CLOUD TECHNOLOGY ALLIANCE

Partnering in the Cloud

A 2015 REPORT

An in-depth look into how today's cloud solution providers create and sustain successful partnerships while empowering customers to move to the cloud.

© 2015 Cloud Technology Alliance. All Rights Reserved.

Partnering in the Cloud

Channel Survey Response Analysis

GOALS AND METHODOLOGY

In June 2015, the Cloud Technology Alliance surveyed solution providers to understand how they select vendor partnerships and take cloud solutions to market. Respondents were asked a series of initial questions to categorize their responses, then presented with about 25 in-depth questions on their behaviors, experiences, and expectations.

The result is an in-depth look into how today's cloud solution providers are managing their businesses and their vendors.

Survey respondents included 87 companies with 39% based in North America, 30% in the EMEA region, 16% in Central/South American and Caribbean, and 15% in Asia-Pacific. Respondents included companies who resell and deploy Google Apps for Work and/or Office 365 (with 21 selling both).

© 2015 Cloud Technology Alliance. All Rights Reserved.

SECTIONS

This report is organized into six sections:

- **Channel Breakdown**: An overview of respondents' businesses and their experiences selling cloud solutions
- **Cloud Portfolio Management Best Practices**: A look at who the respondents partner with and how actively they manage their portfolio of vendors, including what causes them to drop a vendor from their portfolio
- **Cloud Portfolio Expansion Opportunities**: An examination of where the channel expects to invest more or less in the next 12 months
- **Vendor and Solution Selection**: How the channel sources new solutions and who is involved in the decision-making process
- **Channel Program Analysis**: A comprehensive look at what makes a winning channel program
- **Understanding Vendor-Channel Relationships**: A summary of common mistakes and red flags to avoid when working with vendors in the channel

The Cloud Technology Alliance also conducted a similar survey with independent software vendors (ISVs) committed to taking their cloud solutions to market through the channel. In several instances we will be cross-referencing information from that survey.

© 2015 Cloud Technology Alliance. All Rights Reserved.

CHANNEL BREAKDOWN

In general, survey respondents have deep experience reselling and implementing cloud solutions, with **52% of respondents having 5-10 years of experience selling cloud solutions**.

Microsoft partners are larger (median of 41 employees) than those who resell Google Apps (23 employees). Survey respondents reported having an average of 7 sales people each. Google Apps partners tended to have a higher portion of their staff involved in sales than those who resell Microsoft solutions (21% vs. 17%), perhaps reflecting the Microsoft channel's focus on systems integration.

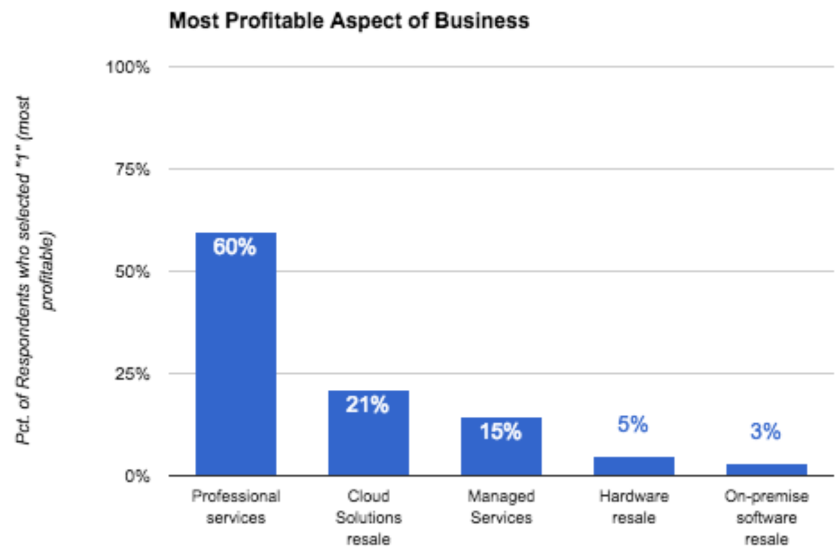
Channel partners are well-staffed to support customers after initial sales, with **77% reporting that they have formal Account Management** (or "Customer Success") groups to manage customers after the initial sale.

© 2015 Cloud Technology Alliance. All Rights Reserved.

PROFITABILITY

Google Apps resellers reported that 50% of their 2014 revenues came from the sale of recurring cloud services, and 13% from non-cloud services. In comparison, Microsoft channel partners received 39% of 2014 revenues from recurring cloud services, and 25% from non-cloud services.

Going forward, the **Microsoft channel intends to accelerate revenues from recurring cloud services in 2015**, with 90% reporting that they expect recurring cloud revenues to be higher than in 2014 (73% of the Google Apps channel expects recurring revenue to increase in 2015).



Within **professional services**, the most profitable activities are:

- Deployment (most profitable)
- Business Process Consulting
- Training
- Premium Paid Support
- Custom Development (least profitable)

© 2015 Cloud Technology Alliance. All Rights Reserved.

PORTFOLIO MANAGEMENT BEST PRACTICES

Solution providers take vendor portfolio management seriously. To understand how solution providers select, work with, and even "fire" vendors, we asked who their top three vendors were along with a series of detailed questions about those relationships.

Not surprisingly, the **top three choices were Google, Microsoft and Cisco. After that, the list of preferred vendors quickly fragments**, illustrating that cloud solution providers are dealing with a complex vendor landscape.

We asked **how many vendors respondents consistently work with:**:

- Google Apps partners typically work with fewer than 5 vendors
- Microsoft partners typically work with 6-10 vendors

While solution providers pride themselves on partnering with best-of-breed vendors, customers still demand choices. Almost **two-thirds of survey respondents said that they offer multiple vendors' solutions in any given product category** (with 63% responding "Yes"). However, the story gets more interesting when we drilled into the difference between Google Apps and Microsoft resellers:

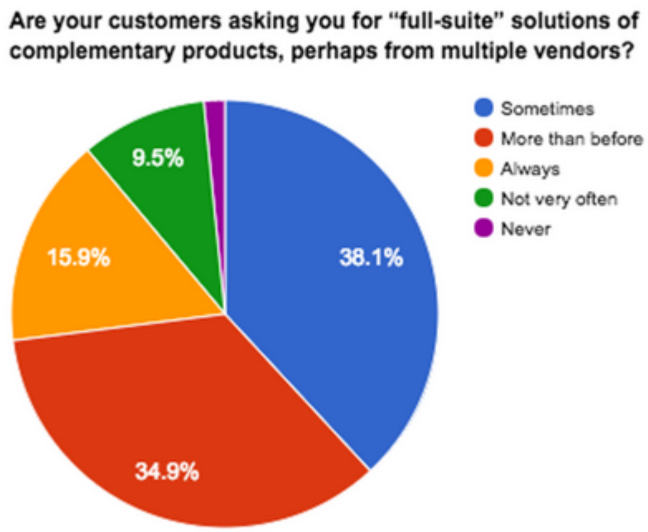
- In the Microsoft channel, 77% of respondents said they offer multiple vendors' solutions in each category.
- Only 54% of Google's channel partners offer multiple solutions in the same category.

