Sales Channels of the Future, Part One: External Forces Shaping Technology Sales Channels Whitepaper

Prioritized Macro Trends and Emerging Technologies that are Disrupting Technology Sales Channels

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This white paper is the first in a <u>series of three</u> documents from Channel Disruptors:

1. Whitepaper One: External Forces Shaping Technology Sales Channels
2. Whitepaper Two: Internal Forces Shaping Technology Sales Channels
3. Executive Briefing: Next Generation Technology Sales Channels

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Executive Summary

A spectacular amount of change is drastically impacting businesses worldwide. The amount and speed of disruption to technology sales channels is alarming. The **external forces** driving this disruption fall into **two** major categories:

1. **Macro Trends**, including significant shifts in culture, commerce and geopolitics
2. **Emerging Technologies** driven by advances in data, automation and industrial technologies

Beyond documenting an extensive list of Macro Trends and Emerging Technologies, Channel Disruptors has methodically prioritized external forces shaping technology sales channels by considering the following three questions:

1. Will it be <u>material</u> in 3-4 years?
2. Is it <u>relevant</u> to technology sales Channels?
3. Is it <u>significant</u> by impacting more than 20% of Channel Partners or creating a large influx of new Partners?

In conclusion, Channel Disruptors has identified <u>seven external forces</u> that are shaping (and disrupting) technology sales Channels:

1. Hyper-personalized <u>customer experience</u> in the buying process is tantamount. Buyers expect, and sellers must deliver more than a simple transaction, product or service.

2. Customers are <u>limiting investments to core competencies</u>. Minimal investments are being made in infrastructure and non-essential activities and/or assets.

3. <u>Security and privacy</u> issues are pervasive. An end-to-end security and privacy management process must be incorporated into every technology and service.

4. The <u>workplace</u> of the future can be anywhere and anytime. It requires a consistent end user experience and ease of use.

5. The Fourth <u>Industrial Revolution</u> (4IR) is coming built on smart industry.

6. There is inherent value in <u>learning to learn</u>. We will become smarter by using self-learning technology.

7. Where and how <u>business is conducted globally is shifting</u>. Isolationism, China's changing role as a world power, digital currencies and immigration laws are all having an impact.

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Introduction

There has been significant noise about how technology sales channels will change dramatically in the next few years. Whether it is forces external to sales channels such as

- Disruptive technologies
- Disruptive business models and moves to consumption based charging
- The changing geopolitical environment
- The changing way commerce is being conducted

Or changes directly happening within sales channels such as

- The overlap between consumer and business channels
- The emergence of digital marketplaces
- The move to industry specialization and clouds
- The emergence of new Channel Partner types

It is Channel Disruptors' belief that there is a perfect storm of technology and business model disruption, better ways to match buyers and sellers combined with significant changes in how customers want to buy. All are occurring at the same time. We are forecasting **more changes in the technology sales channel ecosystem the next three to four years than there has been in the past twenty years**.

In this whitepaper the <u>external</u> forces that are shaping and disrupting technology sales channels will be explored. Those external forces have been split into two categories: **<u>Macro Trends and Emerging Technologies</u>**.
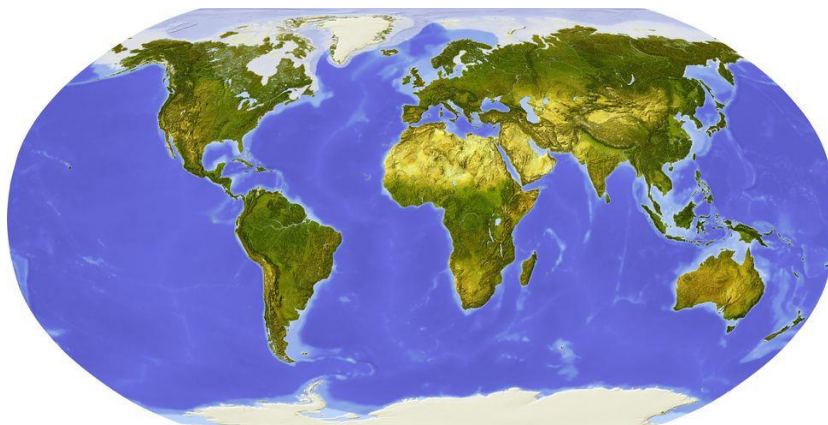
Macro Trends

