

Five Predictions for 2008

By Crimson Consulting's Allan Adler

Looking into 2008, Crimson Consulting has prepared five major predictions based on data from a study of solution providers conducted with Ziff Davis Enterprise last summer and other market observations. A number of tech trends and directions evident during 2007 will have a lasting impact on the channel. These include the continued rise in managed services provider and application service provider business models, which prove that social computing isn't just for college kids, and significant vendors are investing significantly in the mid-market.

1. ***Partnering with other solution providers will become strategic (and common).*** We've talked about peer to peer, as it's affectionately referred to, for a while. Now advances in use and availability of social computing and recognition by vendors of the importance of partnering and communities are making it possible for providers to make money through partnering. We expect to see a lot of this in the midmarket, where ISVs, systems integrators and consultants are creating FUD. Partners are now overcoming FUD and beginning to connect with each other to provide leads and become better-trusted advisers to customers.
2. ***Solution providers will more formally target business decision makers.*** While many ISVs already work with these decision makers, solution providers traditionally have targeted technical decision makers. Unless providers change their strategy to approach the business decision makers, they will be vulnerable as people running the business get more involved in technology purchases. We predict that most good solution providers that don't currently target business decision makers will do so formally or will build communities to do so indirectly.
3. ***Solution providers will favor influence over reselling business models.*** As of mid-2007, less than half of all providers actually resold. We think by the end of 2008 the percentage of providers reselling will drop to 40 or below. Why? For the same reason resellers looked to distributors in the '90s and this decade to offset the cost of buying direct from vendors, resellers will gradually let go of reselling to larger-scaled operations. Evidence of this can be found in LARs (Large Account Resellers) and large vendors like Microsoft providing incentives to providers to source their software purchases through scaled reselling operations. This allows providers to focus on solution selling and high-value areas such as professional services and/or customer software development.

4. **Solution providers will build "leveraged" marketing organizations.** The Ziff Davis Enterprise/Crimson study highlighted some interesting and superficially contradictory findings. For instance, a large percentage of providers are looking to grow through customer acquisition while admitting that their marketing capabilities are weak and not an area of investment. While we don't foresee leading providers setting up full marketing organizations, we expect the smart guys to build leveraged marketing organizations directly tied to their lead vendors. The goal will be to work closely with larger vendors to kick off co-marketing campaigns that promote the solution providers and the vendors concurrently. Top vendors like Cisco Systems and Microsoft are generating some real successes with scalable programs for partners, but providers need internal points of coordination to maximize their share of vendor spending and tie vendor events seamlessly into sales processes.
5. **Solution providers will continue to specialize, going deeper rather than broader across core competencies.** Currently providers are split between those offering broad solutions for a wide range of clients and those that offer niche solutions for narrow sets of clients. As providers increasingly partner and target business decision makers, we see them doubling down on their core competencies to become best in class and drive higher-value, higher-margin services. This prediction is anchored in the desire of more than 60 percent of solution providers to increase services revenues.

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