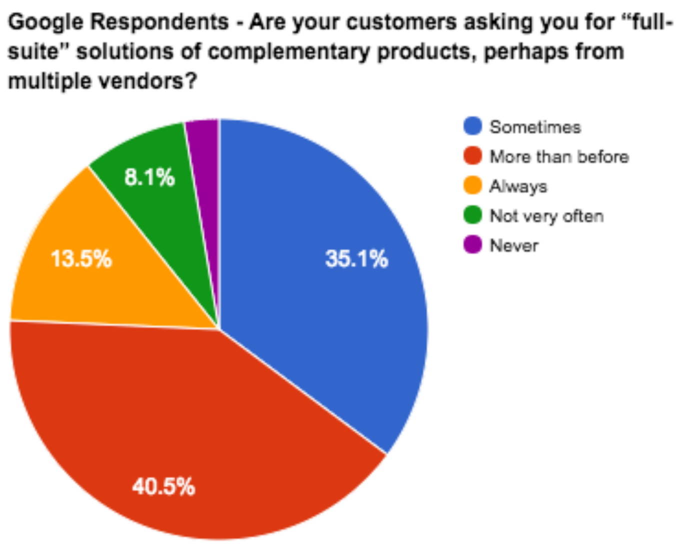
© 2015 Cloud Technology Alliance. All Rights Reserved.

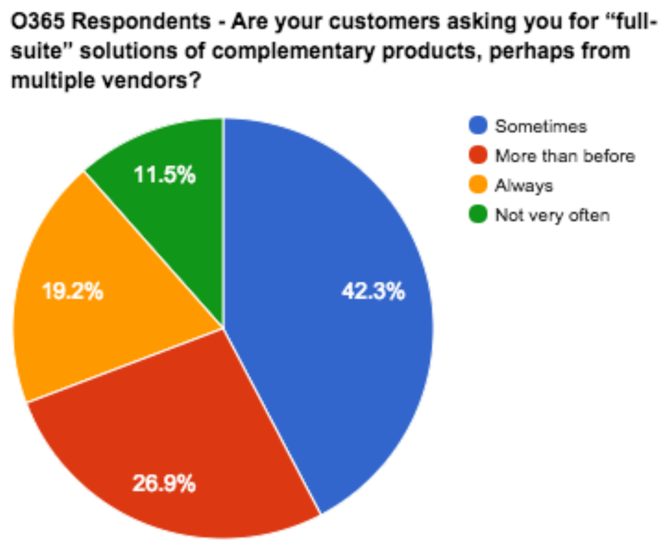
INTEGRATED OFFERINGS & BUNDLES

There has been much talk about product bundles (a group of solutions that work together, or are offered as packaged “suites”). **Unanimously, respondents agreed that bundles are becoming more important**:

- 16% of respondents are always asked for bundles
- Only 2% are never asked
- 19% of Microsoft partners said customers always ask for bundles







© 2015 Cloud Technology Alliance. All Rights Reserved.

VENDOR REVIEWS

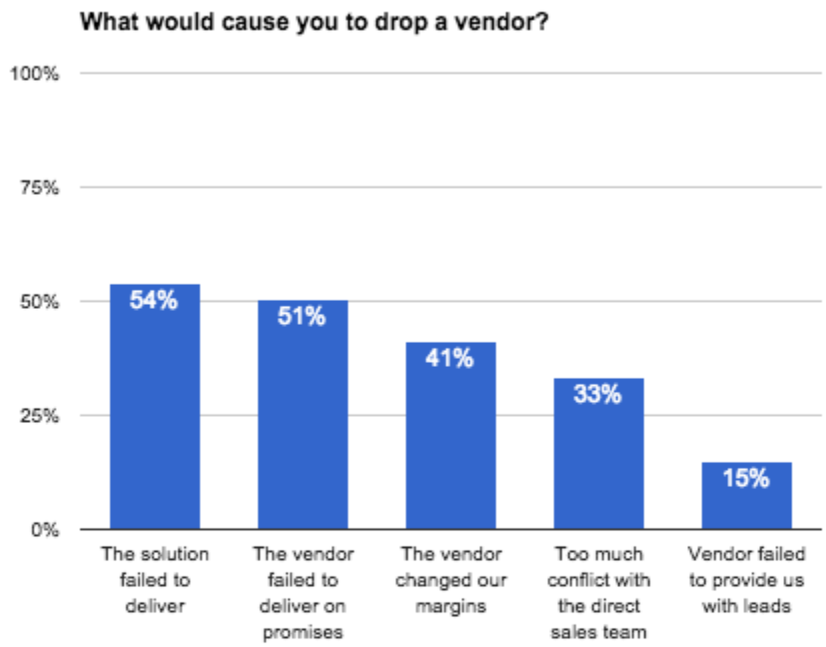
Before identifying what new product categories the channel is exploring, we wanted to first understand how solution providers manage their vendor relationships. **The channel is disciplined when it comes to reviewing their portfolios and weeding out the under-performers**.

- Over **90% of Microsoft and Google Apps resellers surveyed frequently go through strategic reviews** of their vendor portfolios and weed out underperformers.
- In contrast only **13% of ISVs said that they had a systematic process for reviewing solution providers they work with**, and 39% don't review their solution providers at all.

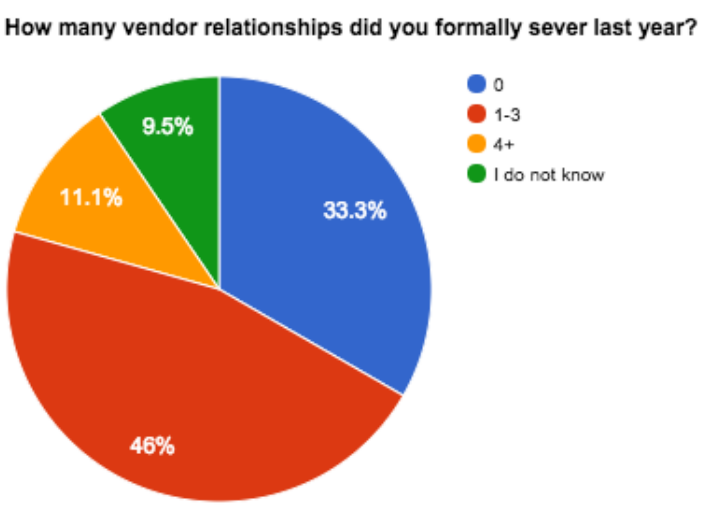
© 2015 Cloud Technology Alliance. All Rights Reserved.