Macro Trends involve shifts in the world-at-large. Not all Macro Trends will have an impact on technology sales channels. Through exhaustive research, Channel Disruptors has created a shortened list of Macro Trends that global CEO's, CRO's, Strategy and Channel leaders believe will significantly impact technology sales channels. This list has been segmented into **three** types of Macro Trends: **<u>Culture</u>**, **<u>Geopolitics</u>** and **<u>Commerce</u>**.

Culture

Costs of **healthcare** are rising as are restrictions to access. There is a changing pool of **global talent**. The talent required in the workforce is also changing fast. And the changes to talent supply and demand are not always headed in the same direction. Enabling new workforce competencies, **education** is also being transformed with new and virtual approaches to learning.

Large groups of people from around the world are being drawn to **urban**

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areas, while other people groups are exiting urban environments. The **rich are getting richer**, drawing an ever-sharper distinction between the "haves" and the "have nots." A growing number and percentage of workers and leaders are **millennials** as the population ages and more professionals enter **retirement**. And these cultural shifts are happening in a world dominated by a **new media world** order that is "always on."

Geopolitics

The **European Union** is undergoing a substantial reconstruction. **China's GDP** is slowing and the flow of capital out of China is accelerating. **Emerging Markets and Developing Economies** (EMDEs) are driving global growth. These EDME's include:

- East Asia and Pacific (China, Indonesia, Thailand)
- Europe and Central Asia (Russia, Turkey, Poland)
- Latin America and the Caribbean (Brazil, Mexico, Argentina)
- Middle East and North Africa (Saudi Arabia, Iran, Egypt)
- South Asia (India, Pakistan, Bangladesh)
- Sub-Saharan Africa (South Africa, Nigeria, Angola)

> *"Downside risks to global growth include increasing policy uncertainty in major advanced economies."*
>
> World Bank, Global Economic Prospects

There is increasing focus on trade restrictions and **tariffs** related, in part, to rising **isolationism**. A crisis of **immigration** is limiting **visas** globally. **Environmental awareness** and global warming are gathering increased public attention and shaping public policy.

Commerce

Rising **interest rates** are impacting the cost of capital and access to cash particularly for small and medium businesses. As **mobile** and **online commerce** becomes ubiquitous, brick and mortar is declining. Recurring revenue streams are becoming the norm in all aspects of business.

OpEx (**Operational Expense**) realities are not just limited to Information Technology. **Cash management** practices and constraints in multinationals are shifting as excess cash sits on many corporate balance sheets. Stock buy-back initiatives are undertaken and innovative approaches are sought to leverage or move cash stuck abroad.

There is a shift in **buyer experience** expectations, including **personalization**, **privacy** and **immediacy** ("the Amazon Prime impact.") Increased focus is being placed on **alternative and renewable energy**. And there is an increasing use of flexible workforces and **contingent workers**.

Emerging Technologies

Identifying which emerging and/or disruptive technologies to focus on and/or invest in can make all the difference. For technology sales channels, Channel Disruptors research points to **three** segments of Emerging Technology to leverage in strategic plans around channel sales disruption: <u>**Data, Automation**</u> and <u>**Industrial Technologies**</u>.

> *"A new crop of emerging technology stands poised to unleash another cycle of raised consumer expectations, changing behaviors, and disruption. The stakes for CIOs are high — a wrong investment could put your firm out of business; make the right move and you'll vault over your competitors."*
>
> Brian Hopkins, Forrester

Data

Artificial Intelligence and predictive analytics are being increasingly used to analyze environmental data to mimic cognitive functionality and support **good decision making**. Armed with massive data streams, Google, Amazon, Facebook, Apple, Baidu, Alibaba and Tencent will likely know more about us as individuals than all other worldwide companies combined. Wading through the data are **data scientists** seeking to extract new insights from structured and unstructured information.

