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p. 18

LEANNE OATMAN
President & Cofounder
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Welcome to
Channel Executive

JANUARY / FEBRUARY 2018 VOL. 34 NO. 1

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18 Cover Story:
A DATE WITH DATA

Why the future of the channel is data-dependent, and why merely facilitating that data is no longer enough for resellers and service providers like Leanne Oatman, president & cofounder at RightSourcing

Features:

Contributors

BRIAN HORTON

Brian Horton worked for multinational VARs, Fortune 100 companies, and government agencies prior to spending nearly a decade at the helm of the IT firm he sold to TekTegrity in 2016. Today, Horton is founder and CEO of Breadcrumb Cybersecurity, a firm laser-focused on securing data. In his column, Horton shakes things up by rationalizing a value prop based not on managed services, but on his firm's intellectual property.

NATHAN SWEANEY

There's incredible demand for data security expertise. That's why we're grateful for the time we spent with Nathan Sweaney, senior security consultant at Secure Ideas and freshly dubbed security advisor to the RSPA. Those roles, in addition to serving as father to his four kids, are keeping Sweaney so busy he hasn't even had time to shave. The beard, however, is less impressive than the security advice he offers the channel in this month's issue.

SONNY CHILDS

Sonny Childs self-identifies as one part programmer, one part data analyst, and two parts business consultant. He's proven himself as adept at rolling up his sleeves and doing BI work as he is writing and talking about it to any level of an organization. As business intelligence practice lead at Houston-based MSP IronEdge Group, Childs is well-qualified to share insight from the forefront of the channel's BI play in this month's Leadership Lessons column.

SCOTT SCROGIN

When in conversation about business success and life goals, the look on Scott Scrogin's face is at times so intense, it would be easy to jump to the inaccurate conclusion that he's a hard guy to get comfortable around. Then he speaks, and what he says is a genuine and articulate gift. In this month's Channel Analysis, the chief innovation officer at HTG Peer Groups shares the gift of what's important to the channel in 2018.

Nurturing Salesmanship

MATT PILLAR Chief Editor

Sales hiring and management are consistently among the top three challenges VAR and MSP executives face. Trouble justifying a first sales salary and commission structure, learning to let go of the reins, refining sales processes to reflect corporate culture, and managing sales efforts to standard are common refrains.

These challenges are likely to be found in any sales-centric professional services organization. I've certainly experienced them both over the past 20 years in the publishing industry. They are, however, more difficult to overcome in crowded, borderline commoditized markets. Back when the value-added and managed services plays were freshly drawn up and the players in the game few, these challenges sort of worked themselves out. Sales come easy when demand is high and supply is low. Today, value-adds and managed services are everywhere. That's why channel executives, regardless of size, need to stay sharp on salesmanship. A few specific, yet synergistic calls to sales action have struck me as particularly salient for these times.

‣ **Determine the prospect's time frame to buy and hold them to it.** When your product or service offering was new and unique, sales forecasting was the advantage to knowing when a prospect would pull the trigger. Today, there's a greater value in understanding time to close: competitive strategy. When you know your prospect's decision date, you can map your sales strategy to the calendar and create a chance to outma-neuver and out-value your competitor. You can also offer a limited-time rate that expires after decision day — and you can blame the shelf life of that rate on the hardware, software, and distribution partners who hold you to the same standard.

‣ **Follow up for differentiation.** Follow-up — and more precisely, *how* your sales reps follow up — are keys to standing out among the competition. Millennials might be inclined to manage follow-up touches with prospects via text, e-mail, or social media, but phone calls and face-to-face visits have become the differentiated way to communicate. Several of the channel sales gurus I've listened to over the past few months — including guys like Steve Riat (Nex-Tech) and Nathan Austin (Mytech) — suggest snail-mailing bulky packages and books that reflect your company's culture to prospects. Meaty content, in the form of webinars, e-books, podcasts, and blog posts, should be delivered in "drip" campaigns that align with the sales cycle.

‣ **Establish — and maintain — an emotional connection.** To execute on this point, it's critical that the sales rep qualify the prospect's date of decision, because the serial-position effect applies to sales cycles. The serial-position effect suggests that the last (most recent) impressions are most easily recalled, followed by the first (primary) impressions. But don't discount the lull between the initial prospect and the close. If your sales reps aren't buying beers, mailing books, and selling your features and benefits consistently through the cycle, someone else's rep is.

There's no room for the status quo in your sales organization. While you might think your products and services are differentiated and stand on their own merit — and perhaps rightfully so — the burden is on your sales machine to demonstrate that differentiation to the market. Without a stand-out and strategic sales approach, they don't stand a chance. Ⓒ

Q What's the best opportunity for VARs of retail technology to capitalize on the omnichannel adoption trend, and what technology and service sales opportunities does omnichannel retailing create?

A OMNICHANNEL IS A TERM THAT HAS BEEN USED FOR THE LAST FEW YEARS, and it has as many definitions as there are people defining it. One commonality is that the concept means "connected." Whether shopping in-store, online by mobile device, on a tablet, or from a computer, gaming console, or kiosk, customers want a seamless experience. From the shopper's perspective, the lines between channels are blurred to the point that there is no noticeable difference whether they're online or offline. Consumers also desire accessibility. They want to shop online, pick up in stores, and return wherever it is most convenient. Consumers are driving the industry, and they expect a consistent or universal experience anywhere and at any time.

As a VAR, there are opportunities in delivering omnichannel to our customers so that they, in turn, can deliver the expected experience to their customers. The possibilities depend on the products you sell. If your products are truly integrated and built as omnichannel, then the opportunities come in the form of services such as project management, planning, setup, consulting, and custom programming. If your products are best-of-breed, then there are additional opportunities, such as sourcing products that can be combined to enhance the base system you sell, like e-commerce, customer loyalty, and CRM. There are also opportunities around custom development to integrate them so that they work together, which ties into the business intelligence offering that enables resellers to provide actionable analytics. When clients can understand their customer's journey by studying their behavior, they can enable their channels to operate flexibly to allow their customers to use the path of their choice in their journey to purchase.

The key to being successful in this endeavor is to test solutions and standardize. Having one-off solutions for customers makes it very difficult to manage. The best practice is to have a suite of products that you can become the expert in and create the integrations that give you the competitive advantage over others in your industry. Providing the services is also crucial to success. An excellent service provider becomes an integral part of the client's business and operating environment, so make yourself valuable to your customers.

The marketplace is rapidly changing, and VARs cannot become complacent. It is vital to always be researching products and trends to see what is coming down the pike. You need to be there for your customers, with proven solutions, when they need them. New technologies provide new opportunities for your customers, and those customers depend on your expertise. That is how to become embedded in their business and, in turn, they will renew their investment with you.

ALICIA KREISBERG
is chief administrative officer at One Step Retail Solutions, where human resources, sales and marketing, and operations fall under her watch. Prior to joining One Step Retail in 1993, Kreisberg earned her extensive sales, merchandising, POS, and inventory control knowledge working in the retail sector. Kreisberg graduated with honors from California State University Northridge before attending graduate school at Pepperdine University.

EAB

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We're hiring! The pay isn't great — in fact, it's zero — but the rewards are. The leading channel executives on our editorial advisory board have a vested interest in contributing their expertise and opinions to shaping *Channel Executive Magazine*.

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Drop Chief Editor Matt Pillar a note at matt.pillar@ChannelExecutiveMag.com.

When Channel Vendors Sell Direct

DEDE HAAS Contributor

Award-winning, high-tech sales professional and founder of DLH Services, LLC, Dede Haas creates innovative and successful channel sales solutions for vendors and their channel partners. This month, Haas explores direct and indirect vendor sales dynamics with two members of The ASCII Group, a 1,300-member group of North American VARs, solutions providers, and MSPs offering services to help its members grow their businesses.

ZINA HASSEL

is founder and CEO of ZLH Enterprises (www.zlhent.com), a woman-owned B2B enterprise with a consultative approach towards improving the voice/data/cloud services delivered to customer sites. A recipient of the 2017 Channel Partners 360° Business Value Awards, ZLH Enterprises is located in the NY Metropolitan area but is international in scope.

DAVE GILLAM

is president of Gillam Data Services, Inc. (www.davegillam.com), a Texas-based MSP. With its expertise in IT messaging security, GDS has designed and implemented email security for several government agencies, the defense industry, and Fortune 100 corporations.

QUESTION 1: Many vendors in the channel have direct sales teams, which can cause channel conflict. What do you do if you find out your vendor partner is calling on your customers?

HASSEL: Each company is entitled to have whatever sales channel they'd like to have, whether it's direct or indirect. The issue at hand is whether the direct sales team has somehow gone into the company database and unethically accessed registered leads.

The first thing to determine is how the direct sales team found out about the customer. Then determine from your channel what their rules of engagement are. Is it a sell-with scenario? Is it work together? And then depending upon the outcome, and the personality and moral fabric of the company that you're working and having conflict with, it's up to you whether or not you want to engage them in future business.

GILLAM: We do our best to work only with vendors who are channel only. Occasionally we cannot, and occasionally vendors change their model a bit. We try to work it so that our contracts have a clause specifying that the vendor will not apply direct marketing to our clients.

When we find a vendor that doesn't follow that, we make attempts to work with the vendor to have them stop. If they are not amenable to that, the short answer is that we look for another vendor. A bit of a longer answer is that we work really closely with our clients, building that client relationship, so that if anybody calls them with a sales pitch, they'll refer the call to us as their IT department.

QUESTION 2: Should solutions providers partner with vendors who are not 100 percent channel? What advice would you give if they are being recruited by a vendor with a direct sales organization?

HASSEL: Solution providers should not limit their product set. We're product and carrier agnostic, so it's not a matter of just representing one product or one company. Go in with your eyes open, and understand the rules of engagement. Then make an informed decision as to how you're going to deal with that company. Sometimes we'll go in with blind bids.

GILLAM: My advice would be to be careful. The thing you want to do is to try to avoid direct sales because of what we just said in the previous answer. But sometimes it's unavoidable. In those cases, try to own your relationship with a vendor as opposed to allowing the vendor to have access to the client list. But if at all possible, locate a vendor that is channel only.

What's Driving SaaS Emergence
In The Channel?

Inside CompTIA's latest research examining the burgeoning channel ecosystem building around the SaaS community

CAROLYN APRIL Senior Director, Industry Analysis, CompTIA

CompTIA's recent *Software as a Service: Opportunities & Challenges* report collected data from 400 U.S.-based IT channel firms. It's no secret that the IT industry has been steadily evolving from a hardware-centric to a software-centric world. Myriad reasons account for this development, but reality is that software is defining the future — especially in the cloud.

Perhaps the most notable software activity today is happening in the area of cloud-based Software-as-a-Service (SaaS) applications. Gartner estimated the global cloud applications services market would grow to $46.3 billion last year, with half of new 2017 application adoptions by North American enterprise-sized organizations comprised of SaaS and/or other forms of cloud-based solutions. For its part, IDC predicted that SaaS would remain the dominant cloud solutions type, "capturing nearly two thirds of all public cloud spending in 2017 and roughly 60 percent in 2020."

Many constituencies are finding opportunity in SaaS. Thousands of small to large ISVs are cropping up to deliver application-specific solutions on a subscription basis to their customers. Many of them are tapping the resources of traditional channel firms, which are adding SaaS to their portfolios in large numbers. Consider the following findings from the aforementioned study: Of all channel firms selling cloud solutions today, 74 percent say SaaS is part of the mix. Of that 74 percent, a quarter say their businesses started as a "born in the cloud" SaaS startup versus a traditional channel firm that added a new practice.

From a pure channel perspective, SaaS is ripe with opportunities: recurring revenue, inroads to vertical industry business, faster time to deployment, and more. That said, there are also plenty of challenges for traditional channel firms, mostly pertaining to the business and economic models of SaaS. Translation: How do we make money? Partner compensation models are still in the tinkering stages. These things take time.

WHY SAAS IN THE CHANNEL?

SaaS is here to stay, and the model is becoming one of the more popular cloud-based options in the industry.

The benefits of the SaaS model are many, according to both its users and purveyors. The perks include flexible payment methods such as pay-as-you-go, easy scalability, automatic software updates for things like patch management and application upgrades, and accessibility from any user device. Many of these upsides are driving today's spike in customer demand. In turn, that demand — among other factors — is pushing channel firms into the SaaS world.

Forty-three percent of respondents to the CompTIA study cite customer demand as the primary driver behind their decision to add SaaS to their portfolios. Corporate end users from all lines of business have discovered that, unlike packaged software the IT department deploys, their favorite cloud-based CRM or collaboration tools can be self-provisioned at the quick click of a button from the internet. That self-service phenomenon creates a challenge for the channel, but it can be mitigated and turned into an opportunity. Because customers can type in a credit card number to buy a SaaS application on their own does not mean that they understand how to scale, integrate, customize, and secure said solutions. That's where the channel comes in.