If channel partner are frequently reviewing their portfolios, **what would cause them to drop a vendor? The top three reasons cited were**:

- "The solution failed to deliver"
- "The vendor failed to deliver on promises"
- "The vendor changed our margins"



Even though **solution providers are reviewing their portfolios frequently, they aren't always turning over their vendor relationships**.



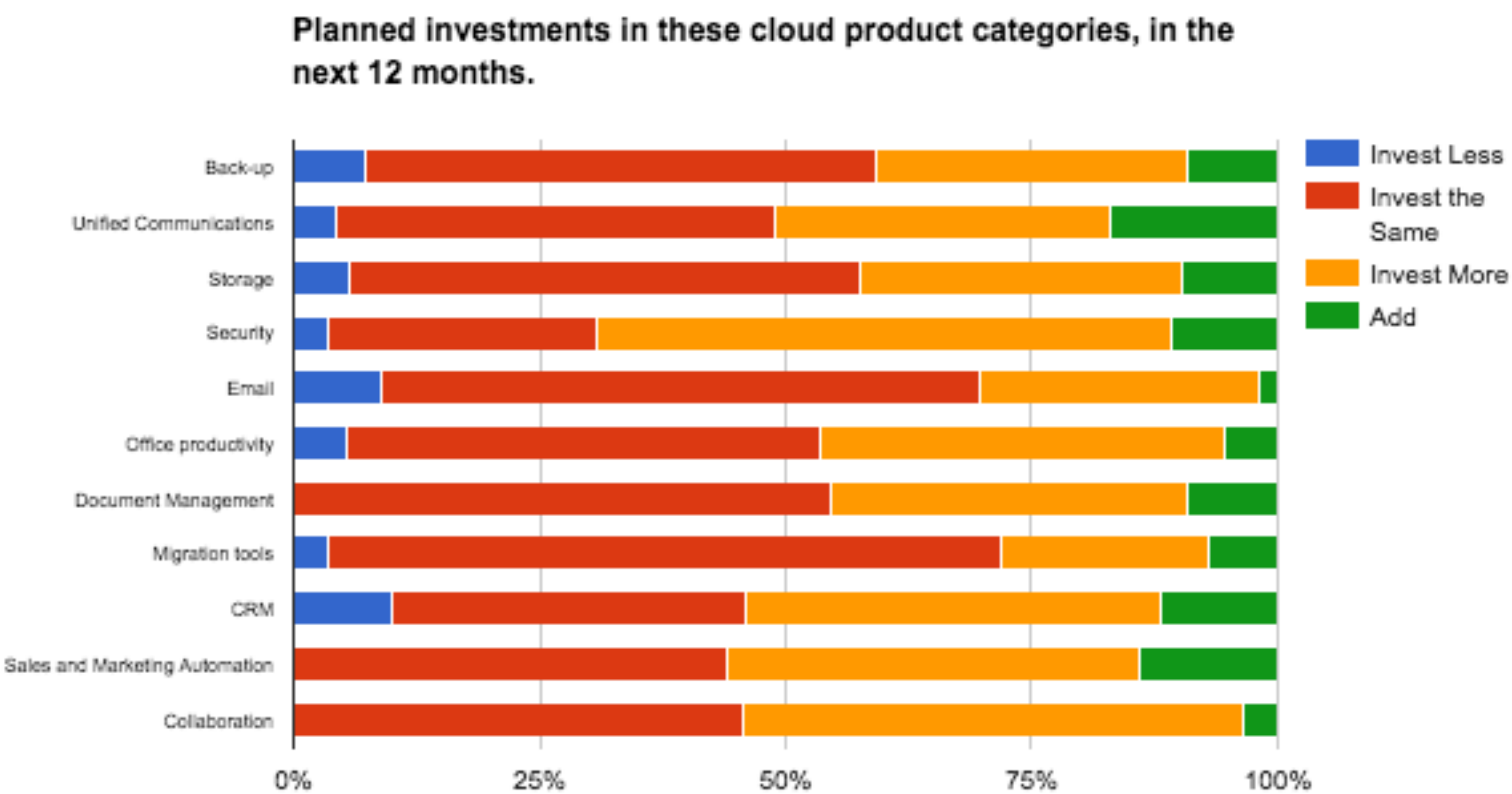
© 2015 Cloud Technology Alliance. All Rights Reserved.

CLOUD PORTFOLIO EXPANSION OPPORTUNITIES

Respondents were asked to rank several cloud technologies in terms of their willingness to invest in the next 12 months.

Areas with Growing Investment: Four product categories stood out as areas where the channel is interested in either **"Adding" or "Investing more": Security, Collaboration, CRM, Sales and Marketing Automation.**

Areas with Steady Investment: In general respondents said they were going to **"Invest the same" in the following categories: Unified Communications. Storage. Office Productivity. Document Management, and Migration Tools**.



© 2015 Cloud Technology Alliance. All Rights Reserved.

REGION-SPECIFIC GROWTH OPPORTUNITIES

Outside of North America, the channel market is interested in expanding their portfolios, perhaps reflecting the different stages of maturity for cloud solutions in their markets.

50% of channel partners in the EMEA and 64% of Central/South American and Caribbean markets plan on expanding their portfolios to include more “Office Productivity” solutions.

