Going Global: The Channel's Expanding Horizons

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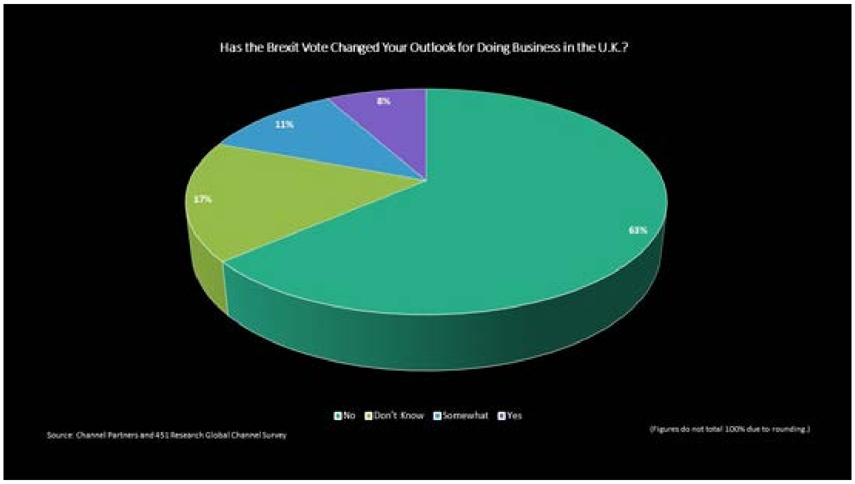
Ellis Booker

By Ellis Booker

Partners have good reason to adopt a more worldly outlook: Customers want global reach, emerging markets offer serious growth potential and suppliers stand ready and able to support an international sales strategy. The election of Donald Trump is seen by companies currently selling outside the United States as giving a boost to their global ambitions, according to a new survey by Channel Partners and 451 Research. They're not all that worried about Brexit, either.



Our top-line finding: The world could be your oyster — if you have the gumption to reach out and grab it.

"We have no issues selling internationally, other than keeping up with demand," said Cliff van Tonder, executive vice president, alliance partners at Avoka, which specializes in helping financial services firms with customer-centric digital transformations. "We're averaging about 40 percent [of revenue] in Europe, 35 percent and growing in the USA."

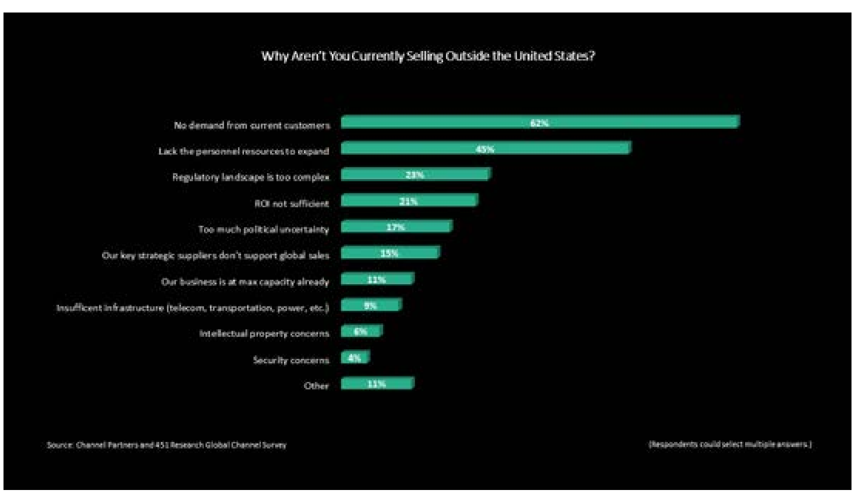
The online Global Channel survey, conducted between January and February 2017, attracted more than 150 qualified respondents. Most, 56 percent, sell outside the United States now, with an additional 15 percent saying they intend to ramp up global sales within 24 months.

Forty percent said the results of the 2016 presidential election will help global business prospects either significantly (22 percent) or somewhat (18 percent) versus 28 percent who see Trump's win as a negative. Intriguingly, one respondent said the Trump administration, which has consistently vowed to eliminate what it contends are burdensome government regulations, will help no matter *how* it alters existing rules: "If substantial regulatory changes are made, this can only serve to reinforce why customers need an agile platform like ours," said the respondent.

