

Research report

Partnering for success: state of the IT channel ecosystem

A global study of 1,700 IT and technology resellers
on their business outlook.

Sage



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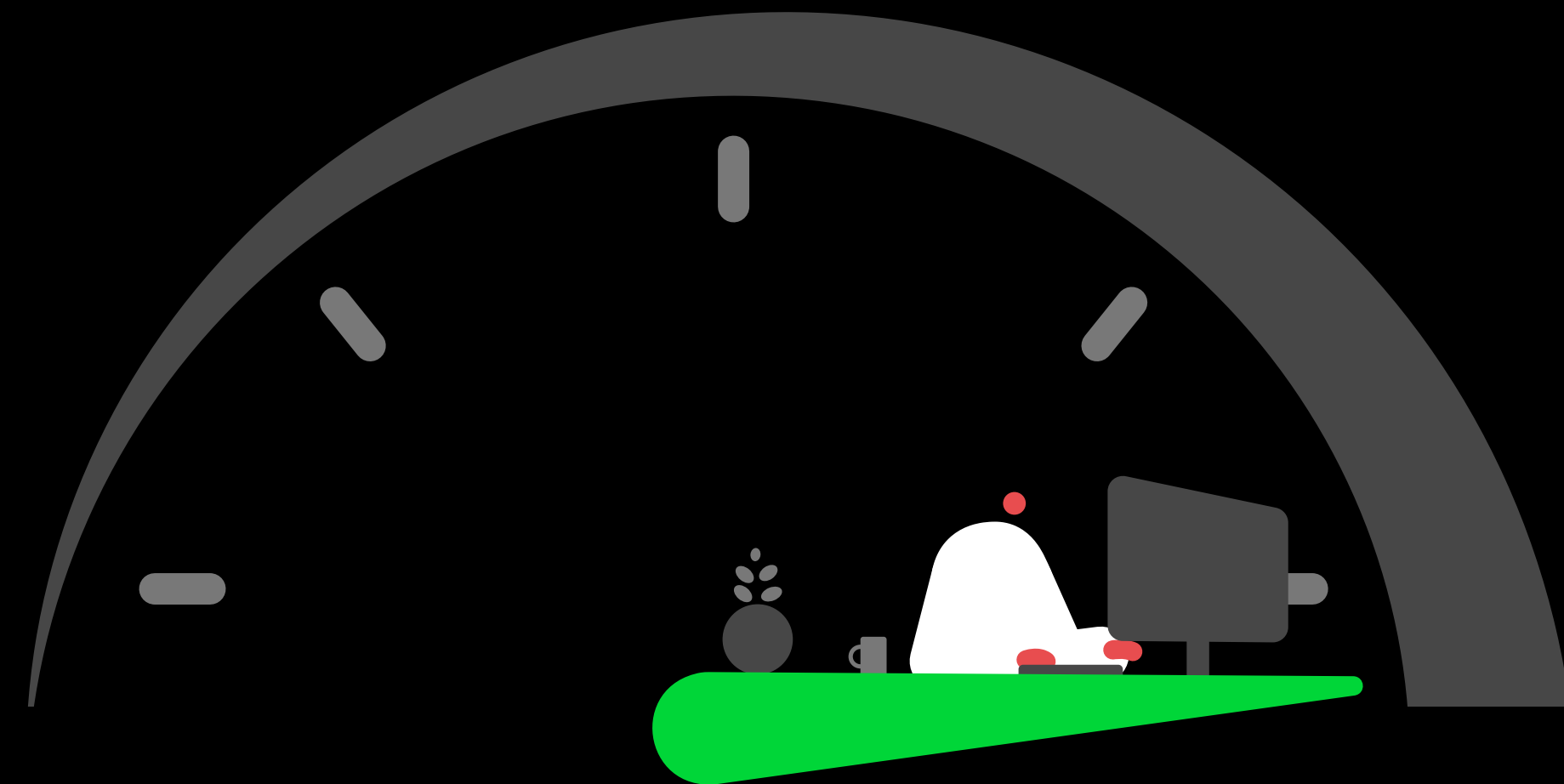
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The **state** of the IT channel **ecosystem**

Foreword by Eduardo Rosini
– **EVP, Partners and Alliances at Sage**

The IT industry has undergone a significant amount of change over the past few years, and this won't slow down in 2023, as businesses continue to navigate geopolitical, economic and skills crosswinds. Despite this, the recent explosion in generative artificial intelligence (AI) and sustainable computing is feeding long term recovery.