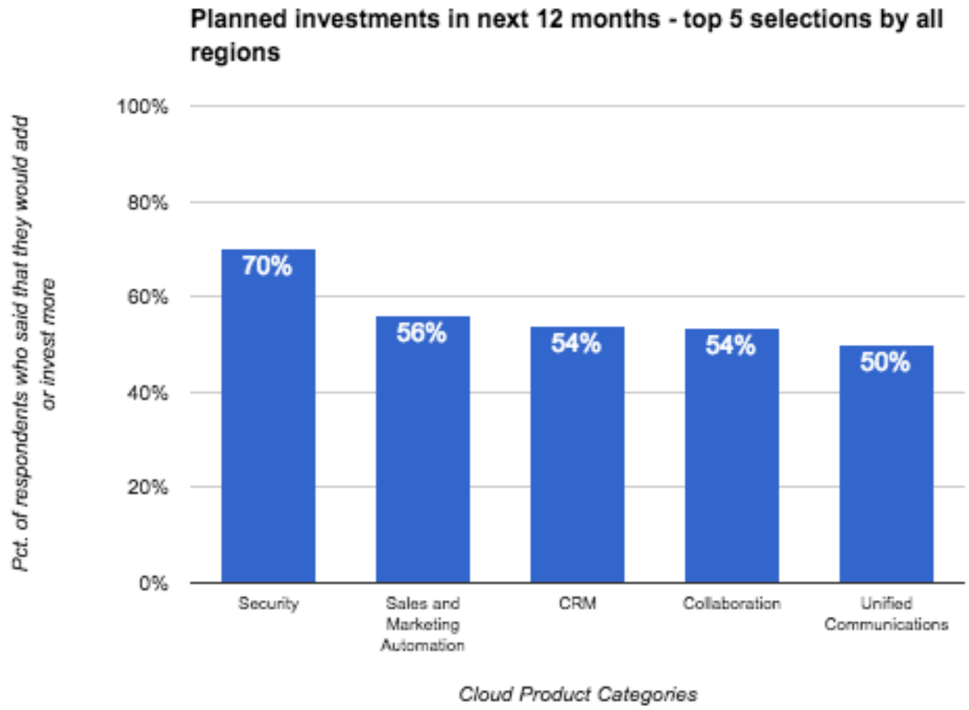
Compared to other regions, **EMEA channel partners are the most interested in investing more in document management solutions (71%)** compared to APAC (50%) and Central/South American and Caribbean partners (36%).

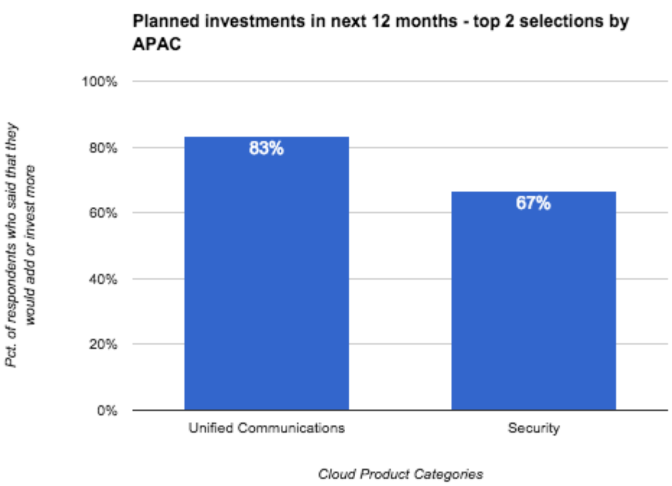
There is also strong interest in the “Sales and Marketing Automation” category. **88% of EMEA and 63% of APAC channel partners** plan on investing the same or more in this area**.**

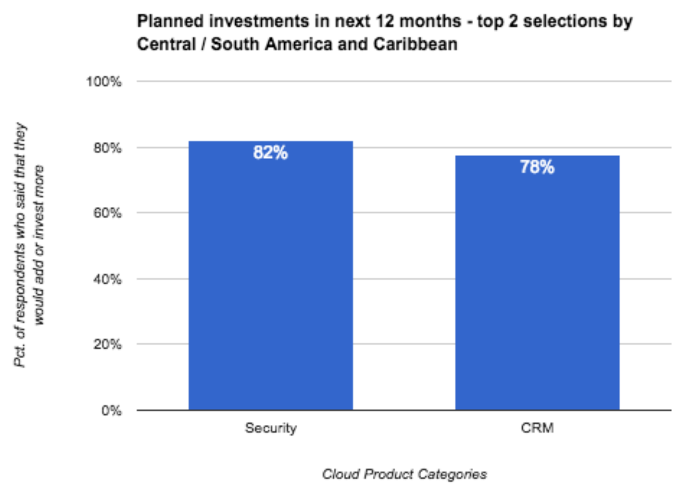
83% of respondents in the APAC region said that they are looking to invest more or add “Unified Communications” solutions in the next 12 months.

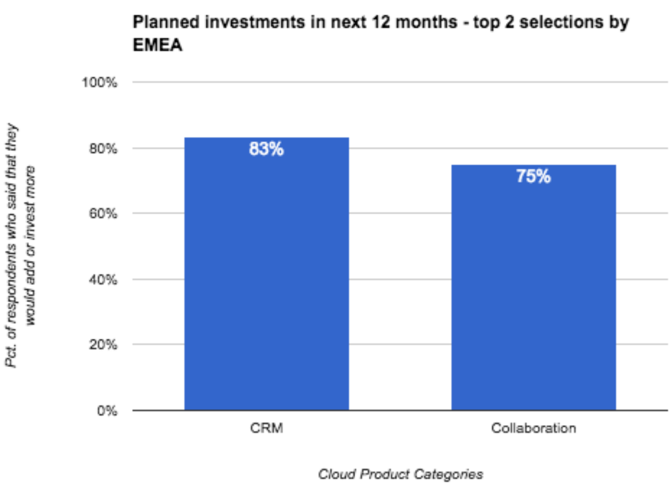
© 2015 Cloud Technology Alliance. All Rights Reserved.

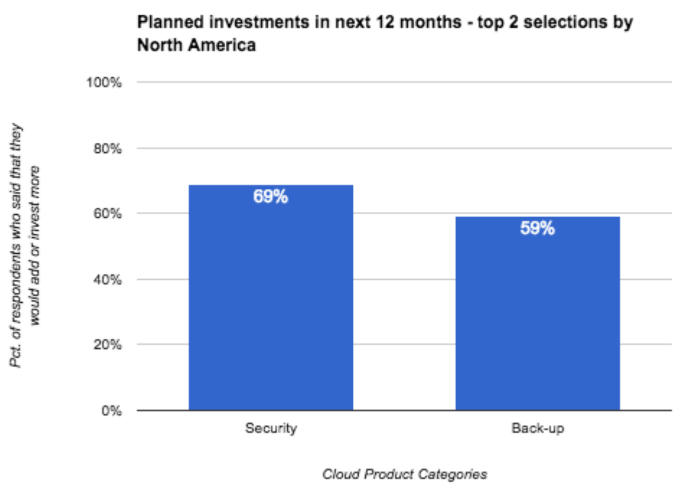
REGION-SPECIFIC GROWTH OPPORTUNITIES











© 2015 Cloud Technology Alliance. All Rights Reserved.