Among the other drivers behind the channel's decision to offer SaaS is the continued desire to generate recurring revenue, which is also a prime catalyst behind the transition from traditional reselling to managed services. For some traditional solution providers, SaaS adoption has been the means to becoming an MSP.

One of the SaaS model's other chief attractions is its quick and dynamic delivery. Thirty six percent of channel firms cited faster time to deployment as a main reason they offer SaaS. Customers want speed and efficiency, and for the channel, the promise of smooth implementation of tech tools into the business is music to a customer's ears. **C**
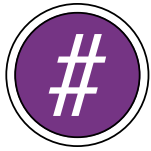
2018 Tech Market Outlook

The key indicators of a healthy IT market bode well for the channel.

SOURCE: Forrester, *US Tech Market Outlook For 2017 And 2018*

Forrester is forecasting 4.8 to 5.2 percent U.S. tech spending growth in 2018. Here's a retrospective look at its two-year forecast history.

FORRESTER'S FORECASTS FOR U.S. TECH BUDGETS: 2016 TO 2018

■	Q2 2016 forecast		
■	Q4 2016 forecast, post-election		
■	Q2 2017 forecast		

*Forrester forecast

2016: 4.3%, 4.5%, 3.9%
2017*: 5.1%, 4.3%, 4.8%
2018*: N/A, N/A, 5.2%
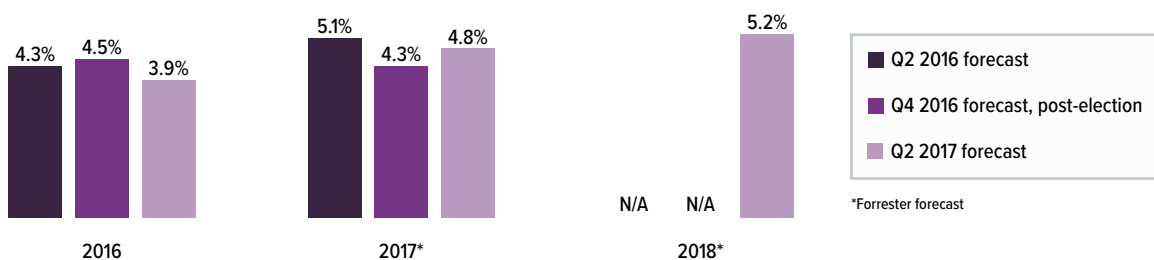
That spending will be led by BT (business technology) investments, loosely defined as those designed to win, serve, and retain customers (CRM, eCommerce, customer analytics, etc.). Forrester predicts a healthy 8.4 percent growth in BT.

FORRESTER'S FORECASTS FOR U.S. BUSINESS TECHNOLOGY PURCHASES: 2016 TO 2018

■	Q2 2016 forecast		
■	Q4 2016 forecast, post-election		
■	Q2 2017 forecast		

*Forrester forecast

2016: 9.9%, 11.9%, 9.5%
2017*: 8.9%, 7.7%, 9.0%
2018*: N/A, N/A, 8.4%
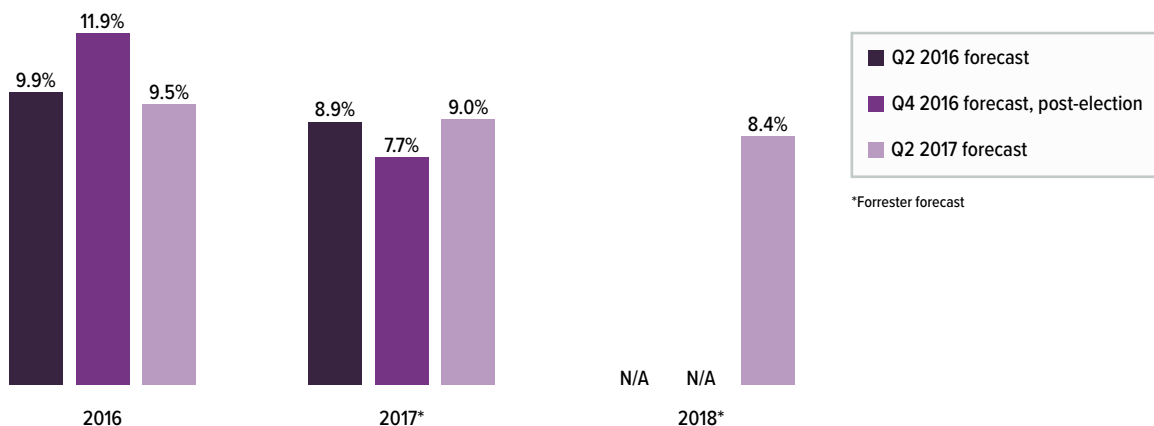
An improving economy is driving tech spending, as the political and economic landscapes recover from the tumult of 2016. Some positive economic indicators include:

▸ A GDP growth rate that's expected to remain between the 2 to 3 percent ideal range

▸ An unemployment rate projected to drop to 4.1 percent in 2018 from 4.3 percent in 2017 — better than the 4.7 percent rate we saw in 2016, and far better than the Fed's 6.7 percent target

▸ A core inflation rate rise from 1.5 percent in 2017 to 1.9 percent in 2018. (It's expected to hit the Fed's target inflation rate of 2 percent in 2019, giving the Fed room to raise rates.)

Forrester predicts that this relative stability will encourage businesses and governments to be more aggressive in their tech spending plans in 2018.

PERCENTAGE CHANGE FROM PRIOR QUARTER, ANNUALIZED RATE

Legend: Real GDP, GDP deflator

*Forrester forecast

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017*	Q3 2017*	Q4 2017*	Q1 2018*	Q2 2018*	Q3 2018*	Q4 2018*
Total	1.3%	3.7%	5.0%	4.2%	3.0%	5.3%	4.6%	4.6%	4.8%	5.1%	5.5%	4.9%
GDP deflator	0.8%	1.4%	3.5%	2.1%	0.7%	3.1%	2.4%	2.3%	2.3%	2.6%	2.8%	2.1%
Real GDP	0.5%	2.3%	1.4%	2.1%	2.3%	2.2%	2.1%	2.3%	2.4%	2.5%	2.6%	2.7%
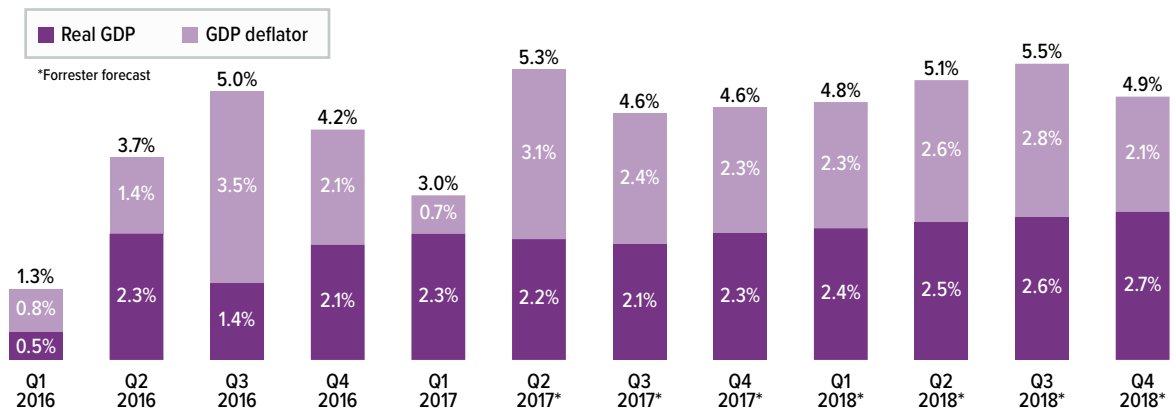
SOURCE: "National Income and Product Accounts Gross Domestic Product: First Quarter 2017 (Advance Estimate)," U.S. Bureau of Economic Analysis, April 28, 2017

Cloud platform services will see double-digit growth, despite slight declines in infrastructure outsourcing.

U.S. BUSINESS AND GOVERNMENT PURCHASES OF TECH OUTSOURCING SERVICES

	2013	2014	2015	2016	2017*	2018*
Total	$238	$248	$259	$274	$281	$289
Application management	$13	$13	$14	$16	$16	$17
Application outsourcing	$49	$51	$55	$60	$62	$63
Hosting	$51	$52	$56	$60	$62	$63
Infrastructure outsourcing	$45	$46	$44	$39	$34	$30
Cloud platform services (IaaS)	$5	$7	$10	$16	$22	$28
Other IT outsourcing	$63	$66	$69	$73	$75	$77
Hardware support & maintenance	$12	$11	$11	$10	$10	$10

*Forrester forecast
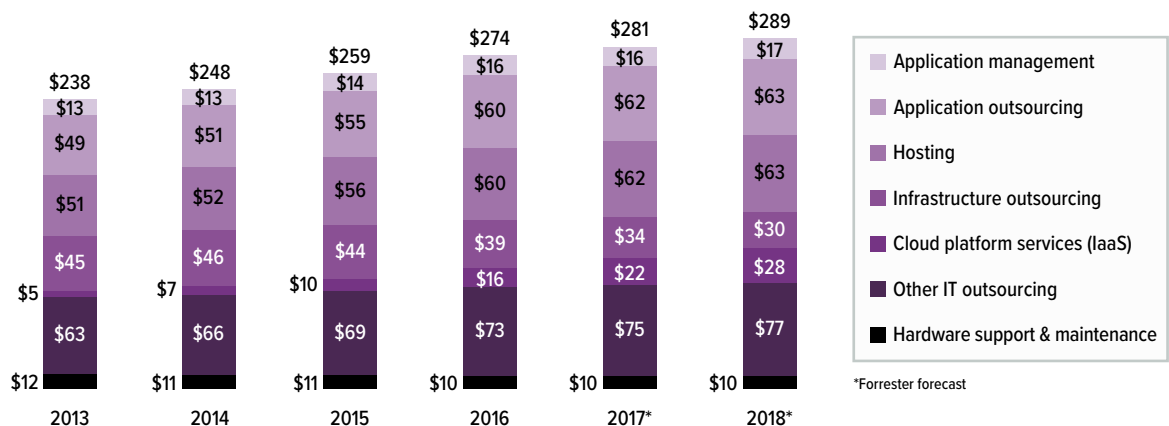
The Channel's Top 3 Tech, Business, And Industry Trends In 2018

SCOTT SCROGIN Chief Innovation Officer, HTG Peer Groups

Q4 2017 was an exciting time to begin charting the course for 2018. We held our Q4 peer group meetings, engaged at ConnectWise's IT Nation, and experienced Salesforce's Dreamforce conference. Broad takeaways? Here are our top 3 trends in technology, business, and industry for 2018.

TECHNOLOGY TRENDS

1. Cloud adoption expands due to proven opportunities and broader business value: The days of defining "cloud" as only Office 365, offsite storage, and hosted VMs are behind us. Technologies have matured as vendors and partners move from implementing infrastructure to increasing business value. Cloud services are at the Venn diagram intersection of the Internet of Things (IoT), security, and big data/analytics platforms discussed below.

2. IoT enters SMB aided by distributors: IoT is both overhyped and underutilized by SMBs. As end-to-end IoT platforms gain traction in the enterprise, distributors will play a key role in packaging solutions and educating partners. "Crawl, Walk, Run" is the playbook here for offerings in manufacturing, healthcare, building management, security, and more.

3. Security practices overtake collections of tools: Partners will develop security offerings and practices that reflect increased customer requirements (risk and impact) and market opportunity (wants and needs). The emphasis on expanding managed security will exceed innovation in managed ser-

vices. Higher skills and different thinking are needed — which may have additional costs of targeted training or partnering with talent. Longer term, customers won't select MSPs or MSSPs—only providers with the right end-to-end solutions.

BUSINESS TRENDS

1. Strategic planning systems and mindsets become necessities, not luxuries: As partners continue their entrepreneurial journey, the need for strategic thinking, planning, and executing increases. Implementing a planning system that aids in achieving perspective, alignment, and results will become standard for partners. HTG engages with clients using the StratOp and LifePlan methodologies.

2. Changes in business models increase, accelerate, and disrupt: Pressure from customers, competitors, compliance, and innovation cause partners to focus — proactively or reactively — on changing business models (see trends above). Partners may jump curves to new or adjacent models through applied innovation. Understand the best execution won't lead to successful transformation if you pursue the wrong change.

3. Partners build on business acumen to grow verticals: To maximize return on investment in learning industry practices and to grow opportunities, innovative partners are applying business acumen to solve customers' problems. This may involve hiring specialized talent for roles as business practitioners, vCIOs, or vCISOs who sell, consult, and support specific verticals. Example: Hiring a CPA to build an accounting software and support practice.

INDUSTRY TRENDS

1. Ownership and structure of vendors influence decision making and behavior: As private equity and venture capital investment in vendors increase, ROI timelines often shorten while expectations for execution and financial results increase. Partners should consider the costs of building relationships, switching vendors, and aligning shared goals during vendor selection.