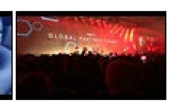
Talk about looking on the bright side.

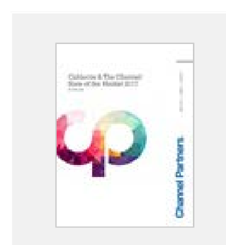
Still, fully 30 percent of respondents said they do not sell outside the U.S. market and have no plans to do so.

"That's a tragedy," said Eric Hanselman, chief analyst at 451 Research, noting the untapped opportunity for international business, including in Africa, where there's huge potential and rising tech stars. Hanselman chalked up reticence to look abroad to a mix of two factors: a lack of motivation by partners comfortable with their domestic sales and leaders who may have had, or heard about, a bad experience.



"Most have a horror story about managing [a transaction], closing a sale or being paid," he said. "I think that hovers over people's understanding."





That may be so, but when we asked respondents what's holding them back, the No. 1 answer, cited by 62 percent, was no demand from current customers. That indicates a need for partners to act as business advisers. Stats support an intervention: The **2016 Global Connectedness Index** from shipping provider DHL shows that the 20 free-trade agreements currently in place enable even the smallest U.S. companies to do business with the 95 percent of consumers who **live outside of the United States**.

According to the U.S. Department of Commerce and the **Small Business Administration**, trade accounts for 30 percent of the U.S. economy, but that business is being served by just 300,000 U.S. companies.

That sounds like a lot, but the **International Trade Administration** says firms that export goods and services represent just 1 percent of the United States' 30 million companies — 98 percent of them comprising the small and midsize businesses served by the channel.

Forty-five percent of those respondents to our survey whose firms are not operating globally cited a lack of personnel resources to expand, with the problem especially acute among agents and VARs. Some 11 percent said they were not selling internationally because their business was already at "max capacity." Perhaps they haven't checked in with their master, distributor and supplier partners lately.

At the Ready?

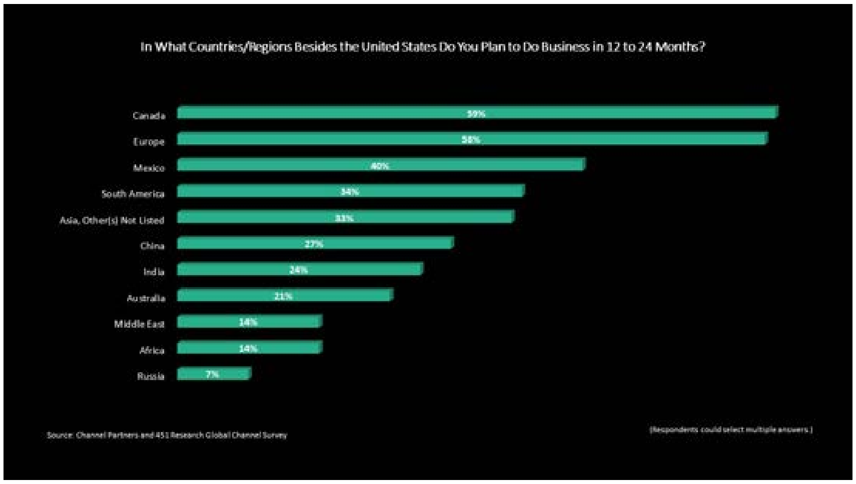
"Provisioning was a nightmare, because the channel wasn't developed," said Vince Bradley, founder of WTG, looking back just a decade ago. Bradley says that a global footprint was always the vision for the connectivity services distributor and top master agent, which celebrated its **20th anniversary** last year. "We literally had to create channels," Bradley said, noting that the company, which picked Europe as its first non-U.S. market, entered Asia and Latin America in 2010.

Immature channels like Latin America still have issues with process, he said. This includes order flow, commission payments and what Bradley calls ROE, or rules of engagement.

"There's an indirect correlation between the maturity of the channel and the ease of doing business with that channel," he said. Echoing a key survey finding, Bradley said he runs into channels that have the right process and assets, but lack enough personnel. This is especially problematic for multilocation bids that require a quick turnaround on quotes.