VENDOR AND SOLUTION SELECTION

Before diving into how the channel selects new vendors, we wanted to test a few biases. We tested the following:

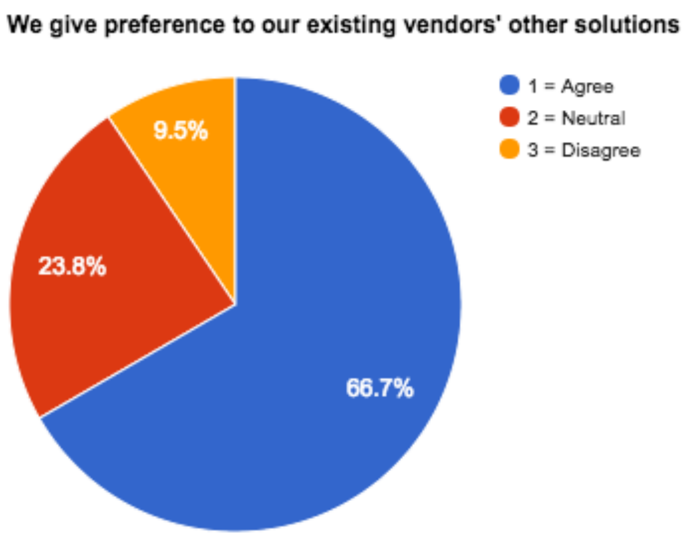
Whether channel partners are biased against working with startups. **The majority either disagreed or were neutral towards the statement, “We typically do not work with startups.”**

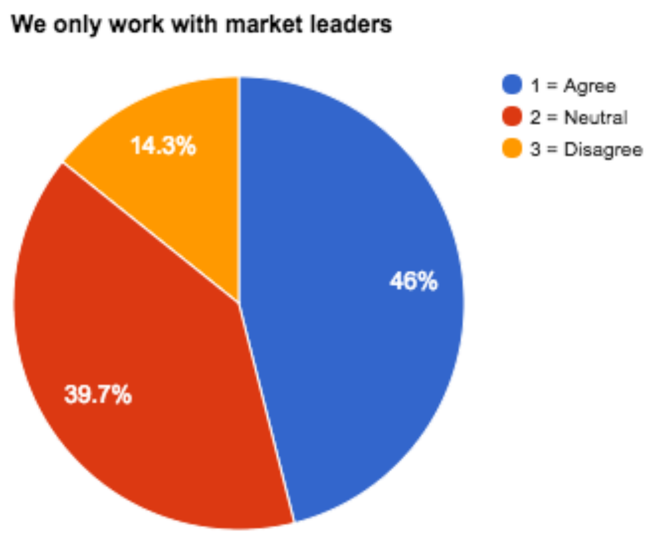
We also tested for biases based on region by asking if respondents were willing to work with companies outside the U.S. Respondents overwhelmingly disagreed with this statement (71% vs. only 5% who agreed). This means that **early stage companies, including those not based in the US that offer innovative solutions will find a welcoming audience with the channel**.

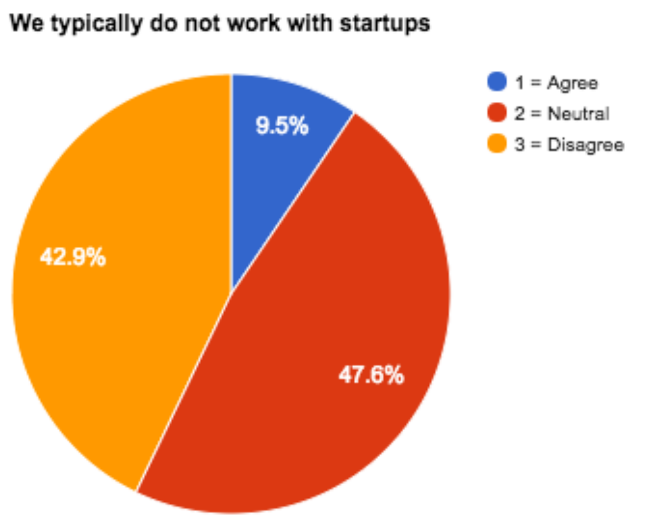
While **the channel is receptive to startups and international ISVs, their preference is to work with market leaders**. Almost half agreed to the statement, “We only work with market leaders.” Only 15% disagreed with this statement. There was similar agreement with the statement, “We give preference to our existing vendors’ other solutions” (66% in agreement, and only 10% disagreeing).

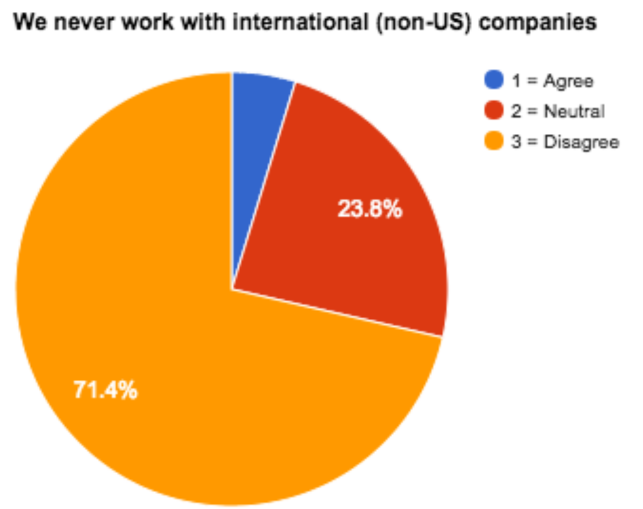
© 2015 Cloud Technology Alliance. All Rights Reserved.

VENDOR AND SOLUTION SELECTION









© 2015 Cloud Technology Alliance. All Rights Reserved.

We asked how solution providers selected their new vendor relationships and **the top response was "We strategically review our portfolio of solutions to identify gaps and weed out weak vendors"**

Almost 50% of respondents ranked **"We respond to inbound recruiting campaigns" as the least important method** when it came to initiating new vendor relationships. For ISVs, a focus on building innovative products and driving end-user demand may be a more pragmatic approach.