2. Consolidation and integration of vendors and platforms accelerate: As the private equity and venture capital investment flow to vendors (and some partners), so do the perceived benefits of consolidation. Larger customer bases, reduced overhead, increased influence, and more attractive exit opportunities emphasize the need for wise selection and engagement.

3. M&A + aging out + industry change = exit + opportunity: Reported valuation multiples in merger and acquisition activity remain strong. Analysts report the next five to seven years will see 30 to 40 percent of industry executives retire. Change and trends are accelerating. Combined, these factors produce an inflection point between those who proactively make the jump to the new and the next, and those who remain in the now.

So, what can you do to digest and leverage these trends? Look outward to reliable sources for learning. Examples include publications like this one, industry thought leaders, user communities, and formal and informal peer groups. Then think strategically, understand the landscape, build relationships and leaders, and execute against a strategic plan. In HTG, this progression moves businesses along our Entrepreneurial Journey.

Are there tools to help leverage these trends? One of the places to start is already listed as a trend: strategic planning systems. Without this type of planning it's difficult to determine whether and how the technology trend (or trends) aligns with your short and longer-term objectives. Are you better off growing your existing practice or developing new practices? Do you have the leaders to develop, launch, sell, and serve new offerings? Which segment of your customers are candidates for the new offering? How does the trend fit with your current mix of solutions and vendor partners? These questions will be answered through strategic planning and addressed regularly through a strategic mindset.

Another tool involves breaking down the trend into smaller parts than can be more easily evaluated, then engaging vendors and peers for guidance. One example here is HTG's Cloud Opportunity Framework (htgpeergroups.com/htg-labs). The Cloud Opportunity Framework helps members see, learn, and pursue growth areas and trends related to the cloud. It offers a visual map, in-depth analysis, and actionable advice to help evaluate, implement, and profit from innovative cloud opportunities. For example, you can envision individual opportunities around identity and access management, SaaS, IaaS, UCaaS, MSSP, consulting, backup and recovery, business intelligence, compliance, and more.

Regardless of whether you apply HTG's framework, you can seek to achieve benefits like these as your process converts trends to opportunities to offerings:

▸ Broader exposure and diversification: Learn widely and add new offerings easier.

▸ Reduced risk and time to market: Leverage the experience of others, then move more quickly.

▸ Improved innovation process and execution: Step from R&D to implementation more efficiently and effectively.

▸ Increased profitability and ROI: Make better decisions that increase profits and valuations.

Why start with cloud? Every trend listed for 2018 has direct or close reliance on building and extending a cloud practice. IoT and security — check. The need for strategic planning, addressing change, and building business acumen — check. Understanding vendor and partner market dynamics — check.

The question is not whether you know about these trends, but how you choose to respond. As Stephen Covey said, "To know and not to do is really not to know." Contact us today to learn how to apply these trends. We're here to help. Visit www.htgpeergroups.com or email info@htgpeergroups.com. ©

➔ **SCOTT SCROGIN** is the chief knowledge officer of HTG Peer Groups. Prior to joining the HTG staff, he spent 12 years in IT service delivery, training, and channel development. Scott's memberships in peer groups and other communities contributed to his understanding of the power of peers. He is passionate about helping others achieve their goals and potential in life and business. Scott enjoys sharing his lessons learned and learning from other leaders.

Rediscovering The IT Value Proposition

BRIAN HORTON CEO, Breadcrumb Cybersecurity, Inc.

When I started my first technology company in 1998 and when launching its successor in 2007, the term IT consulting was synonymous with IT support; they were interchangeable. The business model was hands-on, we intentionally involved ourselves within the customer's organizational planning, and we went out of our way to create tangible value beyond the ticket SLA. The relationship was defined by our investment in the nontechnical elements, not necessarily by "effective rates," or "onsite requirements." This consultative- and advisor-driven approach was centric to the relationship.

The IT support landscape has clearly changed over the past 10 to 15 years. With the evolution of managed services, the business model has shifted towards metrics, SLAs, and dashboards — arguably leaving the personalized, hands-on customer relationship on the sidelines. This evolution has undoubtedly been driven by the economics of managed services, and the affordability it has provided the average business. Customers now have more transparency with price and less confusion over their monthly bills. Moreover, it has given opportunity to a new generation of IT companies by lowering the barrier to entry. But at what cost?

WHERE THE MSP MODEL FALLS SHORT
When considering all of the advantages the MSP business model has offered, I would firmly argue that we're still missing the mark. There has to be a trade-off to achieve the efficiency that commoditized IT has demanded. By and large, our industry has sacrificed the consultative facet of the business relationship. When looking through the lens of a managed services profit and loss statement, it's difficult to justify spending added time on an account, or hiring that seasoned and experienced employee as a dedicated consultant for your customers. It breaks the mold of today's IT business models. While I can agree that deriving value from providing expert, consultative services isn't immediately quantifiable within *today's* IT business model, I can confidently say the value is still there, right at our fingertips. Qualified consulting is a sought-after service that customers will pay for — *if* the business value is realized. It's a win-win model that has been shelved for most IT organizations.

So what's the problem? Simply put — our transition towards *selling on price*. Most IT firms are now evaluated on their "price per seat," rather than their value and associated differentiators. The flat-fee approach of managed service models makes it difficult to demonstrate value beyond the help desk ticket. While every IT business owner wants to provide more value, every owner I've met with digresses to the fact that their business is now predicated on metrics and averages. The IT industry as a whole has shifted its proposition from value to price. This statement isn't an indictment of all IT companies, but rather a recognition that the momen-

tum in the industry is centered on commoditization. In an era of add-ons, layered cloud services, and as-a-Service white labeling, the core of the business relationship tends to get lost in the shuffle.

> 66 I've learned that the most successful IT companies have come back to center on their value proposition and have reintroduced a legitimate consultative model. Most notably, they charge for it! 99

Moving the needle in this type of hyper-competitive environment can be challenging. We desire to add value to our offering, but have a perceived constriction on price. We're convinced that adding *any cost* to our model will lead to an exodus of customers. This is where we've shot ourselves in the foot. Customers will indeed pay more, but they must also get more. Far too often I've met with IT companies that have lost long-time customers (5, 7, 10+ years) due to competition offering negligible price reductions. This isn't to say they were performing sub-par work, but rather their service was seen as a commodity, or another utility that the customer was paying for.

there are tangible and measurable benefits to their organization, they will pay for it.

Yet, as with anything, the devil is in the details. The key to this model working is staffing, and this is where IT firms have fallen short. It is not acceptable to have your sales staff fulfill this role, or your help desk technician step in. Titles don't mean much, but rather experience. You can't take a "one foot in the pool" approach. Taking a risk and filling this role with an experienced staff member is required. Giving it away as a value-add simply isn't effective. For starters, it's rare that an IT organization is truly giving it away. It's typically a subsidized model, augmented with well-intentioned, but unqualified staff. While we want to be perceived as offering consultative value, it rarely moves beyond sales advice unless experienced staff is in the driver seat. If our customers never see the value in paying for this service, then we'll never see the value in hiring for it — and vice versa. Would you want a value-add service to design the bridge you drive over? Of course not. At some point, a business requires paid expertise to help navigate its technology strategy. As its IT provider, who else is better positioned to offer this service?

At my previous company, Innovative IT, and my current company, Breadcrumb Cybersecurity, paid consulting is pivotal and central to our mission. Pushing the boundaries on paid consultation may result in a slower build at times, but the authority and differentiation that are achieved far outweighs the higher barrier to entry. Seeding your company as a trusted advisor establishes deep roots within any organization you happen to work with. This isn't to say we don't have commoditized ser-

> 66 We don't shy away from a billable opportunity in fear of the customer shopping our service. The trust and loyalty that is built by offering legitimate and measurable consultative services will outlive the competition every time. 99

BUILDING VALUE THROUGH CONSULTANCY

There is a balance. I've learned that the most successful IT companies have come back to center on their value proposition and have reintroduced a legitimate consultative model. Most notably, they charge for it! The results? Their customers are fiercely loyal, and their revenues are considerably higher. Whenever your business relationship has an opportunity to transcend price, and you're seen as a trusted advisor, there's little that can break that loyalty. As a business owner you intuitively understand that price is what you pay and value is what you get. Our customers aren't exempt from this logic. If

vices and offerings, but rather we choose to build the relationship outside of these services. Our brand and identity hinges on trust and a deferral of authority.

Practical examples:

- ▸ We add consultative hours into every project — there is no hesitation to bill for our services.

- ▸ We offer to be part of every board meeting, giving guidance to its members.

- ▸ We regularly meet with C-level staff and ensure their business plans align with sound technology planning.

TECH SYSTEMS INTEGRATION SERVICES GROWTH WILL MATCH TECH CONSULTING SERVICES IN 2017 AND 2018 (U.S.$ BILLIONS)

Legend:
- Tech consulting
- Systems integration services
- Tech training services

* Forrester forecast

	2013	2014	2015	2016	2017*	2018*
Total	$189	$199	$210	$216	$229	$246
Tech consulting	$48	$52	$54	$58	$60	$65
Systems integration services	$136	$142	$151	$155	$164	$175
Tech training services	$5	$5	$5	$5	$5	$6

Technology consulting and systems integration services are in high demand. In fact, the market for consulting services is forecast to expand $5 billion this year — up 9 percent — as more companies seek help replacing on-premises software applications with SaaS. That trend is also driving a similar uptick in demand for professional technology training services this year.

SOURCE: U.S. Census Bureau for 2013 to 2016; Forrester Research for these items in 2017 and 2018

▸ First-response technicians adhere to their role. Anything beyond the ticket is referred to the appropriate experience level. The client not only achieves a better result, but we now bill more for the added value. Again, otherwise impossible if it's given away for free.

It's important to note that we don't shy away from a billable opportunity in fear of the customer shopping our service. The trust and loyalty that is built by offering legitimate and measurable consultative services will outlive the competition every time.

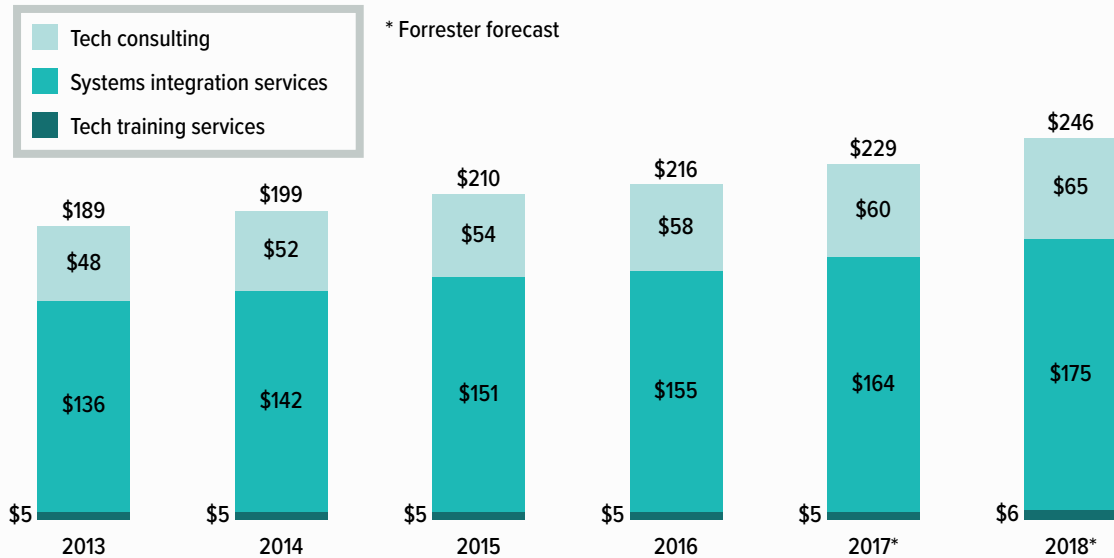In conclusion, our advice to new companies and those looking to reinvent themselves is always the same — do not define your brand by price. Remember, you teach customers how to treat you. If your sales strategy can be used to sell a box of pens, and you never offer services outside the help desk agreement, you've missed the mark. Customers will put your brand in a box and assume any added cost is an attempt at gouging them. While selling on price may seem like the only option given today's market, instead choose to lean on value. There are plenty of IT companies that will attempt to squeeze more water from sand, but IT companies that choose to leverage a value-driven, consultative approach are immediately creating differentiation. Even though managed services, and those models that are similar, have created a more affordable IT services landscape, customers will appreciate — and pay for — a middle ground. **C**

➔ **BRIAN HORTON,** CISSP, GCED, GPEN, is the CEO of Breadcrumb Cybersecurity, Inc. A serial entrepreneur, Brian has spent his career advancing the technology goals of organizations throughout the U.S. Brian can be reached at brian@breadcrumbcyber.com.

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IT SERVICES & THE GREAT DATA PIVOT

MATT PILLAR Chief Editor

🐦 @MattPillar

LEANNE OATMAN
President & Cofounder
RightSourcing

IF HARDWARE MARGINS & SERVICES COMMODITIZATION HAVE YOU DOWN, IT'S TIME TO MAKE A DATE WITH DATA.