IoT (the Internet of Things) is adding to the data craze by creating **digital twins** and digitizing and connecting

physical devices to enable smart (predictive) and autonomous (self-healing) functionality. **Digital transformation** is ubiquitous. The ever-growing mountain of data is driving legal, political and public expectation around **data privacy** resulting in how data is collected and disseminated. All the while, **Cybercrime** uses data and technology in corrupt ways.

Automation

Work environments and entertainment are being redefined as **Virtual Reality** simulates a user's physical presence in an imaginary environment. **Autonomous agents**, virtual personal assistants, smart advisors and bots are pervasive. **Collaboration** technologies are driving virtual work productivity. **Unified commerce** is enabling seamless trade across multiple sales channels and platforms. And the hardware and software that powers all of this is getting smarter, enabling advances such as **Intelligent Applications**.

Cloud provisioning tools allow transparency and management of Cloud (and other) services. There is a rising acceptance of **digital currencies** (i.e. Bitcoin). **Blockchain** has emerged and threatens to transform international trade. Automation everywhere is being accelerated as **XaaS** (Everything as a Service) explodes on the world scene.

Industrial Technologies

The factory floor is transforming. **Augmented Reality** has added sensory inputs to real world environments. **Robots**, **droids** and **drones** automatically carry out increasingly complex actions. **Smart sensors** feature built-in intelligence for monitoring and engaging environments. **3D Printing** or **Additive Manufacturing** is used to create three dimensional objects on the factory floor on as needed basis.

Personal and professional lives are changing dramatically. **Driverless, autonomous and electric transportation** are revolutionizing transport logistics. **Edge and Fog Computing** performs Data Processing before reaching a Wide Area Network. **Machine learning** is giving computers the ability to learn without explicit Programming. XaaS enables as needed **asset utilization**. **Software Defined Everything** is extending the benefits of virtualization. And with a tip to the hat to Moore's Law, all this is happening on a smaller and smaller scale as **nanotechnology** is engineering systems at a molecular scale.

Although this list is condensed already, Channel Disruptors is keenly focused on identifying external trends that can further <u>filter for tech sales channel applicability according to the following three questions</u>:

1. Will the Macro Trend or Emerging Technology be <u>material</u> in 3-4 years?
2. Is it <u>relevant</u> to technology sales Channels?
3. Is it <u>significant</u> by impacting more than 20% of Channel Partners or creating a large influx of new Partners or sales channels?

When these filters were applied, <u>seven external forces</u> that are shaping (and disrupting) the sales channels of the future emerged. The details of these external forces are contained in the following pages.

> *"By 2020, the average person will have more conversations with bots than his/her spouse."*
>
> Heather Pemberton Levy, Gartner

Personalized Customer Experience

Customer success in the buying process is tantamount.

Some of the crucial customer experience shifts impacting sales channels include

- B2B customer's expectations for a **hyper-personalized** buying experience
- Blending of commercial and consumer **marketplaces**
- **Simplified transactional** sales processes, which may be described as the "Amazon Prime experience"
- Line of Business (LOB) replacing the "old guard" in the **B2B purchasing workforce**
- Millennials in the workforce not wanting to be **constrained by past business practices**
- Seemingly unlimited **information access** and a new media world order

Channel Partners must meet an evolving B2B buying experience expectation. A highly personalized digital experience is mandatory to meet the needs of B2B customers. To meet the needs of the buyers particularly in mature markets, traditional Channel Partners must focus less on internal metrics and more on customer success. To differentiate the purchasing experience for start-ups customers and LOB, industry expertise is expected.