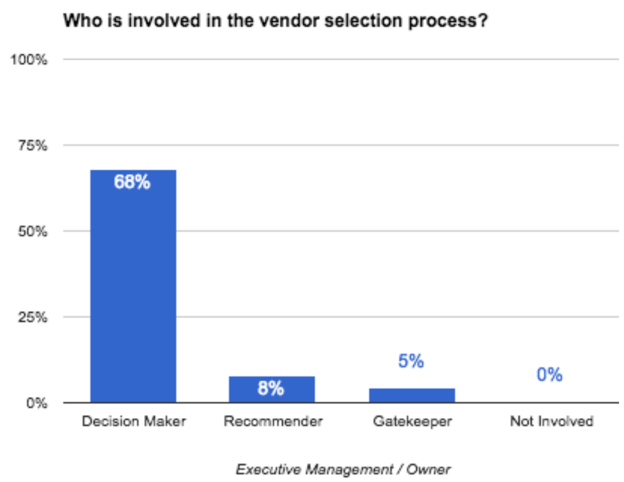
"We expect the vendors we work with to have a leading technology, robust support, and clear and consistent rules of engagement for the sales process." - North American cloud solution provider with global presence and over 1,000 employees

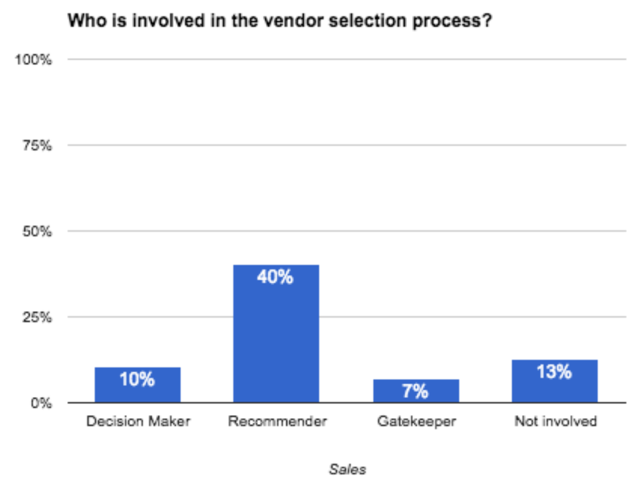
Decision Makers: To understand who is involved in the decision to bring on a new vendor, the survey asked respondents to map out who plays what role in the decision-making process:

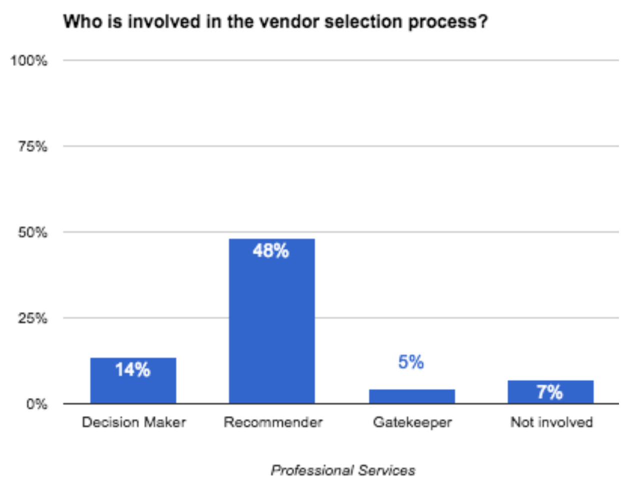
- **"Executive Management or Owners" are the decision makers in every channel and region** (with 2/3 of the respondents in general)
- "Sales" and "Professional Services" were identified as the next most important participants in the decision-making process (as "Recommenders")
- **The least influential group was "Product Management"** (Only 59% of the respondents said Product Management was involved at all)

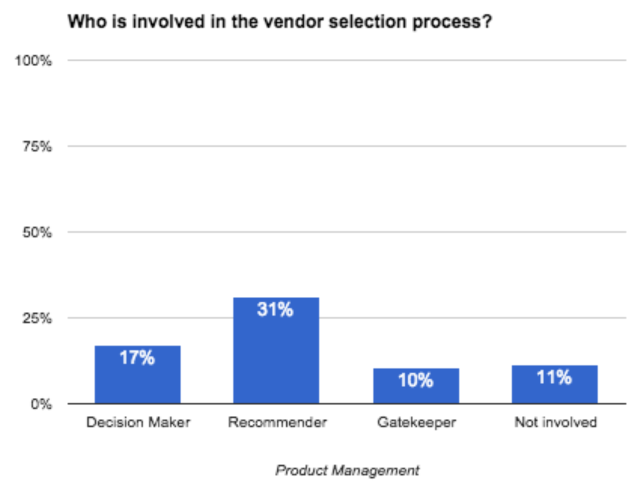
© 2015 Cloud Technology Alliance. All Rights Reserved.

INVOLVEMENT IN THE VENDOR SELECTION PROCESS









© 2015 Cloud Technology Alliance. All Rights Reserved.

CHANNEL PROGRAM ANALYSIS

Vendors and the channel partners have differing opinions in terms of what is important when it comes to a vendor's channel program. Our survey took an in-depth look at 12 elements of a vendor's solution and channel program to understand what drives the channel's decision to partner with one vendor over another. They were asked to rank each attribute on a scale of "Very important" to "Not at all."

The **top two criteria when deciding to work with a vendor are "Strong market demand for a solution" and "Innovative technology"**.

"Availability of a reseller console" is extremely important in the decision-making process, especially among resellers in the Google Apps channel.

Microsoft partners place emphasis on the availability of "Lucrative add-on professional services". Microsoft partners also ranked "The vendor's ability to support my customers" as extremely important.

The margin offered for a vendor's solution scored more highly with Google Apps resellers ("Extremely important" vs. "very important" for Microsoft partners). Channel partners are very likely to drop a vendor if they decide to change their margins.

© 2015 Cloud Technology Alliance. All Rights Reserved.

Respondents ranked the following as very important: “The vendor makes its partners responsible for renewals and upsells, the vendor provides leads and the vendor has dedicated Partner Management resources.”

It is interesting to note that, in contrast, **almost two-thirds of ISVs surveyed said that their partners are not responsible for customer renewals**.

Cross-referencing to a previous question shows some interesting attitudes. While the channel places a high degree of importance on a vendor providing leads when selecting a vendor partner, they also scored “Vendor failed to provide us with leads” as the least likely reason to drop a vendor.