One of the most enlightening opportunities I'm given during the course of my travels is to spend time with the hundreds of MSP and IT services provider executives who gather quarterly for HTG Peer Groups meetings. Because I'm interested in what's in the hearts and minds of those who lead the channel, there's no better place to be a fly on the wall.

For those who have never experienced professional peer group membership or been privy to the goings-on in a peer group meeting, I'll try to summarize it for you. The hundreds in attendance are broken down into groups of a dozen or so executives who lead businesses of a similar size and type. Those small groups huddle around a horseshoe-shaped conference table for a couple of days of well-structured discussion managed by a certified facilitator. That discussion covers everything from the channel's gravest threats and greatest opportunities to line-item-level accountability for personal, professional, and business growth. Conversations go deep, and they go there fast. They're unfailingly constructive and occasionally contentious. That same group meets quarterly year over year, changing only with the introduction of a new member, the transition of an existing member into a different group, or the voluntary exit or involuntary expulsion of a member.

A sign hanging on the wall stands out among the dozens of whiteboards and jumbo notepads chronicling various constructs and exercises the group works on together. It's a brief, bullet-pointed synopsis of the HTG Member Code of Conduct. Alongside the obvious re-

minders to be courteous and contribute to the dialogue read the words *Be Awkward*.

For one particular group I sat with during HTG's Q4 2017 meeting in Orlando, things got awkward quickly.

I can't call anyone out here. My fly-on-the-wall presence at the meetings requires that I sign a nondisclosure agreement. I'm happy to do so for the privilege of attending. Some of the wonderful people I've met at these meetings have become invaluable resources to the *Channel Executive* effort. HTG members Luca Jacobellis (president, Cal Net Technology Group), Russ Levanway (CEO, Tek-Tegrity) and Michael Williams (president, Winxnet), for instance, help shape our content by sitting on our editorial advisory board. Members Rashaad Bajwa (president, Domain Computer Services) and Steven Riat (director of sales, Nex-Tech) are among those who have written for us or participated in interviews. HTG's own execs, including Pete Sorensen, Israel Lang, and Brad Schow, write for us regularly. This very issue features a column by Scott Scrogin, chief innovation officer there (see page 12). You can see why I'm happy to oblige the nondisclosure and why I'll relay this quick story of an HTG member and somewhat reluctant MSP in nondescript terms.

The group I sat with on this particular morning was one that you might consider operationally mature. I'd peg the group's average annual revenue at around $6 million, and most have 20 or more employees. The issues these execs discuss are less tactical than they are strategic. Where a dozen leaders of $500,000 MSP companies might sit around sharing tactics on budgeting for the hire of a first sales rep, this group contemplated more philosophical things, like the death of managed services and whether or not it was time to sell out and pursue an altogether different venture.

You read that right, and it cuts to the quick of just how real it gets when a group of trusting peers settles

"**THE THING ABOUT MODERN-DAY IT THAT SO MANY MODERN-DAY IT PROVIDERS ARE MYOPIC TO IS THAT THE PROVISION OF IT SERVICES PROVIDES *A LOT* OF OPPORTUNITY FOR LATERAL MOVEMENT.**

into the trenches together for a couple of days. In this particular meeting, one young and decidedly nervous leader of an inarguably successful managed services business was so sure the MSP model has crested that he all but announced the liquidation of his company's assets right there in the meeting. It got a little awkward, to say the least.

Plenty of his peers were adamantly opposed to even entertaining the conversation. Managed services changed their lives 20 years ago. The model saw them through a recession that, according to the U.S. Census Bureau, killed off nearly a quarter of a million small businesses between 2008 and 2010. Those people refused to acknowledge any likelihood that IT services would become commoditized to the point of MSP obsolescence.

A couple of executives in the room were quick to jump on the bandwagon and contemplate the potential of their own demise.

Most were far more pragmatic. They acknowledged the likelihood of disruption, anticipated a pivot, but eschewed the notion that wholesale — much less immediate — change was in order.

WHAT *IS* IT ANYMORE, ANYWAY?

Here's how Merriam-Webster defines the term information technology, first known use 1978: *The technology involving the development, maintenance, and use of computer systems, software, and networks for the processing and distribution of data.*

The thing about modern-day IT that so many modern-day IT providers are myopic to is that the provision of IT services provides *a lot* of opportunity for lateral movement, and that opportunity is most often compliments of the final word in the above definition. IT touches nearly every facet of nearly every business because so much of the business *is so dependent on data.*

Why, then, would a successful IT service provider consider selling out? Perhaps because that provider sees business and IT in a binary fashion, which is

no way to see their relationship. They are no longer mutually exclusive. In fact, they're not even merely *supportive* of each other. Business strategy and IT strategy are inextricably connected, and increasingly, as businesses recognize rising stock in data, they're altogether indiscernible from one another.

If you don't agree, maybe it's time to reevaluate your definition of IT. Ask yourself a few questions.

1. If the value of the cables that carry data and the servers that store it is eroding, where has the value of IT migrated?

2. How close to that value am I?

3. What would it take to pivot into that value?

If you're a reseller or managed services provider that caters to a specific vertical or two, and you've been doing it long enough to gain some understanding of the business—or, better yet, if your company was born out of a specific vertical—the answers to those questions are likely:

1. Data.

2. Very.

3. Not much.

The most lucrative of the lateral movements a VAR or MSP can make is in mastery of the very data you've for so long been paid to merely store and/or serve up to the business user. That is to say, that if you're dealing with the facilitation of data, which at its core is the very *point* of information technology, you're a merchant in the most valuable resource and a participant in the richest economy the world has ever known. But you have to do more than serve up that data for some application or some business user to make sense of. The big value is in bridging the gaps between data, understanding, and action.

EVERYONE'S GETTING IN THE DATA BUSINESS

Consider that even non-core-IT MSPs are leveraging data to build their value propositions. Take Irvine, CA-

based RightSourcing, for instance. The company sits at the intersection of technology and services, a provider of workforce solutions for healthcare. RightSourcing is not a staffing or temp agency but rather a technology-based solutions provider that aligns contingent healthcare industry workers—tens of thousands of them represented by more than 600 staffing agencies—with appropriate healthcare facilities based on the facility's specific skill set needs. The company not only deals in medical staff but also facilitates executive management, IT, operations, even security and housekeeping employees on behalf of healthcare facilities nationwide. RightSourcing partners with companies like TEKsystems and Apex Systems, companies that also straddle the line between staffing resources and managed IT services provisioning.

> **THE MOST LUCRATIVE OF THE LATERAL MOVEMENTS A VAR OR MSP CAN MAKE IS IN THE MASTERY OF THE VERY DATA YOU'VE FOR SO LONG BEEN PAID TO MERELY STORE AND/OR SERVE UP TO THE BUSINESS USER.**

Data capture, analysis, and consulting are big parts of its secret sauce. "Our strategy, analytics, and metrics (SAM) team offers a host of consultative reporting solutions to our healthcare clients," explains RightSourcing President and Cofounder Leanne Oatman. "It begins with our vast repository of data on healthcare labor market rates and trends, such as where the best talent lies and at what rates." From there the company drills into facility-specific labor data, such as how many hours the contingent labor force is working, how much the client has spent on that labor, supplier performance, and outlier identification. Oatman calls this the "what's happening and why" element of the RightSourcing reporting package. The focus is on understanding the key business drivers and identifying the actionable intelligence needed to make informed business decisions.

But there's even more value to be squeezed from the data RightSourcing provides its clients. "The predictive element of our reporting focuses on what's likely to happen based on historical patterns and business drivers fueling the labor need," she says. "For example, if a client is kicking off a big EMR (electronic medical records) system upgrade, we can help them analyze their labor needs and costs and then make recommendations, or develop strategies, based on those upcoming initiatives." The SAM team at RightSourcing applies analytics to make recommendations and give clients guidance on both where they're doing well compared to other clients of the same size and scope and where they need to improve. "There's a dashboard we create for clients that gives them visibility to never-before-seen levels of data," says Oatman. "It's a live environment where they can point and click and get to specific worker detail." If a CIO wants labor data, for instance, they can see what staff is working on which specific products, how those projects are progressing toward their end dates, whether they're on budget, and what adjustments might be required to meet project completion and budget requirements, such as bringing in additional support at a lower cost. "Our data-driven recommendations prompt strategic decisions ranging from the addition of a single pharmacist to the launch of a new, fully-staffed call center to maintain the highest possible quality of services," explains Oatman. And that, she says, is the kind of business intelligence her healthcare clients are willing to pay for.

IS THE CHANNEL READY FOR VENDOR NEUTRALITY?

There's another novel concept that Oatman is bullish about, and it's one that the IT channel is ripe to adopt: vendor neutrality. That might come off as a foreign concept to MSPs accustomed to wearing vendor logos on their polo shirts, but Oatman says it's key to maximizing customer value. "Vendor neutrality is the best way to align an MSP with the client's goals. Most healthcare clients are focused on reducing costs and spending in contingent staffing," she says. "With a client's ability to self-identify and source talent by leveraging their own brand power and network, they are driving significant savings to their organizations. A staffing company that moonlights as an MSP is focused on placing its own resources within the organization at the highest bill rates and best margins." In straight-up IT managed services, that looks a lot like Island Tech Services, whose owner, Robert Gronenthal, we covered in the last issue of *Channel Executive*. He sells ruggedized mobile computing equipment to first responders, but whether that's a Panasonic Toughbook or a Getac isn't predicated on the vendor's terms. Instead, it's fully dependent on the client's needs, expectations, and compatibilities. Getac and Panasonic each love him nonetheless.

Another company comes to mind here — a managed services provider that might not call itself as such

but certainly fits the definition and serves as a great example of this point about data. Ecova is a provider of managed energy efficiency and sustainability services. Among its many service offerings is the gathering and analysis of data collected from a variety of building management systems and IoT sensors affixed to a myriad of energy consuming devices. Categorized by vendor, the sources of the data crunched by Ecova number well into the hundreds, many of those sources competitive to one or more of the company's other offerings. But, in the spirit of vendor neutrality, that competitive conflict is inconsequential to Ecova. The company realizes that the client value is in the data — and, more specifically, in its ability to make good use of the data — not so much in the systems that facilitate it, though the company sells those, too. In practice, the data the company gathers, analyzes, and reports on for its clients directs massive savings and efficiency gains. It informs lighting upgrades that result in multimillion dollar reductions in electricity usage, proactive maintenance that saves tens or hundreds of thousands of dollars on HVAC and refrigeration equipment repair, and even waste container optimization that drives big savings in waste hauler rates. These are business challenges that have been solved by IT.

A bit closer to home, in this very issue you can read about a managed services provider that's selling business intelligence as a service right now, and for good reason. Gartner pegged global revenue in the business intelligence and analytics software market at $18.3 billion in 2017, up 7.3 percent from 2016. By the end of 2020, the market is forecast by Gartner to grow to $22.8 billion. Even *The Economist* recently wrote a column that declared in the headline, *The world's most valuable resource is no longer oil, but data*. How can resellers and MSPs grab a piece of that pie? Sonny Childs, BI developer at Houston-based IronEdge Group, tells all on page 40.

THE MONETIZATION OF DATA MASTERY

The concept of vendor neutrality lends itself to the argument that data is what's next for managed IT services. Standards adoption, open systems, and increasing ease of integration are knocking down vendor boundaries, fueling a great race toward data mastery and, in some cases, data ownership. Interestingly, agriculture is proving a harbinger of things to come where data mastery and ownership are concerned. Consider Monsanto, a seed company, and its $250 million purchase of Precision Planting in 2012, its $930 million purchase of The Climate Corporation in 2013, and its late 2015 deal to partner with John Deere through the latter's acquisition of the for-

> ## "OUR STRATEGY, ANALYTICS, AND METRICS (SAM) TEAM OFFERS A HOST OF CONSULTATIVE REPORTING SOLUTIONS TO OUR HEALTHCARE CLIENTS. IT BEGINS WITH OUR VAST REPOSITORY OF DATA ON HEALTHCARE LABOR MARKET RATES AND TRENDS, SUCH AS WHERE THE BEST TALENT LIES AND AT WHAT RATES.
>
> **LEANNE OATMAN** President & CoFounder, RightSourcing

mer's Precision Planting division. All those billion-dollar moves were fueled by a grab for data that Monsanto itself puts a $20 billion market value on. The Precision Planting technology on board John Deere ag equipment handles farm data that benefits both Deere and Monsanto in myriad ways, from anticipating future demand for seed to yield analysis that informs chemical and fertilizer dispersion and, therefore, markets. Layer in the weather data brought to the table by The Climate Corporation, and the ag tech providers have near-complete mastery of the data behind the (literal) fruit of the farmer's labor.

You don't have to be a farmer to understand my point. If tractor and seed manufacturers are making billion-dollar moves on the market value of data, it's not a far-fetched notion that those of us in the information technology game should be doing the same. It remains to be seen how John Deere and Monsanto may or may not choose to empower the end user — the farmer — with these newfound troves of data. What *is* seen are the opportunities, like those outlined above, for IT service providers to find value delivery salvation in data mastery—regardless of how the battle for data ownership shapes up.