Customer badging will be used to identify Channel Partner expertise. Badging will be based on the quality of completed work. Peer review which will be built into the badging process will outweigh the value of Vendor certifications. **Customers are seeking smaller, quick results projects instead of large system integrations.**

As Customer experience takes center stage, Vendors and Channel Partners will have to find ways to deliver new **Value-Added Solutions** such as

- **Monetization of data** by helping Customers identify, analyze and leverage data sources to increase revenue
- Development of **new revenue streams for Customers**

> *"Rising business customers' expectations for B2B companies to up their game."*
>
> Tim Harmon, Forrester Research, Inc.

OpEx Spending

Customers are limiting investments to core competencies.

Some of the crucial shifts on how and why customer spending habits are evolving impacting sales channels include

- Customer spending is more frequently limited to **core competencies**
- Stock prices have inflated, in part, due to stock buy-backs and reductions in **capital spending**
- Growing availability and **acceptance of ITaaS** (IT as a Service) and <u>XaaS</u> (Everything as a Service)
- Accessibility to and consumer and business comfort with **Digital Marketplaces**
- Increasing desire and preference for **automation**

> *"In the next three years, enterprises will make a fundamental shift from building IT to consuming IT."*
>
> McKinsey's IT-as-a-Service (ITaaS) Cloud and Enterprise Cloud Infrastructure surveys.

Channel Partners must decide about their future: either get big or focus on a niche. Big MSPs (Managed Service Providers) can fund the amortization needed to make the MSP model work. Niche MSPs will specialize their offerings and leverage Partner Ecosystems for funding.

A vibrant Partner Ecosystem reduces barriers to entry for all Channel Partners to better serve customers and provide specialized services (via XaaS) that can be white-labeled. Although there will be progressively less demand for on-premise to Cloud migration services, new opportunities will emerge to provide specialized XaaS, combining vertical expertise with technologies such as AI (Artificial Intelligence), Cloud, software-defined IT and more. **CSPs (Cloud Service Providers) will dominate IaaS and other transactional XaaS where scale matters.** New service aggregators such as shipping and logistics providers (i.e. DHL, FedEx, USPS) may appear. Partnerships or acquisitions may be an option for Distributors who have the Partner base and scale but lack funding to compete for transactional XaaS.

As OpEx spending becomes more of the norm, Vendors and Channel Partners will have to find ways to deliver new **Value-Added Solutions** such as

- New and improved means of creating **operational efficiencies for customer** and therefore driving down customers' operating costs
- Identification and development of **new customer business models**

Security and Privacy

Security and privacy issues are pervasive.

Some of the crucial shifts on security and privacy impacting sales channels include

- IoT, Cloud and all new technology requires **end-to-end security**
- Rising acceptance of **digital currencies**
- Ubiquitous adoption of **unified and mobile commerce**
- Increasing frequency and costs of **Cybercrime**
- Exploitation and emerging regulations and laws associated with the use of **personal information**
- An increasing connection between physical assets and their **digital twins**

Partner Ecosystems must support global security and privacy concerns. This probably requires an increase in end-to-end security experts in the Ecosystem. Partner Ecosystems will need to be deep in security as well **as data sovereignty** and **privacy laws**.

Partners are the first line of defense. With all of the OT (Operational Technology) and IT (Information Technology) that Partners sell and service, well thought through **end-to-end physical and digital security** must be embedded into every solution. New specialist partners may be needed such as legal Partners for privacy matters and insurance Partners for **risk assessment** and management.

As the need for end-to-end security increases, Vendors and Channel Partners will have to find ways to deliver new **Value-Added Solutions** such as

- Risk management and **compliance** including identification, mitigation and/or elimination with associated triggers, causes and reactions
- Branded, **built-in security**
- AI (Artificial Intelligence) based **behavioral based threat identification** and **enhanced pen testing**
- **Security/Compliance/Policy as-a-Service** available to customers and Channel Partners

> *"Any concentration of wealth and power requires investments in vast networks of expensive security institutions."*
>
> Marina Grobis, Institute for the Future

The Workplace

The workplace of the future can be anywhere and anytime.