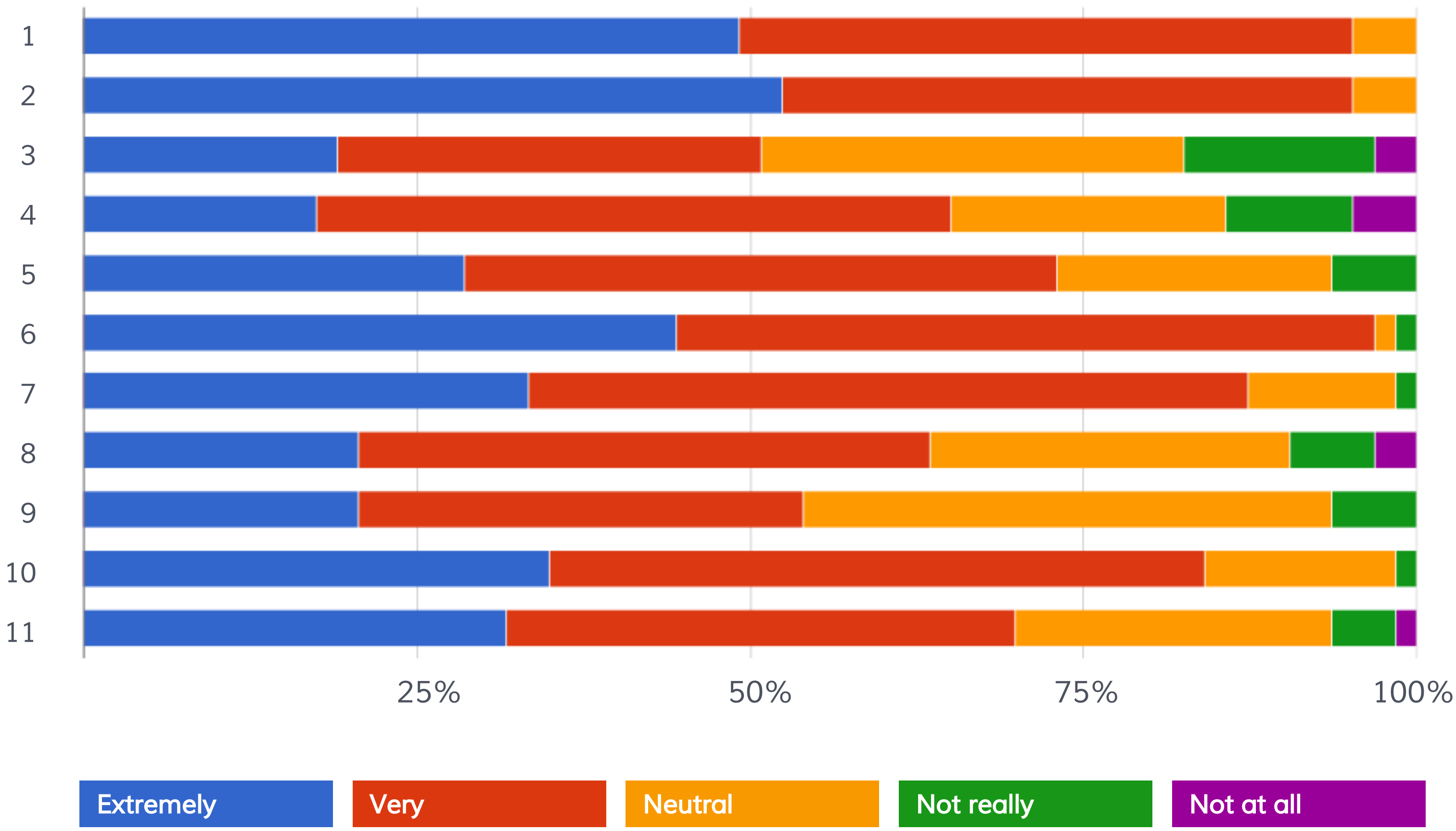
Vendors’ deal registration incentives maintain their importance. The majority of the channel (64%) ranked this as “Very important” or “Extremely important,” while 27% view deal registration incentives as “Neutral.”

Interestingly, **two areas were called out as neutral factors in the decision-making process**: “The vendor’s sales team is paid on channel business” and “The vendor only sells through the channel.” These are often discussed as critical elements of channel relationships. In both cases the Google Apps channel scored these two factors as more important than the Microsoft channel, likely as a reflection of the lack of maturity of that channel. Nearly a quarter (23%) of the Microsoft channel respondents scored the fact that a vendor only sells through the channel as either “Not really important” or “Not at all.”

© 2015 Cloud Technology Alliance. All Rights Reserved.

CHANNEL PROGRAM & VENDOR SELECTION

Rank how important the following aspects of a vendor's channel program are when you evaluate a potential partnership



KEY

1. Innovation technology
2. Strong market demand for their solution
3. The vendor only sells through the channel
4. The vendor makes its partners responsible for renewals and upsells
5. The vendor provides leads
6. The vendor offers good margins
7. The vendor has dedicated partner management resources
8. The vendor offers incentives for deal registration
9. The vendor's sales team is paid on channel business
10. Availability of a "reseller console" to manage customers' deployments
11. Lucrative add-on professional services

© 2015 Cloud Technology Alliance. All Rights Reserved.

UNDERSTANDING VENDOR-CHANNEL RELATIONSHIPS

There were **several responses that highlighted tension or potential tension between the channel and the vendors that they work with.** ISVs looking to take their solutions to market through the channel would be wise to pay attention.

The channel doesn't expect the vendors that they work to only sell through the channel, but they do want to ensure that the vendors respect them.

"We expect the vendors we work with to be selective in partner selection, then invest in partner readiness and provide a trusted relationship so we can go to market together." - North American systems integrator with 75 employees, focused on Microsoft technologies

Potential conflict with vendors' sales team was highlighted as one of the top three challenges faced when working with vendors in the last 12 months. While this tension exists, **a large number of respondents ranked "Deal registration" (often the cure for channel conflict) as "Neutral", "Not really" or "Not at all" important when considering a vendor's channel program**. Perhaps the importance of deal registration doesn't become obvious until later, once the relationship is established.

"We expect the vendors we work with to be our partners and not our competitors." - North American cloud solution provider.

© 2015 Cloud Technology Alliance. All Rights Reserved.

Vendors should remember that the channel expects vendors to stand behind their products (stated as the top reason why channel partners drop vendors).

"We expect the vendors we work with to accurately and fairly describe their products and services. We expect them not to misrepresent their capabilities, even if it means losing a sale." - Asia-Pacific Google Apps for Work VAR with over 100 employees.

And don't ignore the channel as an audience for your development efforts. **The more a vendor's solution is geared towards how the channel partner goes to market and works with customers, the more likely it will be picked up by the channel**.

There's a reason why so many respondents (84%) ranked "The availability of a reseller's console to manage customers' deployments" as "Extremely" or "Very high" in importance when evaluating a potential partnership with a vendor.

© 2015 Cloud Technology Alliance. All Rights Reserved.

CONCLUSION

Channel partners have always played instrumental roles in helping customers transform their businesses through the use of technology. It's clear now more than ever that they must evolve their offerings and even core business models to help customers move to the cloud, and achieving profitability in that context requires almost a full paradigm shift in how channel partners develop, market, and sell both products and services.

We found that while the Google and Microsoft channels differ, they are truly more similar than different. Cloud-based solutions are the future for nearly every type of business, and thus channel partners of all types must evolve to profitably support cloud-based offerings. "Born in the cloud" partners in the Google ecosystem have approached this challenge from scratch, while legacy Microsoft partners are shifting large existing businesses in this direction. But each must provide what customers demand, which increasingly is cloud-based solutions.