This concept reaches beyond the IT systems data you're already providing for clients through RMM and data security monitoring tools. These are certainly valuable to a certain stakeholder within your client's organization, but the data they facilitate isn't driving bottom-line business value. It's mitigating risk, but it's not eliminating measurable expense. Nor is it uncovering new markets, defining new products, or revealing new customers. Therein lies the value of business data. You know where it is. You handle it every day. Now, what are you going to do with it? C

By A. Sorensen

WINNING THE GOVERNMENT VERTICAL

HOW ONE MSP TRANSITIONED FROM "RANDOM ACTS OF SOLUTIONING" TO TOTAL SOLUTIONS PROVIDER FOR A PIECE OF THE BIG GOVERNMENT PIE

GovTech Navigator puts total federal, state, and local government IT spending at $182 billion in 2017. *Washington Technology's* top 100 list of IT, systems integration, and professional services providers for the government includes the kind of household names you'd expect to see on such a list: Lockheed Martin, Boeing, Raytheon, Booz Allen Hamilton, Verizon, AT&T, Accenture, Deloitte, IBM, and Dell. Federal spending with each of these companies exceeded half a billion dollars during the 2016 fiscal year. In fact, the top 20 companies on the list captured $65.1 billion in government contract dollars in 2016. The bottom 20 companies — although it hardly seems fair to use the word "bottom" — earned $4.1 billion from federally-backed contracts.

There is money to be made for MSPs, VARs, integrators, and solutions providers willing to brave their way through the mountain of fine print required to work with government agencies. *Channel Executive* recently spoke with a VP at one of these solutions providers – one that has brought in more than $170 million dollars in the past year from federal defense spending and civilian contracts. Less than five years ago, this company was self-described as a "garden-variety reseller, a line card provider." Because of the nature of its clients and contracts, we're not able to disclose the name of the company. But its story is worth telling both because of its success in the federal space and the turnaround required to get to this level of success. The specialization required to win government IT contracts is applicable to any solutions provider in any vertical.

Before this solutions provider transitioned its business, it was doing "random acts of solutioning." What an impeccable way to describe the inflexibility of so many channel companies when it comes to adapting their business models. Really, though, pause from reading the rest of this article and consider whether you can muster the same kind of honesty. If you're a VAR, MSP, integrator, or any part of the IT channel ecosystem, ask yourself this: Are you just barely skating by thanks to random acts of solutioning? Do you deeply understand the unique and changing needs of your vertical market(s), or are you packaging and selling the same general types of solutions you were a decade ago? Is your company capable of capitalizing on an inflection point in order to position itself for sustained growth in the changing IT landscape?
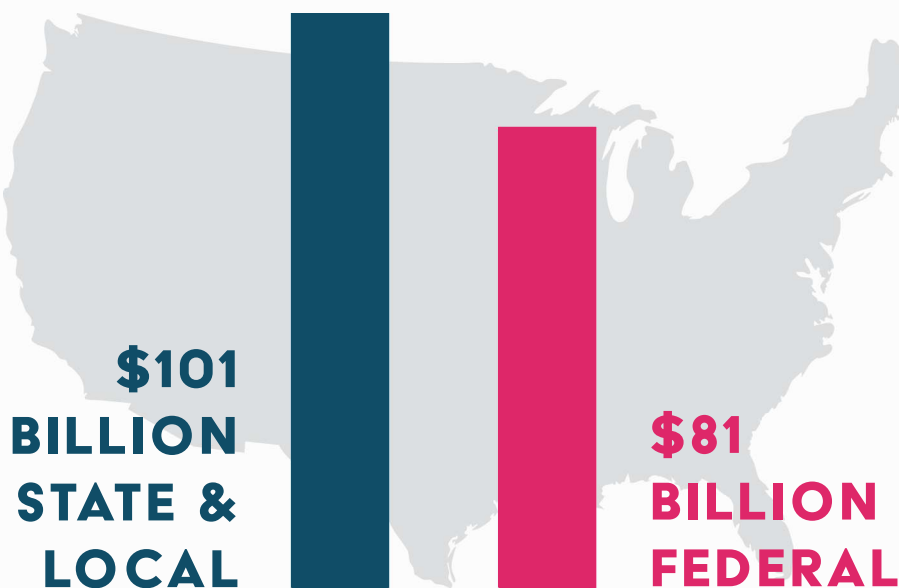
WINNING THE
GOVERNMENT
VERTICAL

ABBY SORENSEN Executive Editor   @AbbySorensen_

2017 GOVERNMENT IT SPENDING

$101 BILLION STATE & LOCAL

$81 BILLION FEDERAL

VERTICAL COMPLEXITY

For solutions providers who are not currently working with government clients, let's get this point out of the way now: This is a complicated vertical that requires sophisticated IT solutions and long-term relationship building. Even a project that might seem simple, such as rolling out new laptops for a client, can be a different kind of monster in this vertical. For example, when Hurricane Harvey was brewing, the Federal Emergency Management Agency (FEMA) needed thousands and thousands of laptops deployed to first responders headed to Houston (a project helped by the fact that Dell was headquartered in Houston and was more than willing to donate to the relief efforts). Shipping hardware was the easy part. The groundwork for this opportunity formed long before hurricane season. Relationships with the agency's procurement team members were originally formed when those staff worked for the IRS on a different project supported by this solutions provider. A clear channel of communication with a vendor like Dell was needed in order to know what strings to pull to accelerate the order. Ship some laptops? Easy. Getting 5,000 laptops ready, getting budgets approved, and doing all of this almost overnight? Not easy.

That's just one example. For more than 25 years, this solutions provider has worked with customers in civilian agencies, the Department of Defense, members of the intelligence community, and other government agencies like the USDA, NASA, Department of Homeland Security, Department of Treasury, Department of Interior, Department of Commerce, and the Army. It's safe to say the average civilian can't even explain what every one of these agencies does, let alone what kind of IT projects they spend money on. Another example of a complex project is the digital transformation of the 2020 census by working with cloud providers so the process can move away from paper and pencil. Another project involved the sale of biometric devices and facial recognition software solutions to help agencies recognize known terrorists who are trying to cross the border. And then there's a data analytics solution to help track flu outbreaks and guide decisions on the dispersion of flu vaccines. A garden-variety VAR shipping boxes of hardware in order to keep the lights on isn't sophisticated enough to architect these complex, customized solutions.

The federal space is less a vertical unto itself as it is a microcosm of general verticals (i.e., healthcare, financial, logistics, etc.). It has a unique flavor to it. The "commercial world" doesn't have to deal with things like the Federal Information Processing Standard (FIPS) or

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worry about complying with the Trade Agreements Act (TAA). In order to sell those biometric devices or those data analytics solutions, this team has accumulated years and years of knowledge required to understand the intricacies of working with government agencies. This doesn't mean the barrier to entry to the government vertical is uniquely high. If you want to start selling solutions to the financial services industry, you had better understand the SOC (Service Organization Controls) reporting framework inside and out. HIPAA compliance isn't a cakewalk for solutions providers entering the healthcare vertical either. And if you want to make real money in retail, good luck passing a PCI compliance test without studying extensively.

VERTICAL ENTRY INVESTMENT

If you are one of those VARs or MSPs who want a piece of the $182 billion government IT spend pie, be prepared to face a steep learning curve. For starters, commercial resellers don't need a security clearance, which is often necessary when working with the government on complex IT projects. These clearances can cost upwards of $10,000 to obtain and also come with a hefty cost to maintain. Even if money is no object, plan on waiting at least three to six months for a standard or "confidential" security clearance, or four to eight months for a top secret clearance thanks to the backlogs at the Department of Defense.

You'll also need to budget for travel and for a large sales team. Even though most commercial solutions providers can make a good living doing "drivable work," this likely doesn't cut it in the government space. A good chunk of military IT spending involves overseas contracts, for example. You'll need outside sales reps across the U.S. to help ease the burden of regular travel, plus inside sales reps, some members of the IT team, and back office personnel. The back office operations team will likely need support from a separate contracts team. This contracts team needs someone wired to read through hundreds of pages of fine print on government RFPs and contracts (and to enjoy it). Nothing gets done on a handshake in the federal space, and that means there's an upfront investment to getting in to this vertical.

To tie all of these teams together, you'll also need someone who can architect highly customized solutions — not just out-of-the-box hardware and software bundles — and that will take real technical and sales expertise (see sidebar about why you should invest in a CTO if you haven't already). You'll also need to hire a sales team who can talk the talk and walk the walk. These salespeople need to know, "What is SOCOM [United States Special Operations Command], what

is its mission, and how is that different from naval intelligence? What is the IRS doing? Every agency has a different mission and different IT needs." Hiring sales and support staff who have deep roots in a specific vertical isn't advice unique to government resellers. This doesn't necessarily mean you should hire only former servers and bartenders to sell solutions to the hospitality space, but you do need to hire strategically so the industry learning curve can be shortened.

FOLLOW THE MONEY

No, following the money isn't meant to be a witty allusion to the Watergate scandal and to the movie "All The Presidents Men." It's sound business advice for any solutions provider focusing on a particular vertical. All the airtime dedicated to cutting back on federal spending is nothing more than fake news when it comes to IT projects. According to GovTech Navigator, the number of state and local IT procurements has grown 73 percent from 5,104 in 2012 to 8,850 in 2017.

All of this project money in the federal space is on the move with each new administration. Some might claim to be more fiscally responsible than others, but the reality is, some administrations might support the defense space, while others might be more supportive of healthcare IT spending. In today's current political climate, for example, the writing is on the wall that environmental agencies likely aren't looking at a budget increase, but military IT spending looks more promising. An election year might change how government solutions providers assign quotas to salespeople, and it might result in a temporary spending increase from agencies worried about being cut back by an incoming administration. But overall, the addressable market is still so large that not much changes when a new administration takes over.

Money moves with technology, too. Biometric devices and facial recognition software solutions likely weren't in proposals two decades ago. In fact, the demand for a counterterrorism solution likely didn't exist in the pre-September 11 era. Beacons and omni-channel capabilities weren't technologies that old cash register dealers could make money on either. And healthcare solutions providers in the 1980's likely couldn't have predicted a burgeoning market for telehealth. VARs who made a living in the manufacturing vertical didn't know what IoT meant because the term, and the underlying technology, weren't even coined until the late 1990's. Across any vertical, all end-users want to do more with less and ensure their systems are running efficiently. The difference between deploying "random acts of solutioning" and being a reseller capable of keeping up with rapidly changing technology is where money can be made. C

REDEFINING SALES ENGINEERING

Transitioning from "random acts of solutioning" to a true full-service solutions provider doesn't happen overnight. And it doesn't happen without having a true technical thought leader on your team — not just a generic systems engineer who can cobble together standard order hardware and software solutions. Instead, a whole-brained CTO is needed, one who can both configure solutions and communicate to a sales team how to present those solutions to clients.

If you're going to invest in the kind of compensation package a good CTO will command, it's especially important to ensure your hire doesn't operate in a silo. Hiring a CTO with a resume full of technical leadership experience will work only if that person is able to translate propeller-head tech-talk to a non-technical sales team. Whoever is leading sales efforts — whether that's a founder, owner, or a separate VP of sales — needs to communicate daily with a CTO in order to see ROI. This communication is especially important when it comes to product vetting and staff training.

From a product standpoint, a CTO should ensure that the technology is viable and proven, that it fits in your solutions stack, and that it doesn't compete against an existing vendor. Once that is established, a sales leader should carefully examine components of the vendor's channel program, the sales team's ability to make money from the solution, and how easy it will be to do business with the vendor. It sounds so simple — your technical team needs to select products your sales team can effectively sell, and your sales team should sell only products your technical team has the bandwidth to support. That kind of collaboration and communication between a CTO and VP of Sales isn't automatic at every VAR or MSP. And it's not a given that a CTO is capable of interacting with customers while seamlessly integrating with a sales team.

This particular government solutions provider keeps its technical and sales teams on the same page by hosting several "tech talks" over lunch every month. A vendor partner will come in to discuss trends or a new product offering. If you want to scale in the government vertical, maintaining close relationships with vendors is crucial. Remember when FEMA needed thousands and thousands of laptops configured for the Hurricane Harvey relief efforts? Most VARs and MSPs wouldn't even know whom to call at Dell, let alone how to fulfill that kind of order volume in just a few days. This team also conducts quarterly business reviews with the company's top few vendors to ensure the sales team is taking full advantage of partnerships. Again, it sounds simple: Resellers should always be in lockstep with key vendors.

After the vendor partner wraps up at the tech talk, the CTO outlines why the technology is important and how it applies to the sales team. It's not a "speeds and feeds" lecture by any means. Sales managers will interject with real life examples, adding comments like "We did that at agency X," or "I saw this same issue presented itself at the department of Y." It's important to ensure even the back office staff, such as contracts personnel and proposal writers, are in these meetings. It takes an entire team to architect the kinds of complex solutions the company sells. The vendor selection process, investment in a CTO, and a commitment to continuous education are not limited to large-sale resellers working in the complex government vertical. Any reseller can adopt this mentality to grow its business in any vertical.