While market conditions are tough, the good news – reflected in this year's data and my own conversations with partners and customers – is that despite our collective challenges, the positive outlook of the channel remains strong, with demand from customers for innovative solutions driving future revenue growth.

Beyond numbers, it's impressive to see businesses actively bringing new technologies into the channel and working hard to upskill their workforces. Our study shows that AI and automated services are among the most in-demand services for IT and tech resellers, as well



as cybersecurity solutions and SaaS applications. 47% of those surveyed expect customer interest in AI to accelerate, with half (51%) actively working to bring related skill sets into their own teams. It's clear that while tech is a huge focus, people remain a greater one.

We are looking at a positive and capable marketplace that is not just primed for growth but invested in the opportunities that new technology can bring. What is also clear is the need for ongoing support from trusted partners, who know from experience that sharing expertise is vital to helping the global channel community expand, scale, and grow.

Key takeaways

47%

of respondents expect customer interest in AI to increase in the next 18 months

59%

of respondents are investing in upskilling their workforces

51%

are actively recruiting employees with skill sets in AI and machine learning

Our study offers a snapshot of how IT resellers are navigating the changing tech landscape and taking advantage of new customer opportunities, the current state of play, and how the market can be expected to evolve over the coming months.

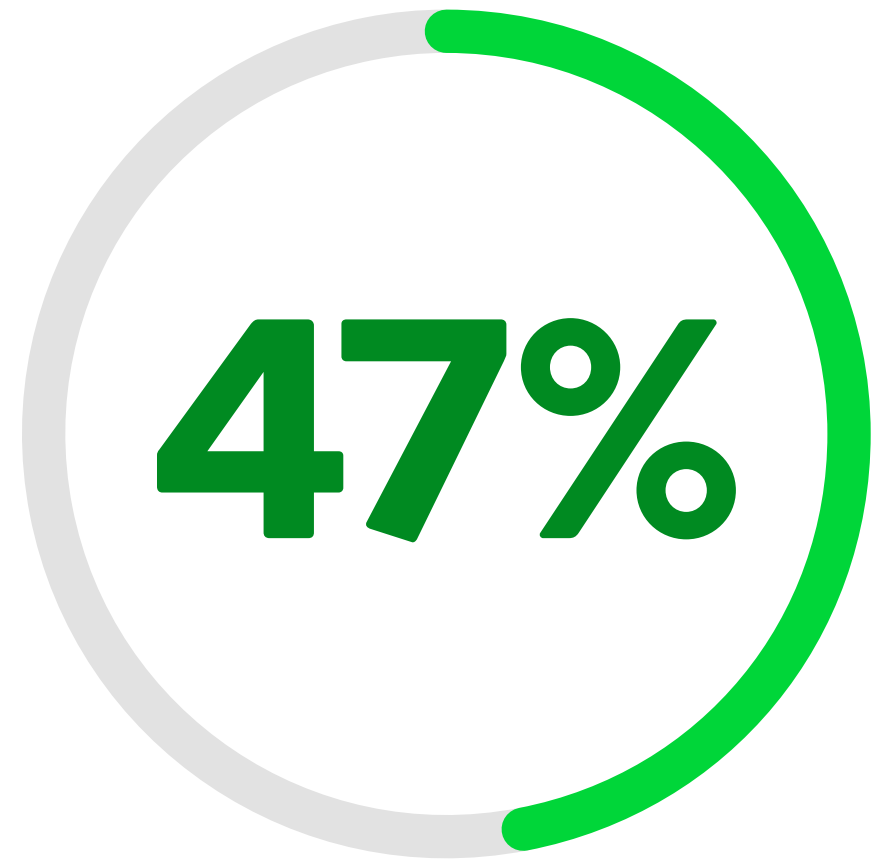
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The research emphasizes the need for companies to anticipate customer demands and make purposeful investments that will propel growth and maintain a competitive edge. Central to this transformative journey is the power of AI, particularly generative AI, as a critical accelerator. This wave of AI still requires judgement, experience, and guidance, so humans plus technology working together is where we will get great outcomes.