Despite lingering problems, suppliers seem to be mostly on top of challenges. Seventy-three percent of respondents consider their strategic distributor partners equipped to support global sales, though only 22 percent said their distributors are "extremely ready" versus 51 percent qualifying that answer, saying they're only somewhat ready.

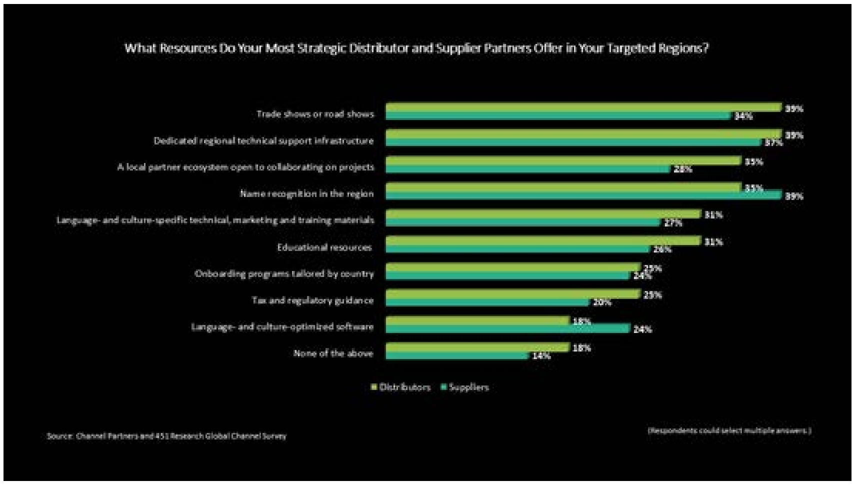
Understandably, language is a top barrier for U.S. companies expanding into markets in which English is not dominant. Chris Joseph, vice president of marketing and product management for master cloud services provider **NetEnrich**, said entering non-English-speaking markets is complicated because the channel relationship doesn't end with the sale. Already-charged day-to-day service and support issues can be exacerbated by misunderstandings both linguistic and cultural. In fact, several commenters cited the potential for confusion, not just with issues like taxes and Safe Harbor laws or the requirement to have local staff.



"These are questions that must be asked," said one consultant. "You have to understand local culture and how to work with them. Never assume anything."

NetEnrich's Joseph said this highlights just one benefit of using local partners, who can serve as a language bridge and cultural adviser, as well as handling advanced customer requirements or complicated problems. It may also help explain why survey respondents, when asked where they currently do business outside the United States, were heavily weighted to Europe (72 percent) and Canada (70 percent). A distant third was Australia, at 36 percent. These preferences carried over to the question of where companies intend to do business within the next 12 to 24 months. Canada topped that list at 59 percent, followed by Europe at 58 percent, Mexico at 40 percent and South America at 34 percent. Interestingly, Australia dropped to 21 percent.

Suppliers, masters and distributors looking to support partners' efforts to go global have a variety of enablement options — some more within their control than others. While the most-cited resource provided by both distributors and suppliers was dedicated regional technical support infrastructure, name recognition in the region came in second, rated at 35 percent for distributors and 39 percent for suppliers.



For these most-popular resources, there was a correlation to size. That is, among respondents from smaller organizations, many said their supplier partners help with dedicated infrastructure and name recognition more than their distributor partners do. As size of company increased (beyond 50 employees) the importance of these two resources decreased, but suppliers still remained ahead of distributors.

In a few instances, respondents gave distributors a slight edge compared with suppliers, notably offering a local partner ecosystem open to collaborating on projects and trade shows or road shows. More suppliers, however, offer language- and culture-optimized software.

Other reasons survey respondents cited for not selling outside the U.S. include a complex regulatory landscape (23 percent), insufficient ROI (21 percent), too much political uncertainty (17 percent), and key strategic partners not supporting global sales (15 percent).

At reseller Manic Enterprises, which counts WTG as a partner, working out compliance is the biggest obstacle. "Regulatory is the first consideration," said CEO Ron Carmanico, who says about 40 percent of his business is international.