MSP Opportunity:
Application Performance Infrastructure

How an IT staffing company transformed into a nine-figure solutions provider.

ABBY SORENSEN Executive Editor

BlueAlly's story isn't one commonly told in the channel. Before growing into its current state as a $150 million MSP, the company was an IT staffing agency. While somewhat unique, the company's history isn't really surprising, given the synergies and market opportunities in each sector.

MarketsandMarkets research puts the total U.S. managed services size of market at $152.45 billion as of May 2017. Compare this to the American Staffing Association's estimate of a $150.4 billion market as of June 2017 for the U.S. staffing industry, which includes both contract staffing and search/placement services. There are about 20,000 staffing agencies in the U.S. and even more managed services firms. While not entirely unheard of — this month's feature story on page 18 delves further into the relationship and synergies between IT staffing and managed services — BlueAlly is certainly an outlier with its seat at both tables.

BlueAlly's staffing services date back to its founding in 1999. Its foray into managed IT services, managed security services, and infrastructure optimization solutions started just four years ago. Already, IT services account for $105 million of the company's $150 million in annual revenue. That's right – 70 percent of BlueAlly's revenue comes from a division that has been around for less than one-fourth of the time of its staffing business. The success of the staffing division allowed reinvestment in growing its IT offerings through four recent solutions provider acquisitions. Together, these acquisitions formed the BlueAlly Technology Solutions Group, headed by VP of Technology Operations Bernard Westwood.

What should open the eyes of other MSPs is that BlueAlly didn't just cobble together a help desk and sign up to support a few vendors. Westwood and his team aren't busying themselves resetting passwords and replacing monitors for its clients. Instead, the technology side of the house has used a robust engineering team to provide sophisticated solutions to enterprise clients.

INVESTING IN VISIBILITY-AS-A-SERVICE

BlueAlly's Technology Solutions Group has a new coat of paint thanks to recent acquisitions, but the technology and services under the hood have been humming for more than 25 years. Westwood himself used to work for one of the solutions providers BlueAlly recently acquired. His nine plus years at Syscom Technologies helped him hit the ground running when he took on his current role in May 2016. Low turnover at the companies BlueAlly acquired also helped the newly formed group transition smoothly. So what is it, exactly, that this newly formed group does for clients? BlueAlly calls its differentiated offering "converged infrastructure services." This solution set includes data center consolidation and virtualization solutions, network and security solutions, and enterprise-wide IT asset and infrastructure assessment and optimization.

That marketing boilerplate translates to solving this problem: Something goes really wrong from an IT standpoint, and clients quickly resort to blind accusations because there isn't a single view of applications and hardware. Or, a client will build capabilities in versions one and two that aren't subsequently used by customers once versions three and four are rolled out, and by then there are redundant applications and pro-

> **The bigger the companies are, the shallower they tend to be around understanding storage, networking, applications, and servers. You end up with a lot of finger pointing within the internal customer base when something goes wrong.**

cesses that no one can identify (and even if the problem is identifiable, the legacy technology is hard to replace). "The bigger the companies are, the shallower they tend to be around understanding storage, networking, applications, and servers," says Westwood. "You end up with a lot of finger pointing within the internal customer base when something goes wrong."

BlueAlly is already pulling in more than $100 million in managed services revenue by finding ways to increase client productivity and efficiency through monitoring device and application health. Westwood calls this "visibility-as-a-service." The Technology Solutions Group is just starting to think through how to monetize the correlated data it streamlines for customers, and, when it does, this team will continue to outpace the staffing division of BlueAlly.

INVESTING IN SALES ENGINEERING & OFFERINGS

Selling complex IT solutions requires more than a sophisticated sales team. Westwood estimates BlueAlly's engineering to sales ratio is around 24 to 17, which is a much more expensive staffing composition than in sales- or technician-heavy MSPs. As with any MSP, there is always the risk of a sales rep overpromising on an implementation timeline that engineering can't realistically deliver, but BlueAlly's engineers work side by side with customers to ensure this risk is minimized. "A lot of times engineers are involved in the presales implementation," says Westwood. "So they're always making sure that we can deliver what we promise, whether that means they're outside at 2:00 p.m. during the work week or at 3:00 a.m. on Sunday. Our engineers have to be there when the customer is over our shoulder."

Westwood points out there is a fine line to walk when it comes to training sales and engineering teams on a new offering. Solutions providers can't lose sight of core business offerings that keep the business afloat. "Where you see VARs and MSPs getting themselves

in trouble is when they bring out new technologies to distract them, versus a new service that you can create. It's hard to both keep your current revenue stream going and operate your current business while you're trying to bring on a new service, especially if you have to make an investment to hire new people." Westwood is constantly conscious of how much time sales and engineering spend training on a new technologies and services.

BlueAlly's engineering learning curve is shortened thanks to the fact that most of its engineers come from end-user environments and understand what it's like to be in the shoes of an IT director. But even with a savvy engineering and sales team in lockstep, one of BlueAlly's most pressing challenges is crafting its message and market strategy. "A lot of times customers have multiple problems, so solutions providers show the product, they do a proof of concept, and they show them how to solve that problem. Then the customer says, 'Thank you, we're going to put that in our budget for next year,'" Westwood explains. To counter this, BlueAlly is working with some of its largest vendor partners to develop consumption plans charged on a monthly basis that can skirt around CapEx decision making.

Just as BlueAlly works with vendors and customers to overcome budget constraints, so also its transition from staffing services to technology services wasn't an easy financial move. Its ownership relied heavily on acquisitions to build and grow its managed services division, and gobbling up other MSPs isn't cheap. It requires sacrifice from the top and buy-in from the entire team to successfully reinvest in a business. "What's been a key is the company's willingness to reinvest so much money into the company to help fund our managed services," says Westwood. "We know we have to continue to innovate. There are a lot of VARs out there. We're constantly asking ourselves, 'How do we innovate to be different from the rest of them?'" **C**

VITAL STATISTICS

450
EMPLOYEES

FOUNDED
1999

LOCATIONS
Vienna, VA
Cary, NC
Marietta, GA

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OFFERINGS
Managed Services,
Infrastructure Optimization,
Contingent Workforce Solutions

....

REVENUE
$150M

Partnering For Success

ISV collaborations drive future growth in the AIDC industry.

DAVID KREBS Executive VP, Enterprise Mobility & Connected Devices, VDC Research

Automatic Identification and Data Capture (AIDC) solutions such as bar code scanners, bar code printers, radio frequency identification (RFID), dimensioning systems, machine vision solutions, and mobile devices provide visibility into operations across the enterprise. Most of these products are being sold and deployed by a vast indirect channel network comprising two-step value-added distributors, value-added resellers, and systems integrators.

Absent from this mix have been ISVs, which traditionally have eschewed relationships with hardware vendors in an effort to remain agnostic. However, the role of software in the AIDC/mobility decision making process cannot be understated. In fact, end users will frequently make their technology investment decisions before selecting hardware. In particular, for mobile deployments the recent trend has been to decouple the decision making, whereas previously they were much more interconnected.

With the growing influence of ISVs in the AIDC/enterprise mobility decision making and technology selection process, hardware vendors are building dedicated ISV partner programs and addressing long standing issues with previous programs. Today's partner programs are often no more than a database of ISVs, many of which are not actively engaged by OEMs. A key issue is that partner programs today are not structured to achieve what they are supposed to. One opportunity in the market that partner programs could address is a matchmaking function that links prospects to a dynamic portal with a database of solutions providers based on application requirements. The ultimate goal today should be for ISVs to gain the necessary exposure and for end users to easily find target vendors. Programs need to do a much better job at identifying *what* partners are doing.

While these programs are being initiated by hardware vendors with the purpose of elevating the value, exposure, and stickiness of their devices, they should not be ignored by the broader channel community. What is of growing importance for end users — especially as the sophistication and complexity of AIDC and mobility solutions increases — is the speed at which solutions can be integrated and supported. Backend integration with various systems such as programmable logic controllers, warehouse management systems, ERP, POS, etc. can be complex and can require proprietary code that often is not scalable. This is but one example where the development of a closer relationship with ISVs active in these environments could help address critical pain points experienced by end users. Addressing these time-to-market and integration issues with software utilities could include:

- ISVs and solution providers leveraging open tools that can reduce time-to-demo/time-to-market. The key is to get the app up and running on a device to accelerate the time-to-sales/purchase decision.

- Test driven development, which most companies with mobile development experience are now asking for: unit tests with 80 to 90 percent code coverage, some form of automation for testing and deployment, and at least the consideration of moving towards continual integration/continual development/continual deployment.

- The opportunity to develop "stock" apps that can be used by ISVs to help structure apps, scaffold items, etc. Critical for the ISV — and to support

the sales value proposition for channel partners — is to develop solutions that best take advantage of key device features.

▸ Showing the value of new device features with the greatest potential to accelerate the decision to modernize/upgrade legacy applications.

> 66 **Partner programs today are not structured to achieve what they are supposed to. One opportunity in the market that partner programs could address is a matchmaking function that links prospects to a dynamic portal with a database of solutions providers based on application requirements.** 99

BARRIERS TO BUILDING ISV RELATIONSHIPS

It is imperative for organizations to maintain and manage ISV partner programs, as with any other relationship. Providing competitive differentiation benefits for the ISV is a potentially significant factor in creating a successful dynamic. That said, there are several challenges associated with ISV partner development. VDC's research highlights the following as some of the key roadblocks:

▸ Lack of communication, interest, or engagement from the vendor during the partnership building process.

▸ Lack of exposure to the target audience or support from the vendor for marketing and sales engagements.

▸ Management of account ownership when ISVs, VARs, and/or systems integrators collaborate.

▸ Lack of access to resources or technical support from the hardware vendor.

▸ Potential conflict of interest with hardware vendors that introduce similar in-house software offerings alongside their existing hardware portfolio.

HOW TO CREATE A SUCCESSFUL PARTNER DYNAMIC WITH ISVs

VDC expects ISVs to play a prominent role in channel partner programs with the goal of ultimately aligning ISVs with specific resellers and integrators to collaborate to deliver a complete solution. This will create a diverse set of programs and solutions that focus on specific verticals or technologies. A trend that is currently attracting significant interest is the need to provide scalability to ISV participants. As technology

vendors participate in an increasingly competitive environment, being able to expand into newer markets is of strategic importance. Many emerging vendors in the AIDC space generate sales via their ISV partners, driven by applications built by these third-party app developers. VDC now sees vendors boasting of massive networks of thousands of developers and apps leveraging their respective product offerings. VDC's research indicates that the following criteria are critical to success — for vendors as well as for their ISV partners:

▸ Gain/provide access to critical resources on future product direction and roadmaps.

▸ Undergo certification processes to develop and market applications.

▸ Develop "stock" apps for ISVs to use as a point of reference.

▸ Discuss price exceptions and discounts right at the start to build collaborative and transparent communication channels.

IN SUMMARY

ISV partner programs vary from vendor to vendor, but carry common themes. Many hardware vendors are developing tiered programs which allow a variety of benefits based on the ISV's performance or stage of growth. As ISVs move up a tier system, more benefits are unlocked, such as further marketing/sales support, potential discounts, development support, and distribution support. Additional benefits include priority access for betas and early product releases, discounts on MSRP, free trials, referral programs, and the ease of submitting MFi approval for app developers. As ISV network development takes center stage, VDC fully expects vendors to update their programs to be more inclusive and open. In addition, the matchmaking potential between ISVs and VARs or SIs will further open up opportunities and lead to deeper and more strategic levels of engagement with end customers.

VDC's latest report on the AIDC ISV landscape titled "AIDC Independent Software Vendor Partner Program Analysis" focuses on how vendors are engaging software developers and highlights our key recommendations for creating a successful partner program. **C**

➲ **DAVID KREBS** is executive VP, enterprise mobility & connected devices at VDC Research. He has more than ten years' experience covering the markets for enterprise and government mobility solutions, wireless data communication technologies, and automatic data-capture research and consulting.

The Traditional POS Industry Is Dead As New Retail Tech Opportunities Grow

JOE FINIZIO Principal Consultant, Northlake Associates

A few years ago, WIRED *magazine's cover pronounced that the web is dead. The story went on to say that the world wide web that we had known for the past two decades was being replaced by more efficient cloud-based mobile applications, eliminating the need for a browser to sit between software applications and users of those services and content being delivered over the internet. Over the past several months, many of my conversations with long-time POS industry colleagues have ended with the comment "It's not the POS industry we grew up in," and they are correct. If you step back and look at the transition and consolidation that have taken place, it's becoming very difficult to recognize POS as a stand-alone industry.*

To state the obvious, it's a good thing that the industry is not the same. It means there has been continuing evolution in products, markets, and opportunities. From my perspective, the POS industry that we have known since the 1970s — the era that saw us transition from mechanical to electronic — is dead. A new and exciting industry is growing from its ashes, with new opportunities for both resellers and vendors.