Some of the crucial shifts in the workplace impacting sales channels include

- Improvements in **mobility** and **transportation**
- WaaS (**Workplace-as-a-Service**) drives end-user experience consistency
- **Environmental awareness** influences workplace behaviors
- An **aging population** impacts workplace functions
- **Urbanization** and the breakdown of geographic barriers impacts the workplace

Vendors need more nimble and specialized Channel Partners. Contingent workforces (contractors) for vertical and specialized skills, knowledge and experience will replace some employment relationships with horizontally-equipped employees. Over time, it will be easier for Channel Partners to use **marketplaces** to access the specialized skills they need, although the IP (Intellectual Property) will not be owned by the Channel Partner, but by the Contractor.

> *"It's no longer people who are adapting to technology – rather, the technology is adapting to us."*
>
> Accenture

WaaS (Workplace-as-a-Service) will become as disruptive to the work environment as IaaS (Infrastructure-as-a-Service) was to on-premise DCs (Data Centers). Workplace Vendor **risk** is like DC Vendor risk when DC operations transitioned to the MSP (Managed Service Provider) Channel. New Channel Partners will emerge as all workplace functions and equipment are outsourced via a **usage model**.

As WaaS emerges, Vendors and Channel Partners will have to find ways to deliver new **Value-Added Solutions** such as

- Facilities **design** and **management**
- Workplace infrastructure on a **usage model**
- Integration across all platforms yielding a **common user experience** and **enhanced collaboration**

Industrial Revolution

4IR (the Fourth Industrial Revolution) is built on smart industry.

Some of the crucial shifts in 4IR impacting sales channels include

- Use of **3D printing** to prototype and manufacture parts on the assembly line on a just in time basis
- A shift away from **China** as the global manufacturing epicenter
- Fast moving from a few billion IT-enabled client devices to exponentially more **IoT** devices
- Improved efficiencies resulting from **machine learning**, **intelligent apps** and **robotics**
- AR (**Augmented Reality**) minimizes design time and maximizes product quality

OT (Operational Technology) and IT (Information Technology) Channel Partners will join forces. "**Factory floor**" expertise and relationships will work more closely and more frequently with IT back office expertise and relationships. OT Channel Partner LOB (**Line of Business**) relationships and experience will be combined with IT Channel Partner capabilities via **matchmaking forums**, **industry clouds** and improved **alliance** building skills.

Customer satisfaction will be driven by the OT/IT integrated solution's ability to **deliver business value**. OT and IT Channel Partners will collaborate to **fuse physical, digital and biological worlds** embedding AI (Artificial Intelligence), robotics, IoT (Internet of Things), 3D printing, **autonomous vehicles** and **nanotechnology** into society, homes, workplaces and even the human body. **A diverse Partner Ecosystem and ease of leveraging it is of greatest value to Channel Partners.**

As the Fourth Industrial Revolution advances, Vendors and Channel Partners will have to find ways to deliver new **Value-Added Solutions** such as

- Vertically integrated solutions embedding technology into life and work, **driving operational efficiencies** (i.e. device to sensor to the edge to the Could – including predictive analytics, AI, etc.)
- Identification and exploitation of **new revenue sources** or operational efficiencies for end user customers

"Understanding the potential of #IoT can offer…meaningful insights and opportunities."

Daniel Burrus, Futurist

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Learning to Learn

There is inherent value in learning to learn.

Some of the crucial shifts impacting how people and technology learn to learn impacting sales channels include

- Enhanced decision support is available from improved **data science**
- AI (**Artificial Intelligence**) is automating everything and removing bias
- VR (**Virtual Reality**) and AR (**Augmented Reality**) enables faster learning and better retention
- **Digital twins** are created as the physical world is translated into a digital world
- Hardware and software have **embedded learning** capability

Self-learning technology will create a smarter environment. End customers expect Channel Partners to provide faster, more accurate and **predictable** outcomes. Channel Partners will create **smart** and **autonomous** (self-learning) processes, systems and solutions. Tools will be developed to guide **decisions** and **analyze data** better and faster. More thorough, real-time environment data will be made available.