Those regulatory headaches are likely to increase when the EU's new **General Data Protection Regulation** (GDPR) goes into effect in May 2018. A recent **PwC pulse survey** shows that 77 percent of U.S. multinational corporations will spend at least $1 million to achieve compliance before the deadline; 32 percent plan to reduce their presence in Europe, while 26 percent intend to exit the EU market altogether. GDPR's aim is to streamline EU laws to protect citizens' data, and heavy fines will be imposed for noncompliance.

This represents an opportunity for partners that can make sense of the EU regulatory landscape, often with some help from suppliers. Microsoft is working to **prep its partners,** and managed cloud security services provider Armor announced in March a U.K.-focused program to enable partners to address the GDPR.

One surprise result: Worries over intellectual property and security were negligible among our survey respondents.

Advice From the Trenches

Overall, survey respondents mostly agreed on the common obstacles to global business: cultural/language barriers; lack of communication and miscommunication; and logistical issues such as time delays, time zones, tax codes, regulation and compliance.

Still, global selling seems well prepared to continue, notwithstanding political changes in the United States or elsewhere. So how do you prep for success?

While many respondents said a peer partnership with a local channel provider can be a lifeline, Vijay Basani, founder, CEO and chairman of security-as-a-service provider EiQ, advises his partners to beware of limiting their options.

“It’s risky to engage in an exclusive partnership," Basani said. Always verify the provider’s true on-the-ground presence in target regions, and get local references, because given the importance of end-customer relationships, getting locked into a bad deal could stop a global support initiative in its tracks.

Basani had similar advice about distributors. Just getting on a catalog, while an easy step, proves little. He said to ask about experience selling similar products and heed red flags, including not committing resources (marketing, training, certification) or a lack of a strong ecosystem of downstream channel partners.

EiQ, which earns about 10 percent to 15 percent of its revenues from outside the U.S, has added some 35 new channel partners in the past year.

NetEnrich is also careful about adding new partners from the 10 to 30 prospects it evaluates each month. About half of these convert, but not without vetting. “It takes a couple of months," Joseph said.

Avoka’s Tonder agreed: Take it slow, and be selective.

“We treat partners the same way we treat new employees," Tonder said. "An understanding of the banking process is table stakes. Ideally, new channel partners have multiple, complimentary facets to your own team's."

It’s important to audit the engineering and support capabilities of not only your partner but the international providers they do business with, and know how these organizations coordinate with their own channels, said Manic Enterprises' Carmanico.

“Ask a lot of questions, and get the answers you need," Carmanico said. “The more work you do up front, the less you’ll be surprised." Like Tonder, Carmanico said training new partners is worth the time and expense.

Unfortunately, the size of the firm isn’t a guarantee of competence. “Sometimes, the biggest are the worst," he said.

451 Research’s Hanselman says companies need to be strategic, not reactive, when it comes to adding international partners — and that long-term planning should precede vetting new channel distributors or masters. He cautioned about making decisions about international expansion based simply on what a competitor is doing.

“You can do vetting, but you have to have clearly established goals about any new market," said Hanselman. “Just because a competitor showed up there, doesn’t mean [that market] fits with your business."

Survey Respondent Profile

Of the 184 survey respondents, 86 percent said they currently work for a U.S.-based solutions provider in the indirect IT/telecom channel (agent, VAR, MSP, systems integrator, technology or strategic consultant). Agents represented 30 percent of this group, followed by managed service providers (16 percent) and VARs (15 percent). Respondents were weighted toward organizations with fewer than 50 full-time employees (70 percent) and annual revenues of less than $10 million (60 percent). Midsize organizations ($10 million to $249 million) were slightly more represented than large ($250 million-plus), at 22 percent and 18 percent, respectively.

Ellis Booker is a familiar name in the computer trade press, where he held senior editorial posts at a number of A-list IT publications, including CMP’s [now UBM’s] InternetWeek, Mecklermedia’s Web Week and IDG’s Computerworld. At Computerworld, he led the paper’s internet and electronic commerce coverage in the early days of the web and was responsible for creating its weekly Internet Page. Most recently, Booker was editor-in-chief of Crain Communication Inc.’s BtoB magazine. He ran BtoB, as well as its sister title Media Business, for a decade.
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