SWEEPING CHANGE FOR THE POS CHANNEL

Right now there is a feeding frenzy of consolidation within the reseller, ISV, and payments communities. Many longtime "cash register" dealers are retiring and leaving the business with no succession plan, which is ultimately shrinking the ranks of the traditional POS reseller channel. New tablet- and cloud-based product companies have entered the market, with more entering the POS business every day. The situation is familiar to those who saw many new "electronic" cash register companies rise from the ashes of the mechanical cash register industry and open platform POS products coming to the market from the ashes of proprietary POS systems. Those changes and the current business transitions are not for the faint of heart, but they're exciting for a business evolution adrenaline junkie. Navigation

of these business transitions requires vision to see the opportunities, good business judgment to move a company toward the right opportunities, and the fortitude and skill set to properly manage the business through the associated ups and downs.

IN SUMMARY FORM, HERE IS THE CURRENT STATE OF THE POS INDUSTRY:

- ‣ Shrinking ranks of traditional resellers
- ‣ Resellers not able to transition to a recurring/subscription business model
- ‣ Resellers moving to a sales-only model without the cash flow and/or funds for a support staff for a full service business
- ‣ Company mergers and consolidation in both the POS and payments industries
- ‣ Payments companies buying up both ISVs and resellers to expand their own base of merchant accounts
- ‣ Almost nonexistent hardware margins and shrinking software margins
- ‣ The rise of new companies selling cloud/tablet POS and payments products using internet marketing and direct sales rather than a reseller sales channel.

I could go on, but it is not a healthy picture of the POS industry as we have known it for at least two decades. But, there is good news. In my opinion, we are currently experiencing the rise of a new retail technology industry, inclusive of POS, payments, managed services, and more. This new technology and services-inclusive industry is full of business opportunities for all providers of software, hardware, and services. To fully take advantage of those opportunities, companies will need to change how those products are marketed, sold, delivered, and supported. The mix of products being sold should also be reviewed and updated. In the as-a-Service business model, just selling front-of-house may not generate the revenue and profit needed to keep a reseller's business funded. A recent article from the "What's Busy@Reforming Retail Blog" provided a financial picture for a startup entering the market as a POS only reseller business. That financial picture was not good. Just being a POS company may no longer be enough to maintain a viable business.

> **If you step back and look at the transition and consolidation that have taken place, it's becoming very difficult to recognize POS as a stand-alone industry.**

THE NEW BREEDS OF VENDOR AND RESELLER

Recently, I've seen a "new generation" of resellers who are bringing a wide slate of retail technology products and services to the marketplace. As early as five years ago, new resellers were profitable and successful selling POS as a subscription along with payment processing, IP-based video surveillance, VoIP phone systems, professional support services, and managed network services. It was exciting to see new companies entering the market with a fresh vision and approach to what was being marketed, sold, delivered, and supported.

Traditional hardware vendors with a vision are also evolving to meet customers' needs. Star and Epson, for instance, have added significant network management and wireless connectivity to their printers. Epson has an intelligent printer with a built-in web server. Star has brought several products to market designed for tablet and mobile POS. APG Cash Drawer has released a SMARTtill product that automatically counts the currency in the cash drawer and reports transaction discrepancies to mobile devices when integrated with POS applications. We cannot overlook the growth and importance of mobile products and how, with the right application, they can empower store associates with information to increase business and enhance the customer experience. Mobile payments will also simplify and better secure the ways to pay, and, hopefully quickly, move business opportunities beyond the time and money poured into EMV.

As the traditional POS industry fades away, the practice of purchasing and consolidating companies will not create the new retail technology industry rising from the ashes of the old POS industry. Resellers and vendors simply building a portfolio of merchant payment accounts is short-term and not the future of the new industry. The new retail technology industry has no borders. It can be in-store, at home, or on your mobile device; the hardware or location does not matter. Cloud, payments, IoT, IT-based security, digital/out-of-home signage, data security, network management, VoIP communications, data analytics applications, marketing services, and professional and consulting services can be wrapped around an entire technology solution that empowers the customers' businesses to stand apart from their competition and serve their customer base. When I speak with a user community, that's what they say they want and need. Their needs are focused on data to better understand their business and their customer base and a technology solution to better run their business.

It's hard, ongoing work for businesses to change and to evolve. Five or six years ago, I was speaking to an industry colleague from a payments company about resellers seeing the opportunity associated with selling payments. He said 80 percent of the resellers see the opportunity but only 20 percent are doing something about it. While many more resellers are selling payments as part of their overall offering today, it took several years for many to act upon that opportunity, and, judging by the shrinking reseller ranks, many did not make it.

The new industry rising from the ashes of POS is a services-based industry that provides complete solutions for the customer's entire enterprise. Those solutions will be based on a number of retail technologies that solve the business, management, and operational challenges for the markets they choose to address. That said, evolution will be required for POS vendors and resellers not to be viewed by customers and prospects as an unnecessary part of the retail technology solution. Don't be viewed as that unnecessary web browser sitting between great content and an eager user. With the traditional POS industry dead, or at best fading away, now is the time to see, evaluate, prepare, and act on a future full of business opportunities and become a necessary part of the solution. It is definitely an interesting time for our POS industry, and it's an exciting time for our new retail technology industry. **C**

By M. Pillar

Why VARs And MSPs Are Key To The Data Security Solution

Secure Ideas' Senior Security Consultant Nathan Sweaney sat down with Channel Executive *to discuss the channel's role in data security.*

MATT PILLAR Chief Editor

I had the privilege of serving on a panel with Nathan Sweaney at the BlueStar VARTECH conference a few months back. Sweaney is a senior security consultant at Secure Ideas, and he's recently inked a retainer deal with the RSPA (Retail Solutions Providers Association) to serve that organization's membership. We asked him for an interview because he's not just a brilliant security professional; he's also an advocate for the channel's role in mitigating SMB data security risks. Here, Sweaney explores why the channel is best poised to help businesses mitigate risk and maintain data security-related regulatory requirements.

CHANNEL EXECUTIVE: What's Secure Ideas, and what do you do there?

NATHAN SWEANEY: Secure Ideas is a security consulting and penetration testing firm. We work with both large and small customers in every industry to help them improve their security. We're a small, focused group of consultants with expertise in network security, web applications, mobile apps, physical security, social engineering, and more. Our goal is to translate technical jargon about security vulnerabilities into practical, actionable information on business risk that is meaningful to executives.

I'm a senior security consultant and have been with the company for almost five years. Every week I get to work with a new client to assess how they're doing and help find areas of weakness that might leave them vulnerable. Prior to joining Secure Ideas, I worked for Tulsa Cash Register, a point-of-sale VAR/MSP. During my eight years there, I got to experience what works and what doesn't work as it relates to both security and managed services.

> **In order to maintain the status quo in terms of risk, we have to pay the security tax. … And the more we do with technology, the higher that tax is.**

CHEX: Frame this up for us. Why is business data security such a big opportunity for the channel?

SWEANEY: I'm going to ramble a bit first. I like to talk about information security as a tax. It's not a perfect analogy, but it's one that most folks understand. Every piece of technology that we deploy, every new feature or tool, makes our lives easier in some way but often makes us vulnerable as well. For example, connecting your POS to the internet allows faster processing of credit cards, but it also opens the potential for connections from anyone in the world. Your potential threats expand from the customers physically in your store to almost every person on the planet.

In order to maintain the status quo in terms of risk, we have to pay the security tax. We have to spend time and money on precautions that we'd prefer not to, just to mitigate the increased risk. And the more we do with technology, the higher that tax is. Unfortunately, it's very easy to ignore that tax. We put it off by convincing ourselves that the risk isn't that important, and the cost isn't worth it. But just like any tax, the longer you go without paying it, the worse the consequences are.

For decades now we've deployed technologies without paying the security tax, and now the consequences are piling up. The same technological advances that make our lives easier also make it easier for attackers to find us and to exploit our vulnerabilities.

CHEX: What are the three primary data security threats that business users face?

SWEANEY: Most security threats can be broken down into three categories: mistakes, malicious employees, and external attackers. Each of these has different causes and different solutions.

Mistakes are always going to happen. A security-conscious organization needs to accept that fact and take precautions to discover and remediate those issues before they can be exploited. Malicious Employees strike at one of our most common human tendencies, the drive to trust people. Several security best practices are designed both to detect and limit the effectiveness of

> 66 **Security vendors who have learned how to compete for the enterprise market are struggling to both understand and get in front of the SMB market. This is something that VARs and MSPs have excelled at for years.** 99

Now, to the actual question, data security is a big opportunity for several reasons. First, attackers are no longer going after just large businesses. For the last decade, we've seen a continuing increase in the number of small businesses that have been compromised. Part of this is due to a natural commoditization process in the underground economy. Advanced attack tools are readily available and make it easy to attack many small businesses efficiently, turning a relatively small investment into a reasonable return.

The second reason is that there are now more security tools and services that are designed either for small businesses or with resellers in mind. Many of the security controls that were previously only accessible to the enterprise have now been restructured and made available to everyone. This is due in part to the same commoditization process that has aided attackers. The standardization of functionality, the ease of configuration, and the drop in pricing for these tools is a direct result of increased competition for the previously untapped SMB market.

This leads into the third reason that data security presents such a big opportunity to the channel. Security vendors who have learned how to compete for the enterprise market are struggling to both understand and get in front of the SMB market. This is something that VARs and MSPs have excelled at for years. They already have a unique relationship with their smaller customers and often serve in a position of trusted advisor. This presents a significant opportunity to offer practical and beneficial security tools in a managed service format.

these types of attacks. And External Attackers present the most well-known and expected type of attacks. Security controls designed to limit these attacks must be constantly monitored and modified in order to keep up with the latest attacks.

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CHEX: How difficult is it for a traditional IT VAR or MSP to pivot into a position to mitigate those threats for their clients?

SWEANEY: In some cases, it's not hard at all. Several security companies offer reseller models that have been designed to simplify the process. The difficulties often lie in understanding the nature of security services and modifying the existing business models. For VARs that have primarily provided only hardware and software products, jumping into a full-scale MSSP program can be a bit daunting. Those resellers need to be careful to make sure they fully understand the services and how they will sell, manage, and support them.

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CHEX: What does it take from the standpoints of people, processes, and systems?

SWEANEY:

‣ **People** — If a VAR/MSP wants to present itself as a trusted security advisor to its customers, then it needs to make sure it has staff on-hand who understand information security issues as they apply to those customers. Sometimes this means training

existing personnel, and sometimes it means hiring new personnel. Some services are completely managed by the provider and simply white-labeled by the VAR/MSP, but even in those cases, it's critical that the reseller fully understand what they are and are not providing to their customer.

▸ **Processes** — Security services don't exist in a vacuum. They are always part of a larger context of systems and services. Resellers need to think through all the steps of service implementation and how they affect the larger system: analyzing needs, sales, installation, management/monitoring, service, renewals, etc. Security services also present possible situations that may be new to the reseller. If a tool flags an attack in progress or discovers a sign of compromise, the reseller needs to have a plan for how to respond. You do not want to build your emergency response plan during an actual emergency.

▸ **Systems** — This varies completely with the product. Some security services are fully cloud-based and hosted by the provider. Others require an on-premise hosting by the reseller. And still others must be hosted by the client. Understanding those expectations should be a part of the selection process for a security vendor.

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CHEX: We hear a lot about the need for data security education, particularly in the SMB space. Why is this the VAR's/MSP's responsibility?

SWEANEY: Nobody has a closer relationship with SMB owners than their VAR/MSP. In many cases these relationships are built on years of mutual trust and proven competence. I think I would stop short of saying that security education is the reseller's responsibility, but it's a role that they should want to serve. As more and more security companies fight for a share in the SMB market, those clients are going to want the opinions of a trusted advisor. This is a fantastic opportunity to show that value-add.

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CHEX: What's your advice on vetting the endless array of data security-related products a VAR or MSP could add to its line card?

SWEANEY: The number of vendors in this space is nearly endless, and while many may provide a reasonable service, others are worthless. Here are a few questions to consider:

▸ How long have they been providing this service?

▸ How many other customers & resellers do they have?

> **The number of vendors in this space is nearly endless, and while many may provide a reasonable service, others are worthless.**

▸ Are they able to explain their offering in both simple and complex terms? If there's too much "magic" you should steer clear.

▸ How much of the service management process do they own?

▸ How accessible are their technical people? When your customer has a problem, you need to be able to get technical service quickly.

▸ How well does their service actually work? Can they provide metrics?

▸ What do other security professionals think of the product?

▸ How does this product integrate with your other offerings? The last thing you want is a dozen agents running on each of your client's systems.

....

CHEX: Beyond offering security advisory/education as a value-add, give me three opportunities for a VAR or MSP to make money in security consultancy or services.

SWEANEY:

1. **Security configuration review** — This is simple annual/bi-annual/quarterly on-site review of the installed systems for common security flaws, application and firmware updates, password management, physical security review, wireless networking, added devices, etc.