> *"New developments in machine intelligence will make us far smarter."*
>
> Eric Schmidt, Google Executive Chairman

Vendors will develop an entirely new approach to Partner Enablement. Enhanced learning environments involving AR (Augmented Reality), AI (Artificial Intelligence) and DSS (**Decision Support Systems**) will be used to train Channel Partners. Faster and easier access to **knowledge-on-demand** will be available. These innovative approaches to Partner Enablement will result in **higher retention** and more **flexible learning** options.

As systems learn to learn better and faster, Vendors and Channel Partners will have to find ways to deliver new **Value-Added Solutions** such as

- **Embedded AI** (Artificial Intelligence)
- Improved decision support capabilities
- **Simulation** environments

Global Commerce

Where and how business is conducted globally is shifting.

Some of the crucial shifts on how business is conducted around the world impacting sales channels include

- A focus on isolationism and **protectionist policies** and regulations
- **China**'s changing role as a world power and manufacturing epicenter
- **Digital currencies** such as Bitcoin and associated technologies like **Blockchain**
- Immigration laws and new **visa restrictions**
- Growing access to **contingent workforces**

Protectionist policies will force Channel Partners to give preference to local Vendors. Shifts in trade policy combined with changes to investment funding sources (i.e. increased investment funding from China) will force Channel Partners to reconsider their Vendor and Partner Ecosystem relationships. Protectionist policies and **isolationism** will make it more difficult to support multi-national customers.

It will become increasingly difficult to access qualified and experienced skilled workers. Immigration restrictions and **visa** policies will limit the quantity and quality of SMEs (Subject Matter Experts) available to Channel Partners. Global **marketplaces** will provide many of the needed highly specialized vertical and horizontal skills. **"Uber-ization"** of skilled workforces will persist where supply exceeds demand, driving down costs associated with accessing those skills. A robust Partner Ecosystem will be needed to provide the specialist skills and knowledge where demand exceeds supply.

As the global business environment transforms, Vendors and Channel Partners will have to find ways to deliver new **Value-Added Solutions** such as

- Global **logistics** to deliver products, services and solutions when and where end customers require
- **Currency hedging**, such as single currency solutions
- **Marketplaces** to provide highly specialized skills

> *"Growth in emerging markets and developing economies (EMDEs) is expected to pick up."*
>
> World Bank, Global Economic Prospects

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Conclusion

In conclusion, **Channel Disruptors has identified <u>seven external forces</u> that are shaping (and disrupting) technology sales Channels**:

1. Hyper-personalized Customer experience in the buying process is tantamount. Buyers expect, and sellers must deliver more than a simple transaction, product or service.

2. Customers are limiting investments to core competencies. Minimal investments are being made in infrastructure and non-essential activities and/or assets.

3. Security and privacy issues are pervasive. An end to end security and privacy management process must be incorporated into every technology and service.

4. The workplace of the future can be anywhere and anytime. It requires a consistent end user experience and ease of use.

5. The Fourth Industrial Revolution (4IR) is coming built on smart industry.

6. There is inherent value in learning to learn. We will become smarter by using self-learning technology.

7. Where and how business is conducted globally is shifting. Isolationism, China's changing role as a world power, digital currencies and immigration laws are all having an impact.

