ANALYST CONNECTION

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Digital Distribution Platforms Enable Partners to Navigate Technology Complexity for Their Customers

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Questions posed by: Arrow Electronics

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Q. What are the key elements of the macroeconomic environment that are a backdrop to the technology market today?

A. The technology market is at a very interesting intersection in 2024, balancing between the promise of technology innovation and the continued questions around the economy. Speaking of the economy, IDC's latest end-customer surveys suggest that customer confidence in the economic outlook remains questionable and this might influence budget allocation for the foreseeable future. On the flip side of this, we see continued innovation acceleration, including the GenAI wave, which suggests a technology impact on the top and bottom lines.

At a foundational level, the past few years have seen all customers accelerate their acceptance of digital transformation, and technology in general, out of necessity to remain competitive. However, the accelerated technology innovation trend has also continued, meaning the breadth of choices has grown exponentially, and this in turn has increased the complexity. IDC does not see this complexity slowing down, so the secret sauce will be to navigate it with clear goals. In this environment we see the role of the partner growing as a trusted advisor, helping end customers make the right choices for their business.

Q. IDC recently completed a partner study in North America (NA) and other regions. What are some of the notable survey insights for vendors and their technology partners?

A. IDC's global partner studies are effectively an annual temperature check as to what partners are experiencing, how their business is shaping up, and what elements are key for them moving forward. The recent partner studies completed in 3Q23 offer insights into the partner ecosystem with some key examples from the North American respondents. In detail:

- Partner business mix continues to expand into other areas. The NA partners surveyed suggest that they cover on average 3.2 legacy business models (VARs, cloud service providers, managed service providers, and ISVs, among others) as part of their activities. This finding is supported by other IDC partner surveys that suggest partners have been expanding their activities to enable delivery of total solutions to customers.
- Vendor relationships are fewer in number. For the total NA partner survey, the average number of vendor relationships was 5.4 vendors per partner. Each of these relationships can require significant resources to manage, and the trend is toward reducing the number of partners.
- Two-thirds of partners self-report running a mature cloud business, but 70% are in the early stages of the AI maturity curve. These maturity indexes illustrate the challenges for partners to adopt and transform alongside the market pace.
- The top challenges reported by NA partners are dealing with data sovereignty, vendor relations, economic uncertainty, the digital-first economy, and skills shortage. These are the top 5 challenges among a long list that seem to represent a partner view of navigating many challenges. Interestingly, many of these challenges are also highlighted as opportunities.

For vendors and providers of these partners, the takeaway is that partners are not only transforming their businesses but also looking to navigate the complexity and opportunity alongside their end customers. The focus should be on providing clarity and transparency for partners to evolve — and of course to do this with simplicity.

Q. From IDC's perspective, what are the trends that are helping partners navigate the current environmental complexity?

A. First, partners must themselves navigate current macroeconomic conditions, accelerated technology innovation, and the GenAI wave to help enable business solutions for their customers.

From an enablement perspective, the trend is toward providing both clear guidance and pathways to success for specific technology solutions. Partners do not have infinite resources, so they must make choices around their focus areas, and technology providers that offer clear direction will stand out from the crowd.

The significant growth of marketplaces and other digital platforms is another key trend that enables partners to expand their focus with customers by utilizing these go-to-market platforms provided by vendors. Marketplaces are growing fast as an accepted route to market for customers and partners. However, they tend to be focused on the specific vendor's technology with selected third-party offerings. Distribution marketplaces or digital platforms have a broader focus across a large number of vendors, and they can enable multivendor solutions for partners to take to their end customers.

These digital distribution platforms act as a continually evolving catalog of multivendor solutions that a partner can present to its customers. Partners can add new technology or solutions to their portfolio via the platform. The platforms have also evolved to enable partners to have visibility and control of real-time pricing and billing, optimization of usage for customers, and SecOps and FinOps functionality to enable partners to provide the optimal solutions for their end customers.

Q. What advice do you have for partners to remain competitive in today's fast-paced environment?

A. For partners navigating today's changing market, one key piece of advice is to clarify what their differentiation strategy and focus are today and where they would like to be tomorrow. IDC partner research trends suggest that partners can't be all things to all customers, so focusing on their differentiation, solutions depth, and industry knowledge is key. In effect, partners need to place some key bets in a rapidly evolving environment and plan for what's next.

IDC suggests that partners lean into their technology provider relationships, including their relationships with digital distribution platforms. The depth of enablement and digital platform capability available to partners is very comprehensive, but the key to adoption is focus and then showing up to take advantage of these resources.

Given the complexity and pace of innovation challenges, and the overhead of managing multiple vendor relationships, small to medium-sized partners should be attracted by the value proposition of digital distribution platforms. These can be complementary relationships and should be investigated to unearth the options for enablement, customer-facing billing, pricing across multiple vendor technologies, and the option of an expanded catalog that can be great for cross-sell and upsell opportunities.

Q. What is IDC's view on ecosystem orchestration platforms and the role of distribution platforms in particular?

A. IDC has seen a significant change in the way customers and partners prefer to purchase their digitally based services and solutions. With the rise of cloud marketplaces for end-customer consumption, it has been clear that ordering, fulfilling, and managing digital solutions require a new platform.

IDC has termed these platforms *ecosystem orchestration platforms (EOPs).* They are a relatively new type of monetization platform that enables organizations to efficiently sell and manage a marketplace of recurring services and products from multiple vendors. These platforms were created out of necessity because product-focused digital commerce, product catalogs, and transactional order management systems were not suited for monetizing subscriptions, provisioning SaaS accounts, or installing software.

There are variants of EOPs that are vendor specific (marketplaces fall under this) and customer specific (for distribution of technology to end users) and for broader digital distribution of a wide array of technologies (e.g., distribution, telecoms, and service providers).

The role of digital distribution platforms is to enable partners to provide a larger catalog of digital technology offerings to customers and effectively manage their customer portfolios at scale. The integrated capabilities that distribution EOPs provide can cover pricing and billing, subscription management and optimization, usage intelligence, identity management, analytics and reporting, and much more. The distribution EOP can become the evolving partner catalog and customer management system that allow partners to provide greater technology solutions to their customers as they navigate the rapidly changing market — and grow their businesses as a result.

About the Analyst

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Steve White is program vice president for the worldwide Channels and Alliances research team. He manages a group of channels and alliances analysts as well as their related research products, with extended teams in EMEA and APEJ. The Channels and Alliances research team focuses on research around changing partner ecosystem dynamics, following the trends and best practices to allow benchmarking.

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