It's this approach which will see organizations unlock new levels of productivity, innovation, and customer-centricity, subsequently creating a powerful catalyst for success.

Gearing up for the **AI revolution**



state customers are looking to expand into AI and automated services

The explosion of AI tools, and iterations such as generative AI are fuelling demand from customers for new tech-driven revenue streams. AI is among the most in-demand service for respondents globally. Almost half (47%) of those surveyed said that AI and automated services is a revenue stream of most interest to customers today – and they anticipate this will remain the case in 18 months' time.



of respondents are looking to recruit AI/ML skills within their business

With demand and interest in AI exploding, it's no surprise to see over half (51%) of IT resellers saying they are looking to bring more AI and machine learning talent into their business.



of respondents see AI and automated services as vital for their organization's growth

This interest in AI isn't just being driven from customers. A third of respondents (33%) listed AI and automated services as vital for their organization's growth and customer pipeline, alongside cybersecurity solutions (33%) and cloud and SaaS applications (30%).

Placing greater emphasis on ESG

The majority of those surveyed (86%) are placing a greater emphasis on environmental, social, and corporate governance (ESG) when responding to new business opportunities. This is a slightly higher priority for respondents in the US (94%) and South Africa (94%).

Almost half (46%) say rising inflation and the global cost of living crisis is impacting customers' businesses and supplier costs, and IT resellers are investing in being resilient to economic shocks as part of their strategy. Higher energy and infrastructure costs are a greater problem in Germany (50%) and France (49%) than the US (35%), Canada (32%) and South Africa (33%).

86%

of respondents have a focus on sustainability while supporting customers

51%

said the longer-term impact of societal issues such as global conflict is the main issue facing their business

46%

say rising inflation and the global cost of living crisis is impacting business

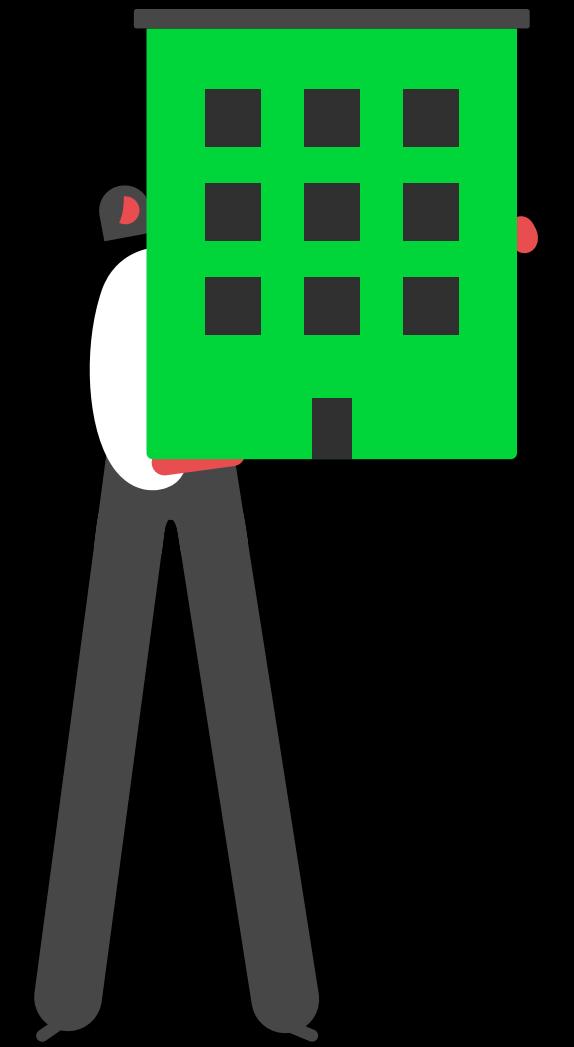
Embracing **customer demand** as a catalyst for **business transformation**

When it comes to customer demand, in addition to AI and automated services, resellers are reporting that cybersecurity (45%), Cloud and SaaS (39%) and public cloud services (36%) are priority areas of interest looking to the next 12 months.