This white paper is the <u>first in a series of three</u> documents from Channel Disruptors. Our next whitepaper will focus on **"What are the significant internal forces shaping (and disrupting) technology sales channels"**.
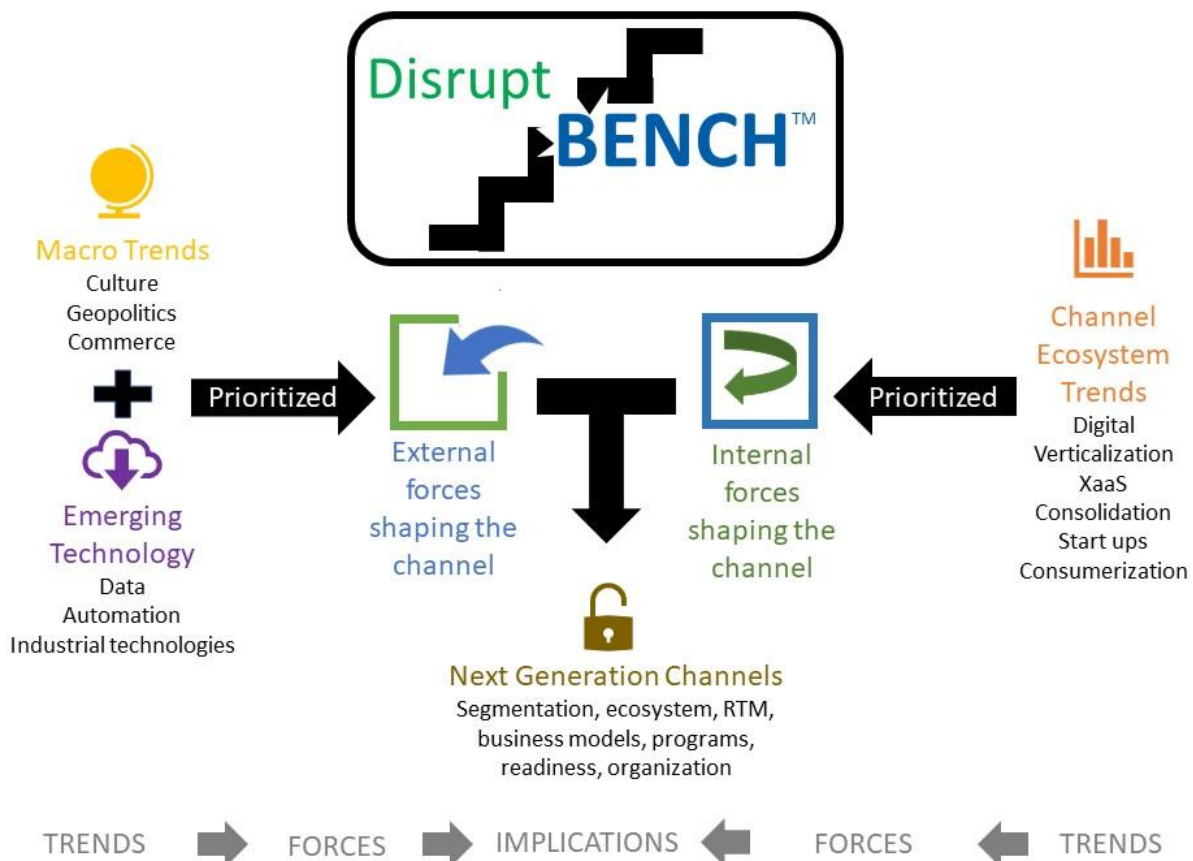
> *"I hope…I can store data wherever I like, but it's stored there in a way it's treated as mine."*
>
> Tim Berners-Lee, Professor of Engineering
> MIT Computer Science and Artificial Intelligence Laboratory

Channel Disruptor's Disrupt-BENCH™

It is our belief that we have perfect storm of technology and business model disruption, better ways to match and buyers and sellers combined with significant changes in how customers want to buy, all occurring at the same time resulting in more changes in sales channels than ever before.

With this all this disruptive change, it is very difficult filtering what is, and what is not relevant to each segment of the Tech industry and individual company. To help sort through all this noise and confusion, Channel Disruptors has developed the highly acclaimed Disrupt-BENCH™, the **future state Channel Sales Paradigm**. Disrupt-BENCH™, has been **designed for technology companies to be able to assess their future sales channel risks and opportunities and do an "individualized" benchmark against a future state sales channel model.**

TO LEARN HOW CHANNEL DISRUPTORS CAN HELP YOU:

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