Thank you for taking the time to read the report, and please feel free to share it with friends and colleagues who might value the information as well.

We would appreciate if you could take a brief moment to acquaint yourself with the members of the Cloud Technology Alliance, listed on the following pages.

- The Cloud Technology Alliance

© 2015 Cloud Technology Alliance. All Rights Reserved.

MEMBERS

Administration and Security

AODocs AODocs is the only document management solution totally integrated with Google Apps.

In fact, AODocs was built for Google Apps on top of Google Apps, meaning your teams can securely collaborate anytime, anywhere and on any device without leaving the convenience of Google Drive.

BetterCloud provides critical insights, automated management, and intelligent data security for cloud office platforms. By leveraging open APIs, BetterCloud securely connects with your data at its source, providing maximum control without requiring any cumbersome setup. Offering solutions for both Google Apps and Office 365, BetterCloud is trusted by IT teams in over 50,000 organizations worldwide.

© 2015 Cloud Technology Alliance. All Rights Reserved.

Carbo by ShuttleCloud is the highest-rated email migration solution for Google Apps administrators and users. Carbo's deep integration with Google services has helped it to become a leader in migration to Google Apps.

Clearlogin allows businesses to deliver a zero-friction single sign-on experience to everyone in their organization. With Clearlogin, users can access Google Apps and other SaaS applications with their existing credentials, eliminating the need for multiple login screens. IT administrators get instant access to advanced online security functions, such as multi-factor authentication and detailed access reporting.

Fujitsu RunMyProcess is a unique cloud platform that enables users to rapidly create, deploy and distribute customised business applications, designed to meet their specific needs and extending the capacities of Google Apps.

Spanning Backup is the highest-rated backup and recovery solution for Google Apps. It automatically backs up Gmail, Google Docs/Google Drive, Google Calendars, and Google Contacts and Google Sites with unlimited storage and 99.9% uptime SLA. Plus, it's so easy to use that anyone can restore their own lost data in seconds—even end users.

© 2015 Cloud Technology Alliance. All Rights Reserved.

Virtru makes email encryption and digital privacy dead simple for businesses and individuals. With the flick of a switch, anyone can protect their messages and files, ensuring that confidential information is only seen by their intended recipient.

Zendesk builds cloud software for better customer service, bringing companies and their customers closer together. With Zendesk, companies engage directly and openly with customers, building more meaningful customer relationships that last a lifetime. More than 30,000 companies, such as Gilt Groupe, Disney, and Box, use Zendesk to provide service to more than 200 million people worldwide.

Communication

Switch Communications provides unified communications, collaboration and productivity tools, built for the way you work today. Core products include Switch, the cloud-based, business phone system for Google Apps, and UberConference for simple, PIN-free conference calls.

Esna is a global leader in cloud-enabled unified communication and collaboration solutions. Esna integrates cloud, mobile and social communications with business applications from Google, Salesforce.com, VMware, Jive and others.

© 2015 Cloud Technology Alliance. All Rights Reserved.

Productivity

Lucidchart is the simplest way to draw flowcharts, process maps, UML diagrams, and more. Serving more than 10 million users in the Google Apps ecosystem, Lucidchart is the premier visual collaboration tool on the web. The application is deeply integrated with Google Apps, Drive, and Hangouts to enhance team productivity. Enjoy real-time collaboration and a wide range of shape libraries, along with import and export for Microsoft Visio files. It's never been easier to diagram in the cloud.

GQueues is the leading online task management system built specifically for Google Apps. From the intuitive and familiar interface to the seamless integration with Google products, ease and simplicity are woven throughout GQueues to help individuals, teams, companies and organizations work smarter and get things done.

Boost eLearning provides and maintains the world's most complete training on Google Apps. Boost eLearning Google Apps Training is an integral element of training and change management for small to Fortune 500 companies to fully adopt Google Apps since 2010. With deep experience in supporting enterprise accounts and a passion for customer service, Boost eLearning is the team and product your organization needs to enable your employees to develop the skills to use Google Apps.

© 2015 Cloud Technology Alliance. All Rights Reserved.

Project Management

Smartsheet is an online project management and collaboration tool primarily used for project management, but also for operations tracking, sales pipeline management, marketing campaigns, crowdsourcing and task management. Smartsheet is designed for serving the large percentage of people that use spreadsheets to manage "work" (vs numerical analysis), but find them difficult to use or lacking in flexibility and automation features inherent in project, CRM and management tools.

Mavenlink's software combines advanced project management, resource planning, collaboration, and financial tools. We empower businesses to better understand their productivity and take strategic action to improve profitability–all in one place.

© 2015 Cloud Technology Alliance. All Rights Reserved.

Sales Tools

The #1 Customer Management tool in the Google Apps Marketplace, Insightly was created specifically for use with Google Apps. Insightly allows businesses to keep all of their information in a secure web application that is well-organized and easily accessible to all employees, and it's very easy to use without any training at all.

Cirrus Insight is the number one app for integrating Salesforce with Google Apps, Microsoft Office 365, iPhone, and iPad. Cirrus Insight puts the power of your Salesforce CRM right inside your inbox.

ProsperWorks helps you and your team sell more faster by identifying, organizing and tracking sales opportunities right in Gmail. Since ProsperWorks requires less data entry, salespeople can focus on developing business and managers can finally have accurate forecasting with real time activity tracking.

Yesware is a Gmail productivity service to help you close deals faster and make more money. Yesware provides email tracking & analytics, customizable sales templates, CRM integration and more to help salespeople communicate with customers more effectively.

© 2015 Cloud Technology Alliance. All Rights Reserved.

CONTRIBUTORS

Daniel Stevenson
Principal - Traction Consulting

Taylor Gould
VP Marketing - BetterCloud

Judy Tsai
Campaign & Partner Marketing Manager - BetterCloud

Jackie Keothavy
Director of Visual Branding - BetterCloud

Brian Lam
Business Intelligence Analyst - BetterCloud

Charles Gold
CMO - Virtru

Lindsay Bleier
Senior Strategic Alliance Manager - Smartsheet

Dwight Foster
VP Business Development - Insightly

© 2015 Cloud Technology Alliance. All Rights Reserved.

CLOUD TECHNOLOGY ALLIANCE

Founded in 2011, the Cloud Technology Alliance is comprised of the leading independent software vendors in the cloud office ecosystem. Serving as the only consortium of cloud-based third party products integrated with IT systems, the Cloud Technology Alliance advocates for the developer community and seeks to advance the entire ecosystem.

© 2015 Cloud Technology Alliance. All Rights Reserved.