While there is overall consistency between the countries involved in the study, respondents in South Africa (63%) are placing a higher emphasis on cybersecurity solutions, whilst demand for Cloud and SaaS applications is greatest in North America (47%).

Respondents cited the Metaverse (14%) and Blockchain (12%) as the solutions which will be vital for future growth in the channel.

Most in-demand services in 2023



Upskilling for success

The scramble for tech talent continues in persistently tight labour markets: a thread running across every sector. Under pressure to meet rising service expectations, 59% of respondents are investing in upskilling their workforce with 53% adding more AI, automation, and machine learning skills into their business over the past 18 months.

In the same timeframe, nearly half (45%) of respondents have invested in providing customers with affordable entry points or adopted e-commerce or flexible payment capabilities (44%), and over a third (41%) have extended their line of cloud-native products to suit SMB needs. Reacting to this market change, 36% are focused on employing new salespeople with SMB and vertical expertise.

To close the skills gap, over half of respondents say they are looking for, or will be recruiting, cloud computing skills (53%), while 52% will make cybersecurity expert hires. Additionally, 51% are on the hunt for AI or experienced machine learning staff.



51%

of respondents are looking to recruit AI and automation skills within their business



53%

will concentrate on bringing more cloud computing skills into their business



36%

are employing salespeople with SMB and vertical sector expertise to support new affordable customer entry points

In South Africa, 58% of respondents reported that they are looking for programming, coding and development skills, a higher percentage than across any other market. Big data skills are also proportionally more in demand in South Africa (54%), although a notable proportion in the US (49%) and Spain (48%) are also looking to recruit these skills.

The crucial role of support systems



91%
of respondents are satisfied with vendors' marketing and sales materials



50%
of respondents said they would be more likely to upsell or recommend solutions that are easy to understand

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Sales and revenue generation are only as good as the support they receive from vendors' marketing and sales teams. When it comes to support materials - particularly around novel, emerging tech solutions - 91% of respondents are satisfied with the marketing and sales materials they receive from vendors with 39% rating them highly.

Driving the inclination to recommend and upsell products from vendors is the ability to easily understand and communicate solutions. Half (50%) said they would be very likely to upsell or recommend solutions that are easy to understand. This rose to 72% in South Africa and 71% in the US, demonstrating the importance of clarity of message when supporting the channel.

