgets have now *surpassed* spending on traditional IT, a trend IDC expects to continue.

- **Cloud**: 55%
- **78.6%**
- **70%**

- **45%** of recent spending was on traditional IT, **55%** on cloud and managed services
- **78.6%** of businesses worldwide indicate usage of, or interest in, cloud computing for their business
- IDC predicts that **70%** of CIOs will shift to a ‘cloud first’ strategy by 2016

CIOs are increasingly considering cloud options when making IT acquisition decisions and IDC believes the vast majority of firms will add cloud resources to their IT environments by the end of next year. IDC found **80%+** of firms with 50+ employees use cloud now!
Buyers Prefer to Work With One Cloud Provider

The majority of buyers (66%) believe the best route for adopting cloud is to stick with a **single major cloud provider**. That means once they have chosen one cloud solution provider (like Microsoft) it will be completely natural for them to continue to look to Microsoft for additional functionality in the cloud.

- As well, in a 2014 IDC survey of end user respondents, Microsoft was perceived as the most qualified company to help customers adopt a public or private cloud service.
- IDC also found growing use of Office 365. A potentially useful halo effect!
Buyers Also Plan to **Spend Money** on **Cloud Related** IT Services

Technology buyers see a very important role for IT service providers on their cloud journey. They expect to need help in a number of ways including **consulting**, **training** and **implementation expertise** (64%). And in fact, 41% of the average technology budget is **allocated** to professional services, business consulting, training and ongoing support, so there’s money on the table.

- This is both risk and opportunity for traditional partners. Alternative approaches to technology implementation are gaining appeal across customer segments. Can you address changing preferences effectively or will service providers offer your customers capabilities you can’t?
Good **Customer Service** is the Key to Success

You might think that customers place a big emphasis on price when they decide who to buy from. In fact, the vast majority are willing to pay more if the IT solution provider has **excellent customer service**.

Don’t feel compelled to match every low price offer you hear about, especially if you can show how your solutions will produce long term results. Your tech benefits will be remembered, not your discounts.

Do customers recognize **the value of good customer service**, even at a premium?

72% will **pay a premium** for good customer service

28% will **forgo good service** for a lower price

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Small and Medium Businesses are Pulling Out Their Wallets and Stepping Up

There will be substantial SMB technology spending in 2015 – approaching $590 billion worldwide in total. SMBs are looking more and more to technology to solve their business problems. And with the Cloud, SMBs can finally enjoy enterprise functionality at a price they can afford.

Further, SMB customers are actively looking to replace their legacy technology. There is a major opportunity for IT solution providers to help SMBs get more productivity and more satisfaction out of their IT investments. Everyone is looking for fresh thinking!

Small and medium businesses (1-999 employees) spent $560.8 B on IT worldwide in 2014 and will approach $590B in 2015 (5.1% growth)

72% of small business and 68% of medium business are not satisfied with their current technology

Small Businesses: 1-99 Employees
Medium Businesses: 100-999 Employees

80% of SMBs are actively seeking to employ technology to solve business problems

Small/Medium Businesses: 1-999 Employees
Office 365 is an increasingly important part of the cloud adoption equation.

IDC expects that 30% of North American small businesses will have Office 365 deployed by the end of 2015, almost twice the share of last year. The growing appeal of Office 365 has been an important part of the quiet revolution in cloud IT engagement.

Costs play a key role in cloud appeal of course, but even more important is better management/control/updating of IT resources. Plus Cloud products like Office 365 provide new capabilities (such as syncing files across computers with One-Drive) previously unavailable.

Partners can play a key role in helping customers move to new solutions with minimal disruption.

Have you deployed Office 365?

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Your **Reputation** is Your Ticket to Success!

It is always easier to do more work with an existing customer than attract a new one, and if you do a good job your customer will **come back again and again.** And they’ll spread the word among their peers.

That noted, in the digital age you’ll have to be an active **participant online.**

Customers are doing ever more investigation before you may hear from them. Are you discoverable on search engines? (Have you checked?) IDC has found that it is still rare for partners to be involved in social media. Try posting, tracking and responding to social media comments. Done right, you might be surprised at the new business you can generate!
Line of Business Buyers Matter

A major trend over the past few years has been the rise of importance of line of business (LOB) buyers. They are very active in deciding how technology budgets are spent, whether or not the money is coming from within their own department.

IT solution providers play a very important role here, to help bridge any gaps between the desires of LOB versus the IT department’s priorities. Learn how to speak the language of the LOB buyer (business benefits!) and you will profit in the long run.

80% of LOB budget is spent on cloud and hosted services (Remainder spent on on-premise IT)

73% of top executives believe individual departments have a much greater role in technology selection than 2 years ago

IT spending by groups outside of IT departments will grow at over 6% per year — almost 2.5 times the rate of the IT department (Led by marketing, customer service, and sales groups)

LOB buyers are 1.4X as likely as IT buyers to seek out partners when buying Cloud Solutions
And LOB Customers Buy Almost Everything

The real “aha!” is that LOB customers are just as likely to be buying these technologies as the IT department. Make sure to build this shift in the **spending power balance** into your sales approach!

LOB customers are **not “fringe” buyers** – look at the core IT resources they have acquired in the past two years:

- **79%** System infrastructure software such as operating systems, virtualization, security, network management, and storage software.
- **75%** Business applications software
- **74%** Servers or storage, either as physical equipment or as-a-service

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The **Bottom Line** for Partners (in Every Sense)

1. It’s a **win-win** for customers and partners. Customers want to work with IT partners and today’s technology landscape, including cloud, provides **unprecedented opportunity** to add value and make money.

2. The **definition** of IT ‘customer’ is changing. Virtually anyone in an organization could be the buyer or have **significant influence** over technology choices. It’s important to recognize this and know the LOB language.

3. SMB customers are very interested in **acquiring new technology** and have the money to do it. Value is key!

4. Microsoft views **partners** as one of its biggest **competitive advantages** for the future. IDC believes that Microsoft’s success will continue to be partner-led. It’s a good time to be a Microsoft partner.