2. **Log management/security information and event management** — Several products are available that allow clients' machines to forward all system logs to a log correlation system for monitoring. In addition to being reviewed by a manned security operations center, these systems auto-generate alerts when certain events are detected.

3. **Firewall management** — This can be done in-house or through a third party. Managing these devices includes basic configuration changes as well as optional services such as gateway antivirus, intrusion prevention, and content filtering. **C**

Pavelcomm

Jaime Pavel, *Channel Executive* reader and COO at her namesake family business, shares her thoughts on running a channel business and why — and how — she picks good millennial-generation employees.

WHAT CHANGES IN CUSTOMER DEMANDS AND EXPECTATIONS HAVE YOU SEEN OVER THE PAST YEAR OR TWO?

There's considerably more interest in security and security services, due in part to increased compliance needs (i.e., HIPAA and PCI). We're also noticing an increase in our clients' desire to have more included in their contracts and less excluded or billed outside of them.

WHAT IS THE BIGGEST THREAT OR OPPORTUNITY YOUR BUSINESS FACES?

Security is the greatest threat to both our business and our clients' businesses, but it's also grounds for a plethora of new business opportunities.

WHAT IS THE TOP METRIC YOU USE TO MEASURE SUCCESS? HOW DO YOU ENSURE YOUR TEAM IS ACHIEVING THIS METRIC?

Contract profitability and client satisfaction are our two biggest measures of success. We manage and measure this with the use of KPIs, client surveys, regular VIP client check-ins and communication, our ticket management system, and analysis of time management per contracted services.

WHAT TECHNOLOGY/SOLUTION IS OVERHYPED? WHAT TECHNOLOGY/SOLUTION DESERVES MORE HYPE?

Cloud is overhyped. More specifically, it's not necessarily true that everything can be moved to the cloud, and there isn't enough reporting on the potential downsides of the cloud, such as cost and speed. The education of MSP clients staff on all things security is what needs *more* hype and attention.

IN WHAT WAYS WILL MILLENNIALS IMPACT THE CHANNEL?

Millennials will and do bring new ideas and a fresh perspective to the way we have always done things, which impacts the direction the channel moves. We look to millennials to offer new and innovative ways to help our community thrive.

WHAT'S YOUR BEST MARKETING SECRET?

Our best secret is to use IT marketing professionals, those who count technology as their area of expertise and primary focus. Just as our clients use our services for best-of-breed IT practices, we look for best-of-breed IT marketing associates.

WHAT ARE THE THREE MOST IMPORTANT QUESTIONS YOU ASK IN EVERY INTERVIEW?

What is something about you that would surprise us? These answers are always entertaining and give you a great view into who the person is as a whole. If you did something awesome, who would you like us to tell about it? Tell us about a time you disagreed with your boss and how you handled it?

WHAT IS YOUR HIRING PHILOSOPHY?

We hire for customer service skills, personality, cultural fit, technical skills, and expertise. We can teach technical ability, but we can't teach personality. We see the best long-term fit when we focus on this.

WHAT'S THE BEST BUSINESS BOOK ON YOUR SHELF?

Start with Why, by Simon Sinek **C**

JAIME PAVEL
COO
Pavelcomm

· ·

Portland, OR

· ·

Jaime Pavel is the second generation CEO-in-the-making for Pavelcomm. A native Oregonian, Pavel earned her stripes on Madison Avenue working in marketing for Wunderman, a division of Young and Rubican Brands. She holds a business degree from Manhattan College and earned her MBA from Adelphi University.

VERTICALS
Automobile dealers
healthcare
nonprofits
small business

VENDOR PARTNERS
Aruba
Datto
Dell
HP
Ingram Micro
Intronis
Synnex

TECHNOLOGIES
Managed IT services
Voice solutions
Cloud computing
Virtual CIO services
HIPAA & PCI compliance
Data security
Disaster recovery

PAVELCOMM

By S. Childs

BUSINESS INTELLIGENCE: A PROCESS, NOT A PROJECT

Business Intelligence:
A Process,
Not A Project

A story about what makes or breaks business intelligence initiatives.

SONNY CHILDS

➜ **SONNY CHILDS** is the business intelligence practice lead at IronEdge Group. One part programmer, one part data analyst, two parts business consultant, he is equally adept at doing the work as well as writing and talking about it to all levels of an organization.

Reality check: Business intelligence initiatives fail most of the time. Whether that's back-end infrastructure or front-end visualizations, industry analysts show bleak stats on whether or not your project will be valuable and integrated into a company's processes. Our practice focuses on offering Business Intelligence-as-a-Service (BIaaS), and we are often asked why we do this rather than the traditional professional services single-project model. The following story speaks to a would-be business intelligence creator and illustrates why *BI projects frankly shouldn't be projects at all.* Successful business intelligence initiatives are an ongoing process that become intimately integrated with clear channels of communication and consistently cultivated to prune noisy fluff and grow actionable insights.

Let's walk through the beginning of a hypothetical story of how one project turned into a process out of necessity.

DAY ONE. The executives submitted a request for the report. The business analyst starts with some preliminary questions about what information the report will show and what calculations and source data are needed to show it. The data analysts dig through databases and spreadsheets. They put together some huge blocks of SQL and write a fair amount of DAX and maybe even some M. The business analyst probably has multiple meetings with executives and management in order to understand fully what they want to see. The visualization team spends time tweaking fonts and colors and deciding whether to use that new visualization or

feature. The business analyst meets with the executive team to show them the report. The executives are shown how they can click here, see this, click there, see that. The executives give praise and ask for clarification on some things, giving the analysts the chance to show off their knowledge on how the report works. The executives say things such as, "This is extremely useful!" Then everyone leaves that meeting and goes back to working on that other thing, whatever it is.

ONE MONTH LATER. If the analysts have report usage metrics in place, they might check on how popular the report is. They find that one or two executives are accessing it once or twice a week. Good enough, they might say. At least someone is getting some value out of it. If they don't have report usage metrics, the business analyst might ask a manager who seemed particularly enthusiastic only to receive a lukewarm response asserting that it's useful, and they're definitely going to use it … eventually.

> **❝ Business intelligence initiatives fail most of the time. Whether that's back-end infrastructure or front-end visualizations, industry analysts show bleak stats on whether or not your project will be valuable and integrated into a company's processes. ❞**

THREE MONTHS LATER. The report usage metrics show executives and managers rarely access the report. The data analysts see that the scheduled refresh stopped three weeks ago because of a data type error. The business analyst asks the VP of sales what "sales hit ratio" means. Unfortunately, the VP describes a calculation that is wildly different from what is being shown in the report. The analysts check the report, and everything at least seems to be working, except the map illustrating regional supply chain heatmaps is completely broken and displays a blinking exclamation point, waiting for someone who cares to address the issue.

WHAT WENT WRONG?
The business analysts asked the executive team what

they wanted to see on the report. The data analysts found exactly where all the data lives and identified every table and document required to answer the business questions. The SQL is clean, well formatted, and even includes some handy comments for in-line documentation in case someone else wants to contribute. *The report shows exactly what the executive team asked for, too. Unfortunately, that might actually be why no one is using it.* At this point, there is a potent combination of stale, shallow ideas, as well as a lack of maintenance on the data and infrastructure used for the report. These problems alone are "report killers," so let's take a look at how to identify and guard against these issues.

be able to prescribe some actions based on this, such as how often you should communicate with that client, but looking at total revenue doesn't really tell the whole story. From there, you might start calculating cost of goods sold and other ancillary costs associated with supporting and doing business with that client and apply margin estimates. Some business owners are surprised to find that their clients doing the most revenue can have razor-thin margins that put them below other smaller clients from a profitability standpoint. You might start looking at the seasonality of that revenue and understand that a particular client or clients do the vast majority of their business in the summer, which

> **❝ Vanity metrics are usually technically correct and might make you feel good when you look at them but unfortunately only serve that purpose. ❞**

I AM ON A CRUSADE AGAINST VANITY METRICS. Business intelligence is about turning data into prescriptive, actionable, and valuable information. The process of creating this actionable information typically takes many learning cycles and starts with what I refer to as "vanity metrics." Vanity metrics are usually technically correct and might make you feel good when you look at them but unfortunately only serve that purpose. At the beginning of a business intelligence initiative, you might create many of these metrics in order to verify your data quality and accuracy of measures; however, once those measures are shown to be accurate, these metrics should immediately become part of a more interesting story. For example, you might have a chart showing revenue by client for this fiscal year. You *might*

> **❝ The SQL is clean, well formatted, and even includes some handy comments for in-line documentation in case someone else wants to contribute. The report shows exactly what the executive team asked for, too. Unfortunately, that might actually be why no one is using it. ❞**

can allow you to schedule business reviews at a time where they're starting their yearly budgeting, so you can be first on the list of considerations.

Learning cycles are the most important concept in a business intelligence initiative, and you must turn what you've learned into new, more valuable insights that you can immediately expose to the people who have the power — and responsibility — to take action on those insights. Once you've determined that you can accurately measure key *business facts* across various *business dimensions*, you have to start creating and evaluating *business measures*. Business facts are your basic event or occurrence, such as an invoice, support ticket, or server log. Business dimensions describe these facts:

- ‣ Who created that invoice?
- ‣ When was it paid?
- ‣ Which client was invoiced?
- ‣ Who was the salesman that generated the initial quote?

Business measures are derived from qualitative and quantitative data across these concepts. Good examples of basic business measures are margins, SLAs, and hardware/machinery durability and performance ratings. Once you start to define and agree on basic measures, construct more complex measures that take into account multiple simple measures. For example, your company might create a rating scale for your clients that takes into account their average monthly revenue and costs, how complex they are, and their risk of defection, among other considerations. These ratings must be integrated into your processes to make them

prescriptive. For example, a particular client rating might warrant a set amount of scheduled business reviews, phone calls, or other account management actions within a calendar year to combat potential attrition. You can then measure whether your processes are being followed and adjust accordingly. Once you begin to roll these measures up into easy-to-understand and actionable information, you have to reapply this new information to your business processes and ensure everyone who is consuming this information is aware of how to interpret and take action from the information.

Let's go back to our hypothetical project and see what it looks like when it is treated as an ongoing process.

Business intelligence should be a focused lens showing the executive team where to take their next steps. Business intelligence lenses will start out blurry, and the process of getting it — and keeping it — in focus is continuous. Many executives are running blind, relying more on intuition than data. If someone is handed blurry glasses, they might reject those and go back to what was adequate before: feeling carefully around in the dark. Process-based business intelligence continually focuses that lens in order for the company to take on a culture of making confident decisions based not on instinct, but actionable analytics.

> **66 Business intelligence should be a focused lens showing the executive team where to take their next steps. Business intelligence lenses will start out blurry, and the process of getting it – and keeping it – in focus is continuous. 99**

DAY ONE OF THE ANALYTICS PROCESS. The analysts now continually strive to keep data and infrastructure stable, clean, and accurate. The business analysts are learning from the executive team and interrogating them to determine which visualizations are intuitive and actionable, and they are pruning everything else. When VPs see that a particular company is below projected revenue for the quarter, they understand that they are required to get a business review scheduled with their point of contact to go over some recommended infrastructure updates. Executives and management understand that anything in bright red is actionable, and they've integrated these prescriptive KPIs into critical business processes. The analysts will then analyze the results of these actions and further refine the data to drive real, tangible business value to the executive team.

> **66 Many executives are running blind, relying more on intuition than data. If someone is handed blurry glasses, they might reject those and go back to what was adequate before: feeling carefully around in the dark. 99**

TAKEAWAYS:

- ▸ Treat business intelligence initiatives as an ongoing process, not a single project.

- ▸ Data, infrastructure, and definitions of metrics and KPIs change. Empower your team to adapt to this.

- ▸ Work with your business analysts to get to the essence of the questions you're asking.

- ▸ Always be willing to prescribe an action that must be taken when specific KPIs are breached. **C**

GLOBAL BUSINESS INTELLIGENCE MARKET SIZE BY TECHNOLOGIES, 2013-2018 (U.S.$ IN BILLIONS)

Legend: ■ Traditional BI ■ Cloud BI ■ Mobile BI ■ Social BI
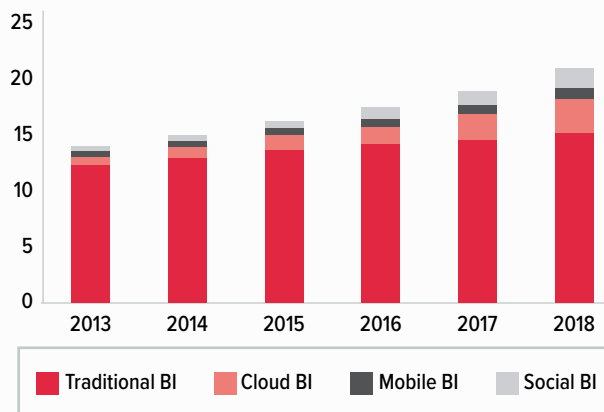
SOURCE: Gartner, Redwood Capital

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