Conclusion

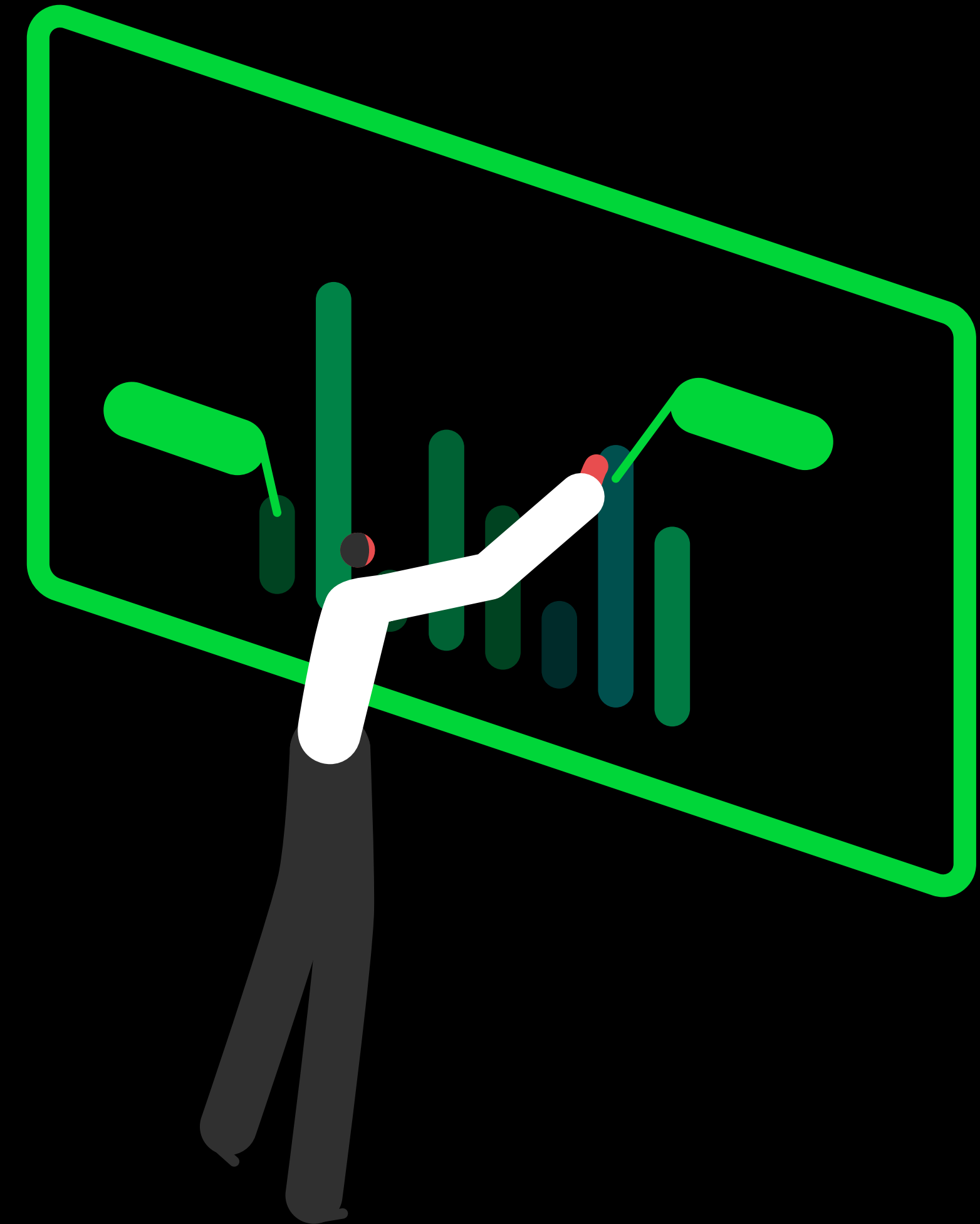
Staying one step ahead is a key component of success in the current marketplace as the channel consolidates budgets, slims margins by investing in AI and new talent, and provides customers with affordable product entry points.

This demand is being met with innovative Cloud and security products, while the channel also explores new product portfolios that supports the demand for generative solutions.

The demand for cloud and financial services also remains strong as customers find new or improved ways to manage their organizations in response to global headwinds.

The scramble for tech talent continues in persistently tight labour markets – one possible answer to the time taken to convert, buy, and deploy new solutions.

To stay ahead, companies need to anticipate their customers' demands and invest in the areas which will support or accelerate growth. The desire for support when selling these products is understandably high and this is where trusted partners can help the channel community with support and guidance, to plan future success.



Summary of methodology

Sage's research was conducted by independent market research company, Danebury Research, between 4th April and 19th April 2023, via 1,700 online interviews with IT and tech resellers (specifically, decision makers in the tech industry whose company resells tech and IT supplies/services). The 1,700 interviews were split across nine markets: UK, U.S., France, Germany, Portugal, Spain, South Africa, Canada, and Australia.

Country	Sample Size
UK	500
U.S.	500
France	100
Germany	100
Portugal	100
Spain	100
South Africa	100
Canada	100
Australia	100



1,700
IT & Tech resellers



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Markets

About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and medium-sized businesses served by us, our partners, and accountants. Customers trust our finance, HR, and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology, and experience to tackle digital inequality, economic inequality and the climate crisis.

About Danebury Research

Danebury Research is a global full-service market research company based in Stockbridge, Hampshire. It works with both agencies and clients on a global level. With access to a panel of over 200 million respondents, Danebury Research is dedicated to empowering brave decisions through the provision of reliable, accurate, and representative data. Services offered by Danebury Research include market research, brand research, customer satisfaction surveys, employee surveys, and PR surveys.

For more information about Danebury Research and its market research services, please visit the company's website at www.daneburyresearch.com

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